

CITY OF BLAINE
ANOKA COUNTY, MINNESOTA
CITY COUNCIL WORKSHOP
Monday, October 11, 2021

6:10PM
Council Chambers
10801 Town Square Drive

CALL TO ORDER

The meeting was called to order by Mayor Sanders at 6:10PM.

ROLL CALL

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

Adjunct Member Drew Brown.

ABSENT: None.

Quorum Present.

ALSO PRESENT: City Manager Michelle Wolfe; Community Development Director Erik Thorvig; Public Works Director Jon Haukaas; Police Chief/Safety Services Manager Brian Podany; Finance Director Joe Huss; Communications Manager Ben Hayle; Deputy Finance Director Ali Bong; and City Clerk Catherine Sorensen.

3.1 Council Requested Items for Discussion.

City Manager Wolfe stated Councilmember Massoglia has submitted a request to discuss ARP Funding. She discussed the amount of ARP funding the city had been awarded and noted the treasury guidelines. She explained staff was preparing a spending plan according to these guidelines.

Councilmember Massoglia suggested ARP funds be considered for the Lift Station No. 12 project noting this may assist with keeping sewer rates in check. He indicated ARP funds could also be considered for the remodeling of Water Treatments Plants 1 through 3. He stated he would like staff to research if ARP funds could be used to assist with covering the expense of increased staffing within the police department.

Mayor Sanders supported the council having a more detailed discussion regarding ARP funding and how it would be allocated by the city. Ms. Wolfe stated she would be happy to bring ARP funding back to the council for further discussion at a future workshop meeting. She noted staff was receiving advice from Baker Tilly on ARP funding and this information would be brought back to the council.

Councilmember Smith supported the council discussing the ARP funding at a future workshop meeting.

Councilmember Paul stated he supported Councilmember Massoglia's recommendations and looked forward to discussing ARP funding further.

Councilmember Jeppson explained she has had five to seven residents contact her regarding concerns they have with the sod from their street improvement project and shared these residents were requesting to have this sod replaced. She requested this sod be replaced at the city's expense.

Councilmember Robertson supported the sod being replaced at the city's expense.

Councilmember Paul said he understood residents have been asking for help and supported the city taking responsibility for the failed sod.

Councilmember Hovland supported making these homeowners whole by replacing the sod. He recommended a further discussion be held regarding how long the bond was held for the contractors and the warranty offered on the sod.

3.2 Rainbow Village/Roers Apartment Tax Increment Financing (TIF) Request Discussion.

Community Development Director Thorvig stated at the June 14, 2021 City Council workshop, a redevelopment proposal was presented to the City Council for the Rainbow Village retail center located at County Road 10 and 87th Lane. The new owner of the site is proposing to remove the old Rainbow grocery store tenant space (which has been vacant for 7+ years) on the east side of the site, and Roers Companies would construct a 220-unit apartment building. In addition to the apartments, the proposal includes renaming the center to the Blaine Lakes Center, new building elevations, new site signage, new lighting and landscaping upgrades. After discussion at the June 14, 2021 workshop, a majority of the City Council was supportive of continuing the process with the developer. Prior to the project moving forward, the developer needs clarity from the City Council regarding TIF assistance for the project. This action would require the establishment of a TIF Redevelopment District.

Mr. Thorvig explained tax increment financing is a tool the City may consider using to support financial assistance for the project, subject to meeting the "but for" test and need for public

financial participation. A blight inspection confirming qualification of the building as substandard for inclusion in a TIF District would need to be completed to provide the basis for which a Redevelopment TIF District could be established. City staff, with assistance from Baker Tilly, have been working with Roers to understand the developer's financial pro-forma for the project and determine the amount of TIF necessary for the project to be financially feasible. The developer has identified the overall project cost to be \$48,787,851. The developer has requested \$7,225,000 in TIF.

Michaela Huet, Baker Tilly, provided the council with a brief overview on TIF financing and discussed the TIF request from Roers in further detail. She described the expenses that could be covered by TIF dollars, which included the costs prior to vertical development. The appropriate level of TIF for a project was discussed and it was noted the appropriate range would be from \$5.9 to \$6.4 million. The analysis for this project was further reviewed and staff asked for feedback from the Council.

Shane LaFave, Roers Companies, thanked the council for considering his project. He provided the council with context on the project and noted he was not requesting the city to provide funds in the amount of \$7 million but rather was asking to share increment over the next 25 to 30 years. He discussed how the project would provide workforce housing (80% AMI) for the community. He commented on a similar housing project that he recently completed in the city of Fridley. He reported there was a need for this type of housing in Blaine and he understood the TIF request was a large request from the city.

Councilmember Hovland noted he was not in favor of this project. He believed this property should be used as a transition from single family to multi-family. He was of the opinion the adjacent homeowners would not appreciate looking at a four story apartment building. He understood the Rainbow Village was in need of redevelopment but believed this was not the proper site. He explained he would not be supporting the TIF request for this project.

Councilmember Smith indicated he supported the project and the use of TIF. He agreed there needed to be a better transition between this project and the adjacent neighborhood. He recommended this building be pulled back from the existing homes. He recommended the developer consider installing a playground for this development given the fact there would be a large number of families with children living within the complex.

Councilmember Jeppson asked how Blaine compared to other cities of like size, when considering the number of TIF districts the city has. Mr. Thorvig reported Blaine has six districts currently. Finance Director Huss explained the city has a policy in place that it will not exceed 10% of its tax base in tax increment value. He noted at this time the city was below 1% of total tax capacity within a tax increment district versus the total tax capacity or land value.

Councilmember Jeppson stated looking at past projects, the city has historically offered 10% in TIF for projects. She indicated this was the case for the recently approved TIF District along I-35W for Artis. She asked staff to speak to why the developer was requesting more than 10%. Mr. Thorvig explained this factor was something that was considered in the recommended amount. He agreed the number in previous projects was typically around 10%.

Councilmember Jeppson indicated she could support a 15 year TIF note with an amount that was closer to 10%.

Councilmember Smith commented one difference between the previously approved projects and this project was that the previous projects created jobs in the community and this would create affordable housing.

Councilmember Robertson questioned how many high density housing projects in the community have an affordability factor. Mr. Thorvig reported Dominion, several senior housing projects, Crestview, and ACCAP.

Councilmember Robertson explained she would prefer to wait on this development given the fact the city was working to complete a study on the entire Northtown area. She anticipated additional TIF projects would be considered by the council in the near future for affordable housing projects. She understood this site was blighted and was in need of redevelopment, however was concerned with the subsidy level being requested for this project. She indicated she could possibly support getting closer to the 10% range in TIF for this project with a 15 to 20 year range.

Councilmember Paul questioned what the rental rates would be for the proposed units. He explained he supported the project but noted he would want to ensure the complex had a proper building manager. Mr. LaFave reported the apartment building would have studio to three bedroom apartments and the rental rates would be from \$1,100 to \$1,900.

Councilmember Massoglia indicated he did not support any TIF for this project. He supported waiting for the redevelopment of the entire Northtown area. He believed it made more sense to find out what would be done with the entire area prior to incentivizing a small project within the area. He was of the opinion Blaine does not need to incentivize residential growth. He explained he appreciated Roers' interest in working in the city of Blaine but recommended the city not offer TIF financing for this project until a plan was in place for the Northtown area.

Mayor Sanders commented Roers has been a fantastic partner to the community and believed the product Roers delivers sets the standard when it came to market rate apartments. He discussed the historical values of TIF that have been approved by the council and noted he had a little consternation surrounding the rental assistance. He was of the opinion the proposed apartment units were very nice but he wanted to be assured that the

city got this redevelopment area right. He understood that success breeds success. He questioned if it was right to redevelop the first area surrounding Northtown with a subsidy product. He explained he was in favor of TIF, at the right level. He indicated this project would bring the right people to the Northtown area and would lead to success for the surrounding area.

Mr. LaFave commented on how it was difficult to be the first, but can lead to other developers wanting to be second and third to develop in a new area. He thanked the council for their feedback and stated this would help him in moving his plans forward.

Councilmember Jeppson questioned if subsidized rental units would be provided in this building. Mr. LaFave reported there would be no rental subsidy, rather the rental rates would be lower than would be seen if a market rate were opened with rates at 100% AMI.

Councilmember Jeppson explained she looked forward to the council further discussing affordable housing in Blaine because she did not believe \$1100 to \$1900 a month in rent was affordable.

Mayor Sanders agreed this would be a valuable conversation but noted the matter before the council this evening was if TIF should be considered for this redevelopment project. Mr. Thorvig commented some level of TIF would be needed for this project given the fact it was a redevelopment project.

Mayor Sanders thanked Mr. LaFave for his presentation and stated he looked forward to having future discussions regarding this project.

3.3 Critical Incident Communications.

Safety Services Manager/Police Chief Podany stated a critical incident and civil unrest response presentation was presented to council in May then provided the council with a follow-up presentation that specifically addressed the police department's communication during a critical incident. He reviewed topics which included internal versus external communications, as well as other considerations that may come up in critical incidents that relate to communications then discussed the difference between public and private data.

Mayor Sanders thanked Police Chief Podany for his detailed presentation.

3.4 Proposed 2022 Water and Sewer Utility Funds Budgets.

Mr. Huss introduced newly hired Deputy Finance Director Ali Bong to the council then reviewed the 2022 proposed water and sewer utility funds budget as part of the city's comprehensive budgeting process. He described the investments the city has been making in

the city's infrastructure, staffing, technology and water treatment systems. He reported due to these expenses some level of capital reserves have to be recovered which meant rate adjustments would have to be considered. Staff commented further on the proposed increases and requested comments or questions from the council.

Councilmember Jeppson discussed the proposed rate increases. She questioned if the conservation rate could be used across the board versus an increase per 1,000 gallon. Mr. Huss explained the basic rate would remain unchanged and the upper tiers would be increased by a greater rate. He noted the city could look to do this, but a larger increase may be required for the upper tiers. He commented the basic need and domestic use of water would not change.

Councilmember Jeppson stated she supported raising the rates for the higher end users. She reported water was incredibly valuable and those residents using a lot of it should pay more for it. Mr. Huss indicated he could do an analysis where a different structure on the increase was considered.

Councilmember Massoglia stated he supported this as well. He stated he supported a tiered rate increase to see if the city can keep the rate increase down as much as possible. He encouraged staff to investigate if ARP funds can be used for some of the capital improvement projects in order to keep utility rates down. He encouraged the city to remodel water treatment plants 1 through 3. He understood this would come at a significant cost, but he would like to see the city prioritizing these projects. Mr. Huss commented this may be a possibility along with other grant funds. He cautioned council that for a number of years, neither Blaine's water or sewer rates were adjusted for 10 to 12 years and the city was still feeling the affect of that. However, he noted from an overall affordability standpoint, the community has remained affordable. He discussed how staff has worked to strike a balance to charge for the services used by residents currently versus people using water in the future.

Councilmember Hovland commented on the discussions that were held when the first water treatment plant was built. He reported the city now has four water treatment plants and had recently paid to upgrade the city's SCADA system. He noted plans were in place for these increases but he understood rate increases were necessary. He stated he had hoped that the increases would not be as substantial as proposed. He questioned if the rates would be reviewed every five or ten years. Mr. Huss explained staff would like the council to review the utility rates on an annual basis to ensure there is not a further draw down on the reserves. He stated the city may be able to promote conservation efforts by only increasing the upper tiers.

Councilmember Hovland asked if a hybrid rate could be created to have increases charged to the upper tiers but that the increase only be 15 cents versus 20 cents per 1000 gallons. He anticipated this would feather the increase out for residents. Mr. Huss commented if the

incentive is to reduce the use of water, this would impact overall revenue as well. He reiterated that overall Blaine residents pay very little for its utilities.

Councilmember Smith explained Blaine has very low rates when compared to other communities. He discussed the proposed increase and noted the point of the increase would be to have this fund covering its expenses.

Councilmember Jeppson agreed the city needed to build up its reserves but supported the city finding a more reasonable way to collect utility fees based upon how much water people were using.

Councilmember Smith asked if there were different rates for residents or businesses/ commercial users. Mr. Huss reported the city charges the same rate for all users.

Councilmember Smith anticipated the biggest users in the community would be the brewery and schools in the community. Public Works Director Haukaas reported this was the case and noted Aveda was another high consumer of water. Mr. Huss stated the manufactured home park was another large consumer of water.

Councilmember Robertson commented at some point time rates have to reflect revenue balances and reserves. She questioned why the city never discusses spending less money versus trying to generate more revenue.

Councilmember Hovland stated some cities provide a dual rate in order to meter water used for irrigation so it can be billed back at a separate rate. He did not know if this would be practical for residential properties, but this could be considered for commercial properties. Mr. Huss explained he was not aware of any communities that charged a separate rate for irrigation water, but understood some communities had a reduced sanitary sewer rate for commercial accounts that irrigated. Mr. Haukaas reported the city does not have the ability to provide raw water for irrigation.

Councilmember Massoglia explained he supported Councilmember Robertson's comments. He noted when rate increases are proposed this led him to review the increases in expenses and why they are needed. He requested further information on the proposed expenses.

Councilmember Paul thanked staff for the detailed report on the proposed utility budget. He stated the increase from 10 cents to 20 cents would impact residents. He asked what this was due to. Mr. Huss reported this was due to increased expenses in the overall water operations and from the major improvements that had been completed on the city's water system.

Mr. Huss discussed the sanitary sewer fund and the proposed rate changes.

Councilmember Paul stated he supported the proposed rate increase for the sanitary sewer fees.

Councilmember Massoglia encouraged staff to reduce expenditures as much as possible so as to not have the sanitary sewer fund going into the negative.

Councilmember Robertson requested staff email these presentations to the council after the meeting.

Mr. Huss thanked the council for their feedback and noted he would be finalizing these budgets for council approval at an upcoming meeting.

3.5 Facebook Live Town Hall.

Communications Manager Hayle stated in February 2020 staff brought a recommendation to the city council to start a Facebook live town hall program. At that time council was generally supportive of the idea and it was decided that the first town hall would take place in April 2020 and be focused on the development process. The town hall was canceled due to the COVID-19 pandemic. Prior to the pandemic staff worked to integrate our council chambers control room with the city's Facebook page to be able to host these live town hall meetings directly on social media. The city has over 13,000 followers on Facebook and this would be a new way to engage the community. Staff suggested events be held quarterly and is looking for council feedback on the recommendation to start a Facebook live town hall program.

Mayor Sanders stated he supported the city working to find new ways to engage with the community. He suggested a town hall meeting be held in February for TH65. He recommended that this be an informative event for the public. He believed there was a lot the city could do through this style of community engagement and could be a lot of fun.

Councilmember Jeppson agreed this was a great opportunity for the council to engage with residents. She cautioned staff from restricting the council to quarterly meetings in the event that an important topic may arise.

Councilmember Hovland questioned how the council would decide on topics or would these events strictly be educational in nature. He asked if there were boundaries at all. Mr. Hayle explained staff would curate a potential list of topics and would begin holding events quarterly and could adjust as necessary. He understood some of the events would be educational based, while others would be conversational in nature.

Mayor Sanders suggested the live events be topic driven, but that suggestions also be taken from the public.

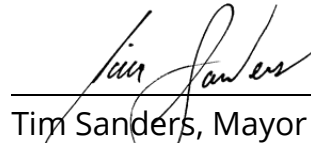
Councilmember Robertson supported the city pursuing this. She recommended the city engage the public where they are at versus telling them what the city thinks they want to know. She suggested staff take questions from the public prior to each event in order to have these matters addressed at the live event. She also recommended that events not be held just quarterly in the event another issue were to arise.

Councilmember Smith recommended materials be drafted by staff to provide the public with information on the proposed meeting topics. Mr. Hayle explained staff would assist with preparing the public and city councilmembers for each meeting.

Councilmember Paul supported the city holding these types of events but expressed some concern with the type of misinformation that is posted on Facebook.

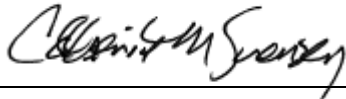
Council consensus was to support hosting live town hall events on Facebook.

The Workshop was adjourned at 8:47PM.



Tim Sanders, Mayor

ATTEST:



Catherine Sorensen, CMC, City Clerk

Submitted by Minute Maker Secretarial