

UNAPPROVED

**CITY OF BLAINE
ANOKA COUNTY, MINNESOTA
CITY COUNCIL WORKSHOP
Thursday, November 9, 2017**

6:30 p.m.

Cloverleaf Farm Room

10801 Town Square Drive

CALL TO ORDER

The meeting was called to order by Mayor Ryan at 6:30 p.m.

ROLL CALL

PRESENT: Mayor Tom Ryan, Councilmembers Andy Garvais, Wes Hovland, Julie Jeppson, Jason King, and Dick Swanson.

ABSENT: Councilmember Dave Clark.

Quorum Present.

ALSO PRESENT: Planning and Community Development Director Bryan Schafer; Public Works Director Jon Haukaas; Interim Police Chief/Safety Services Manager Dan Szykulski; Finance Director Joe Huss; Economic Development Coordinator Erik Thorvig; Public Services Manager/Assistant City Manager Bob Therres; City Attorney Patrick Sweeney; Communications Technician Roark Haver; and City Clerk Catherine Sorensen.

3.1 Discuss Potential Economic Development TIF District for Crown Iron Works Project.

Economic Development Coordinator Thorvig stated for almost two years staff has been working with a company called Crown Iron Works (Crown) about relocating their global headquarters to Blaine. Crown is currently located in Roseville with additional offices in six other countries worldwide. Crown is a global supplier of oilseed extraction technology, refining plants and processing equipment. They are an industry leader with over 400 large scale Crown designed facilities operating world-wide. The proposed building in Blaine would house their global office headquarters with executive level and administrative staff and design engineers, along with research, development and testing areas for the design of large scale oilseed extraction technology. Crown currently provides 102 jobs. The projected number at the new location is approximately 125 jobs. Staff described the types of jobs and salaries that would be expected within the corporate headquarters.

Economic Development Coordinator Thorvig reported Crown has researched several sites across the north metro, however has identified the site at 9879 Naples St. as their preferred location. This property is owned by Mortenson Construction, who used the property as a contractor's yard up until a few years ago. Mortenson is proposing to construct a 70,000-sf. office/research and development building and 5,000 sf. extraction building for Crown. Crown would lease the building from Mortenson. The original estimated project cost was \$14,037,521. Crown requires very specialized finished areas for their office and research/development work, causing construction costs to be much higher than typical for the developer.

Therefore, under this proposal, it would have required rent amounts for Crown to be \$15.00/sf. annually, which was outside of Crown's budget for rent and much higher than market rate for this area.

Economic Development Coordinator Thorvig provided further information on the financial aspects of this project and stated there is a \$1.2 million gap. He proposed using \$300,000 in pooled redevelopment TIF account with the remainder being funded through an Economic Development TIF district for the project. The property currently collects \$35,000 in property taxes. It is anticipated the annual taxes generated by the project will be approximately \$150,000. Therefore, the increase in taxes paid, or tax increment, of \$115,000 annually, can be contributed to the project over the 9-year period to fund the \$900,000 gap. Staff believes Crown is a very strong company that Blaine should pursue. They have indicated that if the financial gap is not able to be resolved, it likely will result in them looking elsewhere for a project that will be more financially feasible for them. Staff believes the TIF proposal is consistent with the City's economic development goals and should be pursued. The EDA/Council should discuss the proposal and direct staff to continue to work with Crown and to prepare documents to establish an Economic Development TIF district to assist in making the project economically feasible.

Jeremy Jacobs, Mortenson Development, introduced himself to the Council and commented on the Crown project proposal in further detail. He explained all structures on the site had been demolished and the property was ready for redevelopment.

Mike Hoerle, Vice President of Engineering for Crown Iron Works, described the type of engineering work conducted by Crown Iron Works. He stated Crown has been in business for over 140 years and their headquarters was currently located in Roseville, Minnesota. He shared that at this time, Crown was looking for a new world headquarters to house their engineers, R&D and senior staff.

Councilmember Jeppson asked if any new staff members would be added after the new headquarters was completed. Mr. Hoerle stated he currently had 102 employees in Roseville and was looking to have approximately 125 in the new headquarters. He indicated he was in a high growth industry and anticipated more employees could be added over time.

Mayor Ryan requested further information on how the equipment works. Mr. Hoerle provided the Council with additional information on the vegetable oil/bio-fuel industry.

Councilmember Swanson asked if Crown would have visitors to their corporate headquarters that could potentially draw another hotel to the City. Mr. Hoerle reported he would have a large number of visitors from around the world, both customers and employees.

Councilmember Hovland stated he supported the proposed headquarters for Crown Iron Works.

Councilmember King agreed and explained the proposed use would be a great fit for this site.

Councilmember Swanson explained he was not always in favor of TIF, but in this case, the proposed TIF would spur economic development in the community while bring a great company into Blaine.

Mayor Ryan agreed stating he supported the short-term TIF.

Councilmember King commented he was also in favor of the TIF for Crown Iron Works.

Steve Chirhart, Crown Iron Works real estate representative, discussed the sites Crown has considered in the metro area and noted the property in Blaine was by far the preferred site. He explained Crown would remain in their current location until May of 2019. He said he believed Crown would be a fantastic neighbor and great employer for the City of Blaine.

Council consensus was to direct staff to begin work to establish an Economic Development TIF district for Crown Iron Works as proposed.

3.2 Blaine 2040 Update – Land Use/Housing.

Planning and Community Development Director Schafer stated WSB, the City's consultant on the Blaine 2040 plan, would be providing an update on the progress of the Land Use and Housing Chapters. This is a check for the City Council to discuss those chapters as well as take a look at the few land use changes proposed for the 2040 map.

Breanne Rothstein, WSB, provided the Council with an overview on the Land Use and Housing Chapters within the Comprehensive Plan and commented on the project timeline. She said the draft Land Use Map was reviewed and the changes were highlighted with the areas being brought into the MUSA were noted. She encouraged the Council to keep the plan market responsive.

Councilmember Jeppson asked if the proposed land use change near the National Sports Center would keep the solar array moving forward. Planning and Community Development Director Schafer stated this would not impact the solar array.

Further discussion ensued regarding the value of addressing Land Use in order to spur redevelopment in the City.

Councilmember Swanson commented on how retail was changing. He questioned if commercial sites should be reevaluated to become light industrial. Planning and Community Development Director Schafer provided further comment on the remaining commercial sites in the City. He anticipated that the market would determine how these properties would develop.

Councilmember King stated he would like to see the Kmart site redevelop as a mixed use redevelopment.

Councilmember Garvais commented he would like to see the City work to better connect its commercial and retail spaces. He requested the Council address this matter in further detail at a future worksession meeting.

Mayor Ryan questioned when the airport property would be reviewed within the Comprehensive Plan. Planning and Community Development Director Schafer stated this area of the City was included in the Transportation section of the Comprehensive Plan.

Mayor Ryan discussed the importance of the City having a wide variety of housing options. He said he believed the City was in need of more slab on grade homes. Further discussion ensued regarding the City's housing stock and changing housing needs.

Councilmember Swanson suggested staff speak with the City of Coon Rapids regarding the property on the other side of Northtown Mall to see what their plans were for the future for a potential joint redevelopment opportunity.

Councilmember Hovland asked if the City was looking at any redevelopment areas for housing in Blaine. Planning and Community Development Director Schafer commented any portion of the City could be considered for a housing redevelopment. He discussed how the mobile home parks could be redeveloped in the future.

Economic Development Coordinator Thorvig stated the Blaine housing market was quite strong at this time.

Mayor Ryan commended the housing code enforcement staff for their efforts in his neighborhood.

Councilmember Swanson commented on the school district population numbers and how this would impact housing. He stated there were a lot more children in his neighborhood than in previous years and said he believed there was a disconnect in the numbers between the City and school district.

Ms. Rothstein stated she would further investigate these numbers and would report back to the Council. She thanked the Council for their valuable input on the Land Use and Housing portions of the Comprehensive Plan.

3.3 2018 General Fund Budget Update.

Finance Director Huss stated on September 7, Council adopted the preliminary General Fund Budget and Tax Levy for Certification to the County. The proposed expenditure budget totaled \$30,794,750 and included \$247,275 in unidentified balancing provisions. It was acknowledged that acceptable balancing provisions would take the form of increased non-levy revenues; expenditure reductions; reallocation of proposed General levies, and/or a combination of these three options. The total adopted preliminary tax levy was \$27,213,275. Since the adoption of the preliminary budget, Anoka County has updated its market value estimates and other tax-base related information. Based on this updated information, the City's overall estimated 2018 Tax Rate is 36.776%, slightly (.125%) below the target rate of 36.901%. With regard to the General Fund, staff has identified and is recommending certain balancing provisions that, if adopted by Council would eliminate the funding gap and provide for a safe margin of revenue over expenditures of \$141,525. Staff reviewed several recommendations for the General Fund Budget and requested feedback from the Council.

Councilmember Jeppson asked what the City would be doing with the excess fund balance. Finance Director Huss reported the City was expected to have \$2.5 million in unrestricted reserves at the end of the year, most of which was due to additional permitting revenues and general underspending. He explained the Council has discussed using a portion of these funds (\$250,000) to pay down the assessments for Lever Street. He indicated the City was anticipating a good deal of permitting revenue again in 2018.

Councilmember Garvais stated he did not support the Council approving an unbalanced budget.

Mayor Ryan said he did not support the proposed revisions to the budget. He suggested only \$150,000 be put into parks versus \$400,000. He stated he wanted the Council to move forward with their commitment to better communication by including the communications position as proposed.

Councilmember Swanson said he supported the \$400,000 being put into parks as this would allow the Council to complete more improvements but stated he could support this amount being reduced to \$300,000.

Councilmember King stated he too would like to see the Council approving a budget that was balanced.

Councilmember Hovland suggested the 1% increase be split into two 0.5% increases which would allow the increase to be phased in over two years.

Councilmember Garvais asked how often the City was replacing playground equipment. Public Services Manager/Assistant City Manager Therres stated the City originally had a 15-year cycle for playground equipment. He noted this was pushed back to 20 years after the recent recession.

Councilmember Garvais supported the City keeping the full \$400,000 in park development and improvements. Finance Director Huss commented on the Neighborhood Park Improvement Plan and stated \$200,000 in interest earnings has been used to assist with purchasing playground equipment. He indicated 2018 would be the last year for this program. He reported the Council could continue this program with the new levy as a funding source for playground equipment.

Councilmember Garvais stated he would like more information on the condition of the City's parks and those that needed the most repair. Public Services Manager/Assistant City Manager Therres reported the City would be completing a Parks Master Plan in 2018, which would provide the Council with better numbers on the City's parks.

Councilmember Jeppson noted that the Council already had \$400,000 earmarked for parks in 2018. She suggested the \$100,000 in interest earnings be used to fund the gap in the budget. Finance Director Huss stated this would be an opportunity for the Council.

Councilmember Swanson stated he did not want the Council reducing its investment in parks. He said he feared that if a reduction was made, it would be difficult to make an increased investment in future years.

Councilmember Garvais stated he could support Councilmember Jeppson's recommendation.

Further discussion ensued regarding the City's Pavement Management Plan PMP.

Mayor Ryan commented on the importance of the City continuing to fund the PMP plan, while also properly maintaining and sealcoating its streets.

Councilmember Hovland stated he was proud of the Council's efforts on the PMP. He said he believed the City was making a difference by properly maintaining and gaining on City streets. He said he supported the Council keeping the PMP funding at a high rate in order for the City to keep its promises.

Mayor Ryan commented he would like to see the City pursuing additional grant opportunities for replacing the infield on the Miracle Field.

Councilmember Garvais suggested the Park Board be reviewing this opportunity along with other park plans early in 2018.

Councilmember Swanson stated he would like to better understand the expense for replacing older sidewalks, like the ones in Aquatore Park.

Council consensus was to direct staff to bring back an amended General Fund Budget for review on December 14, 2017.

3.4 2018 Proposed Capital Fund Budget II.

Finance Director Huss stated at the September 14, 2017 Workshop, staff introduced the first draft of the Proposed 2018 Capital Budget. The budget has since gone through additional staff review as well as the City Manager's review. At the November 9 Workshop, staff will review the proposed budget with the Council and discuss potential funding sources. At this point, it appears that funding would include both the use of unrestricted General Fund reserves and the issuance of a capital equipment certificate. Staff requested the Council review and prioritize the 2018 Proposed Capital Budget.

Councilmember Garvais commended staff for their efforts on the 2018 budget.

Councilmember Jeppson asked where the planning for a new quint fire truck would come into the budget. Finance Director Huss indicated this would be a 2019 expense and noted the City would have to borrow for this expense.

Councilmember Jeppson stated she received a question from the public regarding the possibility of the City being removed from the 911 dispatch system.

Mayor Ryan explained the City has invested millions of dollars in the current dispatch system and did not believe it would be wise for the City to try and provide its own 911 dispatching services.

Councilmember King encouraged the new Public Works Director to review the City's mowing services and see if it made sense to continue to complete this work in-house or if it should be contracted out.

Mayor Ryan thanked staff for all of their efforts on the 2018 budget.

OTHER BUSINESS

None.

The Workshop was adjourned at 8:48 p.m.

ATTEST:

Tom Ryan, Mayor

Catherine Sorensen, CMC, City Clerk

Submitted by TimeSaver Off Site Secretarial, Inc.