

CITY OF BLAINE
ANOKA COUNTY, MINNESOTA
CITY COUNCIL WORKSHOP
Monday, February 1, 2021

6:00PM
City Council Chambers
10801 Town Square Drive

CALL TO ORDER

The meeting was called to order by Mayor Sanders at 6:00PM. Due to the COVID-19 pandemic this meeting was held both in person and virtually.

ROLL CALL

PRESENT: Mayor Tim Sanders, Councilmembers Wes Hovland, Julie Jeppson, Chris Massoglia, Richard Paul, Jess Robertson, and Jason Smith.

ABSENT: None.

Quorum Present.

ALSO PRESENT: City Manager Michelle Wolfe; Community Development Director Erik Thorvig; City Planner Lori Johnson; Public Works Director Jon Haukaas; Deputy Police Chief Dan Szykalski; Finance Director Joe Huss; City Attorney Chris Nelson; City Engineer Dan Schluender; Water Resources Manager Rebecca Haug; Administrative Services Director Cassandra Tabor; Communications Technician Roark Haver; Communications Manager Ben Hayle; and City Clerk Catherine Sorensen.

3.1 Artis REIT Financial Request Proposal.

Community Development Director Thorvig stated this item was originally discussed at the January 11, 2021 workshop and since that meeting staff has gathered additional information to assist the City Council in making an informed decision regarding the proposal. At the January 23, 2021 City Council retreat, staff provided background information on the mechanics of TIF, wetland credits and other EDA funding sources. Staff provided further comment regarding the project-specific information related to TIF and noted representatives from Artis REIT were in attendance to provide the council with further information on the project.

Dan Swartz, Commercial Real Estate Broker with CBRE, introduced himself and noted he had extensive experience working in the City of Blaine. He discussed the industrial real estate market and described how COVID has created a demand for this space. He stated the Twin Cities had a 4.7% vacancy rate for industrial real estate, while Blaine only has a 3% vacancy rate. He explained there was only one vacancy in the community at this time. He commented on how Blaine has been impacted by absorption over the past five years. He discussed the marketing that has been done for the property in Blaine and noted he has six different groups interested in the site. He reported he was trying to add more industrial space to Blaine and stated space along the I-35W corridor was valuable.

Alex Rexroad, Artis REIT Financial, thanked the council for their time. He discussed the \$3.3 million financing gap and how this impacted the site. He stated the 30 acre parcel of land was owned by Jerry Miller and Whitewater Properties. He noted Mr. Miller has owned this parcel of land for over 20 years. Further

discussion ensued regarding the inherent barriers for this parcel which were the wetlands, a FEMA ditch, the grades and fill necessary, along with the stormwater requirements. He explained he was proposing to keep the highest quality wetlands and would be filling the remainder of the wetlands with mitigation occurring on a 2:1 basis. He stated the public assistance being requested would assist with covering the expense to address the barriers on this parcel.

Mr. Thorvig discussed the funding gap and explained staff developed four options that would assist with financing the project through TIF and wetland credits. Staff requested the council discuss the financing package and provide direction for staff on how to proceed.

Councilmember Smith asked if wetland mitigation was typically on a 1:1 basis versus a 2:1 basis. Mr. Thorvig reported wetland mitigation was done on a 2:1 basis which meant if an acre of wetland was being filled in, two acres of wetland credits would have to be purchased.

Councilmember Robertson anticipated the property owner understood the challenges with this property. She questioned if the cost for the land had been negotiated to take into account these challenges. She stated \$3.3 was a significant amount of money and she wanted to understand all of the measures that had been taken. She asked if this would be the largest TIF district the city had ever created. Mr. Thorvig commented on the city's other TIF districts and reported this would be a very large investment in this TIF district. Mr. Swartz stated the issues on the parcel were discussed with the property owner and noted they were not fully aware of the extent of costs to develop this parcel but were learning more about the barriers for developing this property. He explained this led to a conversation with the developer about the price for the property, along with financial gap conversations with staff.

Councilmember Robertson stated she could support a hybrid option for financing this development along with offering EDA wetland credits. She reiterated that \$3.3 million was a significant amount of assistance for the city to offer compared to recent TIF districts for Aveda of \$1 million and Crown Iron Works for \$1.2 million.

Councilmember Jeppson explained this was a significant project and she found the TIF district attractive because this was a huge project. She stated while the size of the TIF district was large, the percentage was in alignment with what has been done in the past, given the size of the overall project. She shared concerns that if TIF was not offered, the project would become more complex and patchworked in the future. She reported it was attractive to have one developer working on this site versus having several different companies working on the site in the future. She indicated she would still have to further discuss the wetland credit options.

Councilmember Hovland stated he supported Option 2 of offering assistance through TIF only.

Councilmember Paul agreed this was a huge project and that he understood other developers have walked away from this property. He commented on the value of this property being close to the I-35W corridor or industrial users then explained he supported Option 1 because it provided both wetland credits and capital.

Councilmember Smith reported he supported moving forward with Option 1 that included TIF and wetland credits. He indicated this would be a large TIF district, but it would also be one of the largest projects completed in Blaine. He stated Crown Iron Works was a tremendous project for Blaine and the proposed project was three times that size. He stated this would be a very large project that he would like to see move forward.

Councilmember Massoglia commented he would not support creating a TIF district for this project. He stated property along I-35W would be in high demand moving forward and Blaine was in a unique position. He said he did not believe land had to be incentivized at the taxpayer's expense. He stated he appreciated Artis REIT's interest and would love to have this development in Blaine, however did not support offering a \$3.3 million incentive.

Mayor Sanders explained he appreciated the conversation and thoughts that were being shared. He indicated he supported Option 3 as a combination of TIF and wetland credits at a lesser amount moving forward for this project. He referred to the but/for test and said without the city stepping in this property would not develop. He commented this would be a significant development for Blaine that would bring new jobs. He reported he would like to have more discussion about the wetland credits. He supported staff moving forward with Option 3 and to further negotiate the level of wetland credits offered to the developer.

Councilmember Hovland indicated he would be willing to allow staff to further negotiate the wetland credits but did not want to have the city give them all away. He stated offering this type of TIF was something to take into consideration, however he believed in the end, this project would be a win-win for Blaine. While he still preferred Option 2, he would support allowing staff to negotiate the wetland credits.

Councilmember Robertson stated she understood the reward on the investment but noted she would have a hard time being convinced to go with Option 2 or 3. She supported the council moving forward with a more hybrid option.

Councilmember Jeppson asked what the impact of the proposed TIF district would be on residents and taxpayers, versus the use of wetland credits. Mr. Thorvig stated the impact to residents and taxpayers would be zero for both options. He reported EDA wetland credits are available to assist with development and tax dollars would not be taken from residents. He commented this was the same for TIF dollars.

Mayor Sanders commented he was not willing to go to the full amount for the wetland credits, and therefore supported the city moving forward with Option 3.

Council consensus was to provide TIF assistance under Option 3 with direction to staff to further negotiate with developer regarding wetland credits.

3.2 10041 Polk Street Zoning Code Enforcement.

Mr. Thorvig stated the property at 10041 Polk Street has been the subject of multiple zoning code violation complaints since 2009. The five-acre property contains three industrial buildings that were built in the early 1970s and was part of an original farmstead that was built in 1915. The original home still exists on the five-acre property immediately south however the properties are not under the same ownership. The property is currently zoned I-1, Light Industrial and has had this zoning classification since the 1970s. When the property was developed in the early 1970s, very few uses existed in the area. The adjacent residential development began in the early 1990s. The site is very non-conforming meaning it does not meet current I-1, Light Industrial zoning requirements. For example, the parking lot is not paved, setbacks are not met and proper screening has not been established. Non-conforming properties are allowed to continue and there may be a point in the future where improvements are required. In addition, the buildings are not sprinkled and it's likely the property owner will be required to do-so in the future depending on the use. Staff explained there are currently two businesses located at the property that have outstanding violations and provided the council with further information on Camel Towing and KG Landscaping.

Mr. Thorvig commented typically, code enforcement matters are handled administratively however given the impact on existing businesses staff felt it was appropriate to inform the City Council of this unique circumstance and request direction. Staff is seeking the direction on whether to proceed with a citation process for Camel Towing. If an immediate citation is not issued the business would need to relocate regardless however would be provided a period of time to do-so and how long of a period of time to allow KG Landscaping to remain while they find an alternative location.

Mark Dahl discussed the history of this property and noted his dad has owned this property since 1971. He reported the site has always had outside storage, along with the neighboring properties. He discussed the 1997 photo and described the landscaping equipment that was onsite. He reported he hired Premier Commercial Properties to replace Camel Towing. He indicated a lot of the tenants want a reasonable amount of outside storage, and the lack of outdoor storage was making the site unattractive to future tenants. He requested the city provide a reasonable amount of outdoor storage.

John Dahl, owner of the property, described how properties developed around his property over the past 50 years. He reported the homes came after his business was well established. He indicated he did not object to the apartments or townhouses surrounding his property but these properties were now objecting to his operation. He requested the city staff and council work with him and allow these businesses to remain in place.

Kent Glideon, KG Landscaping, stated his business has been in operation for the past eight years and he has 25 employees, half of which live in Blaine. He explained the majority of his landscaping and snow removal work occurred in Blaine. He commented how we wanted to remain in Blaine but noted there were not any other viable options at this time. He requested the city work with him and his business in order to allow him to stay in Blaine. He reported he could screen the property if this would help the neighboring properties. He stated he was interested in reaching a solution in order to move his business forward.

Mayor Sanders said he appreciated the small business owners in Blaine and all they do for the city. He discussed how the council had to balance the city's zoning code with business owners and residents and how it was his hope the city and business owners could arrive at a solution that would ensure these businesses continue to be a part of the fabric of this community.

Councilmember Hovland asked if the City could purchase this site for future redevelopment and offer up the land north of 105th Avenue and Radisson Road for KG Landscaping. Mr. Thorvig stated staff has not had a conversation with the property owner about purchasing the site, adding he did not know if the property owners were willing sellers and the city did not want to encourage future outdoor storage.

Councilmember Jeppson thanked the property owner and KG Landscaping for being a part of this conversation. She appreciated the commitment both of these parties had to the city. She stated she supported the city moving forward with a citation for Camel Towing. She indicated she was also in favor of working out a solution over the next year where we can best serve KG Landscaping through March 2022. She believed this was a fair and reasonable timeline.

Councilmember Robertson supported Councilmember Jeppson's recommendations and moving forward with the citations for the towing company. She wanted KG Landscaping to have enough time to relocate and suggested they have until March 2022 to find a new location in Blaine. She appreciated the fact that KG Landscaping and the Dahl's have been working with the city on this matter.

Councilmember Paul asked how many times the city had contacted Camel Towing regarding the code enforcement violations. Mr. Thorvig stated he did not know the exact number but reported they have not been responsive to the city. He reported he has been working with the Dahls over the last 18 months and the property owner does not want this use on the site any longer.

Councilmember Massoglia stated he would like to see the property grandfathered in given the fact the city changed the zoning around this use. He explained the property owner has owned this property since the 1970s and was concerned that it would be very difficult for KG Landscaping to find another property in Blaine to relocate. He questioned what the complaints were for the KG Landscaping site. He stated he understood KG Landscaping would be willing to install additional screening on the property.

Council consensus was to support citation for towing company and allow until spring 2022 for landscaping firm to relocate elsewhere in the city.

3.3 2021 Board/Commission Appointment Process.

City Clerk Sorensen stated staff is suggesting virtual interviews be scheduled for February 22, 23, and 24 with the interviews beginning at 6:00PM and taking 10 minutes per candidate. It was noted electronic copies of applications will be sent prior to interviews. Questions were revised and will be forwarded to applicants prior to interviews to assist with responses. She explained the Council policy on appointments specified term limits - members who have served more than three terms have been highlighted. Senior Advisory Board expires January 31 but members have been informed that Council will make these appointments in conjunction with the others.

Ms. Sorensen reported as two members of NRCB will not be renewing, staff is recommending the Council consider reducing the number of members to 9. The NRCB was established by Resolution in 2001 and included Board structure/appointment process. The structure has evolved over time and the number of members has ranged from 7 to 11 and is currently at 10. This may be the opportunity to reduce the Board size to better facilitate meetings. The goal of the Adjunct Member was to engage students (high school) in local government. With the current Adjunct Member approaching grad school, staff would like to discuss possible options for this program for 2021.

Councilmember Jeppson reported she would not be able to attend interviews on the evening of February 23, 2021.

Councilmember Robertson supported the city extending the adjunct student commission program because this was a great opportunity to engage young people in city government.

Councilmember Hovland agreed and suggested the program be expanded to include the three high schools represented in the community.

Mayor Sanders agreed the student commission program should continue and/or be expanded.

Council consensus was to hold interviews as proposed and to continue or extend the adjunct student commission program.

3.4 Blaine Wetland Credit Sales.

Water Resources Manager Haug explained the city has two wetland banks in the Blaine Wetland Sanctuary (BWS). The northern portion of the BWS has a bank known as Site 7 for regulatory purposes and was set up as a funding source for the city's open spaces and trails. Site 7 has the potential of creating 81 acres of wetland credits when fully restored. The other bank is the central portion of the BWS and is known as Branch 3 for regulatory purposes. This bank was established for the Economic Development Authority as an incentive to developers. Branch 3 has created 55 acres of wetland credits and the EDA has sold about half of the credits. The city recently received a release of 5.724 acres of wetland credits for Site 7 bringing the balance to 14.1052 acres of credits available for sale. Of the 14.1052 credits, staff has agreed to hold 1.5074 credits for two proposed development projects. This leaves the city with 12.5978 credits until the next release of credits anticipated in January of 2022. Credit release amounts are determined by the regulatory agencies yearly and are based on how the site restoration is performing.

Ms. Haug explained staff has received a request for a sale of 7.644 acres of wetland credits for a proposed public road project in the City of Medina. The applicant is requesting a price of \$2.35/sq. ft. because it is a large purchase of credits and it is for another municipality. The applicant is also willing to pay all transaction fees. Prices for wetland credits are based on market demand. In speaking with other wetland bank holders in the area, the average rate is currently at about \$2.50/sq. ft. The city has been selling credits for \$2.50/sq. ft. with the majority of the city's credit sales for small amounts less than 1 acre. Prices for wetland credits do vary and fluctuate frequently. Staff commented further on the proposed wetland credit sale and requested feedback from the council on how to proceed.

Councilmember Smith thanked staff for the detailed staff support and stated he supported the proposed sale of the wetland credits.

Council consensus was to support the wetland credit sale for \$2.35 per square foot.

The Workshop was adjourned at 7:24PM.

Tim Sanders, Mayor

ATTEST:

Catherine Sorensen, CMC, City Clerk
Submitted by Minute Maker Secretarial