City of Blaine
City Council Workshop

March 11, 2024 | 5:30 PM
Blaine City Hall
10801 Town Square Drive NE
Blaine, MN 55449

AGENDA

NOTICE OF WORKSHOP MEETING
In accordance with the provisions of Section 3.01 of the Blaine City Charter, a Council Workshop meeting is scheduled for the following purpose:

1. Call to Order

2. Roll Call

3. New Business

3.1. 2024-57 Trunk Highway 65 Update
Sponsors: Daniel Schluender, Director of Engineering

3.2. 2024-67 105th Avenue Redevelopment Discussion
Sponsors: Erik Thorvig, Community Development Director

4. Other Business

5. Adjournment

City of Blaine
Staff Report

File Number: 2024-57

Agenda Date	Status
March 11, 2024	
In Control	**File Type**
City Council	Workshop Item

New Business - Daniel Schluender, Director of Engineering

Agenda Item # 3.1

Trunk Highway 65 Update

Background

Staff will present an overall update on the TH 65 project, including status of Funding, Lobbying/Legislative, Project Meetings of Note, and Project Design.

Staff Recommendation

Staff will be discussing additional strategies for advancing the project.

Questions for Council

Attachment List

None

City of Blaine
Staff Report

File Number: 2024-67

Agenda Date	Status
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City Council	Workshop Item

New Business - Erik Thorvig, Community Development Director

Agenda Item # 3.2

105th Avenue Redevelopment Discussion

Background

Since 2015, the City of Blaine Economic Development Authority has been acquiring certain property around 105th Avenue and Nassau Street for redevelopment. The area has been identified in various city planning documents as a redevelopment area.

In 2022, the City Council hired an architect to assist in a master planning/visioning process for the area. Given its proximity to the National Sports Center (NSC), the area is intended to be an entertainment district to capture visitors to the NSC and serve the regional population. The master plan identified public space, hotels, restaurants, retail, and residential uses.

In November 2022, the city, through an RFP process, selected Elevage/Bader as the master developer. A pre-development agreement was executed in December 2022. In early 2023, the developer began preparing a master plan based on the principles identified in the 2022 council visioning process. To date, the master plan created by the developer includes sports-themed uses, hotels, public parking, office, retail, restaurants, residential and public space. The master plan created by the city in 2022 anticipated both private and public improvements on a portion of property on the east side of the NSC campus, owned by the Minnesota Amateur Sports Commission (MASC).

Discussions began in April 2023 between the MASC/NSC, developer and city to understand how the developer can acquire development rights to a portion of the MASC property. The MASC acquired approximately 75 acres on the east side of their campus in the late 1990s. Based on how the property was acquired, there is statutory language that allows the MASC to lease up to 16 acres of the property for private development. A ground lease can be executed for 30 years, with two extensions for an additional 30 years each (total of 90 years). The intent to allow the MASC to lease the property was to provide a funding source for the National Sports Center Foundation (NSCF) who operates the day-to-day operations of the facility.

The NSC has significant deferred maintenance on the campus. Their primary source of funding for maintenance and capital improvements on the campus is from the State of Minnesota Legislature. Therefore, whenever the NSC needs capital improvement dollars, they must compete with other projects state-wide that are submitted to the legislature. In some years, they are successful in getting bonding dollars from the legislature. However, it's not to the level needed to catch up on deferred maintenance or complete other projects (such as turf fields) to keep the campus relevant into the future. In 2022, the City of Blaine provided $3.8MM to the NSC to construct three new turf fields south of 105th Avenue. This money was a combination of ARP funds and EDA dollars. The City of Blaine recognizes the importance of the NSC as an economic driver to Blaine and Anoka County and therefore provided funding to improve the campus. The NSC has stated that the addition of 10 turf fields could increase revenue for the NSCF by 10-15%. It also allows them to compete for national tournaments that they are currently losing because they don't have the necessary fields to qualify and attract said tournaments.

Through negotiation, the MASC/NSC identified the need for turf fields as compensation for leasing property. An amount of $12MM was identified which would allow for the installation of ten, lit turf fields. Turf would be installed on fields 25-32 and fields 55 and 56 (see attached map). This work would be completed by Fall, 2024. The statutory language identified above would've allowed the MASC/NSC to lease the property to the developer for an annual fee of $300,000. Annual payments of this amount don't provide an opportunity for a significant, one-time investment on the campus. As such, the up-front commitment of $12MM for improvements was negotiated.

Various agreements were negotiated and drafted by the MASC/NSC, developer and city that would allow for the following:

1. Ground lease of MASC land to the developer for up to 90 years.
2. Approximately four acres of public/gather space on MASC land.
3. Ongoing maintenance dollars in the amount of $200,000 annually, paid by the developer, for the NSC. This money is available after the debt is retired on the turf-field bond.
4. The city bonding for $12MM to pay for the installation of ten, lit turf fields.

These agreements have been approved by the MASC board and Blaine City Council.

Since negotiations began with the MASC/NSC, city staff, the developer, NSC, Baker Tilly (city consultant), Spring Lake Park Schools, Anoka County and Blaine City Council have been analyzing a mechanism to fund the $12MM project and source to repay debt.

The city, with the assistance of their municipal financial consultant Baker Tilly, identified a payment structure for the $12MM bond. The payment structure is in the form of tax abatement. The annual debt service for the bond is approximately $1.1-$1.2MM. The term of the debt is 15 years. Tax abatement is like tax increment financing (TIF), where the increased property taxes received because of new development can be captured to pay debt for various improvements related to a project. Unlike TIF, the county and school district have the option to participate in tax abatement. County and school district participation is crucial in making debt service payments feasible.

Approximately $125MM in value is needed to generate the annual property taxes to cover the debt service. Baker Tilly has been working with the Anoka County assessor to determine approximate values in Phase 1 of the redevelopment area. The assessor provided a range of $78-$107MM of taxable value in Phase 1. This property does not generate any tax dollars today. Because the ground lease allowing the developer control of the MASC property is dependent upon financing of the fields, no development, nor new tax value would be generated on the MASC property unless the turf field financing is approved. The remainder of the project would be captured in a TIF district to assist in typical redevelopment costs such as demolition, environmental, infrastructure and public parking facilities. Any taxes currently collected from properties in a future TIF district would continue to be collected by the various taxing entities.

The $78-$107MM in new development value for Phase 1 would be captured in the tax abatement. The remaining value needed would be captured elsewhere in the City. As proposed, it would be from two newly constructed apartment buildings. The apartments are Arris 2, which is located at 9460 Ulysses Street, and Glenfield, which is located at 8585 and 8615 Groveland Ct. Both are in the SLP school district. Whether one or both of these apartment buildings are needed depends on the ultimate property tax value of Phase 1. The most conservative approach, utilizing the low range of value of $78MM, requires both apartment buildings to be included. If Phase 1 values are either at mid-range, high or exceed the county estimates, only one or neither of the apartments are needed. This will not be known until construction occurs and values are identified. This also doesn't include the likely inflationary property tax value, which helps the overall value and property taxes generated in Phase 1. Because the apartments are new, the full tax value hasn't been realized. Therefore, there is no "take" of existing tax dollars collected by the various taxing authorities.

There is one remaining piece of the financing structure that is still being analyzed. Because property tax revenue for Phase 1 of the redevelopment will not be collected until 2027 (due to timing of construction), there is a 2-3 initial lag when debt service payments are due and when the full tax abatement value of property taxes will be collected. Baker Tilly will provide more information regarding options currently being analyzed at the workshop. The city council won't be asked to provide feedback on these options yet, as it requires further discussion with Anoka County and Spring Lake Park schools. There is another workshop scheduled with the city council on April 8, 2024, to finalize the structure.

As indicated above, participation by Anoka County and Spring Lake Park Schools is critical to the financing structure. City staff and Baker Tilly have been working closely with each entity to educate and advance discussions among their staff and boards. The following is a list of various meetings and actions taken to date, along with the tentative schedule to consider tax abatement by each entity. There also have been various meetings between consultants and staff for each party.

February 20, 2024 - Anoka County Board workshop to discuss tax abatement.
February 27, 2024 - Anoka County Intergovernmental committee meeting - Motion to advance the tax abatement decision to the full board unanimously passed 4-0.
March 5, 2024 - Spring Lake Park Schools workshop discussion.

March 12, 2024 - Anoka County Board considers Resolution Calling For a Public Hearing on Proposed Tax Abatement.
March 26, 2024 - Spring Lake Park Schools workshop discussion.
April 9, 2024 - Spring Park Schools holds public hearing and considers resolution approving tax

abatement.
April 9, 2024 - Anoka County holds public hearing and considers resolution approving tax abatement.
April 15, 2024 - City Council holds public hearing and considers resolution approving tax abatement.
May 6, 2024 - City Council consideration of award of bond sale by the City.
May 30, 2024 - Receipt of proceeds and settlement of bonds.

A majority of the workshop discussion will be to update the city council on the tax abatement structure. Depending on time, there may be an opportunity to discuss other project aspects as the council sees fit.

Staff Recommendation

Discuss, ask questions, and provide feedback.

Questions for Council

Attachment List

1. Abatement Structure
2. Anticipated Values

Projected Tax Abatement Report

City of Blaine, Minnesota
105th Street Tax Abatement
Draft Abatement Revenues for Financing of $12M Turf Fields (Stadium and Hotel Site Only)
Debt Service for $12M project costs and no capitalized interest - interest only payments until development value realized

Taxes Payable/ Collected (1)	Total Taxable Value (2)	Total Net Tax Capacity (3)	Less: Non-Abated Net Tax Capacity (4)	Less: Fiscal Disparities 40.3961% (5)	Retained Captured Net Tax Capacity (6)	Times: Tax Capacity Rate (7)	Estimated Annual Property Taxes (8)	Maximum Tax Abatement City * (9)	Maximum Tax Abatement County * (10)	Maximum Tax Abatement School * (11)	Estimated Total Abatement (12)	Debt Service Payments Turf Fields (13)	Annual Estimated Surplus/Deficit (14)
12/31/23													
12/31/24	8,587,100	0	0	0	0	88.332%	0	0	0	0	0	289,586	(289,586)
12/31/25	47,520,000	594,000	594,000	0	0	88.332%	0	0	0	0	0	397,904	(397,904)
12/31/26	54,270,000	729,000	729,000	54,535	0	88.332%	0	0	0	0	0	397,904	(397,904)
12/31/27	77,357,500	1,190,750	0	241,064	949,686	88.332%	838,877	302,000	229,596	264,127	795,723	437,904	357,819
12/31/28	102,845,000	1,700,500	0	446,983	1,253,517	88.332%	1,107,257	398,618	303,050	348,628	1,050,297	806,764	243,533
12/31/29	115,245,000	1,948,500	0	547,165	1,401,335	88.332%	1,237,827	445,624	338,787	389,739	1,174,150	1,000,120	174,030
12/31/30	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,152,962	121,071
12/31/31	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,155,746	118,286
12/31/32	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,152,742	121,290
12/31/33	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,154,004	120,028
12/31/34	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,154,380	119,652
12/31/35	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,153,244	120,788
12/31/36	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,155,551	118,481
12/31/37	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,155,818	118,214
12/31/38	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,154,263	119,770
12/31/39	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,150,930	123,102
12/31/40	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,151,468	122,565
12/31/41	125,245,000	2,148,500	0	627,957	1,520,543	88.332%	1,343,126	483,533	367,606	422,893	1,274,032	1,154,400	119,632
							$19,301,473	$6,948,634	$5,282,710	$6,077,214	$18,308,558	$17,175,688	$1,132,869

(1) *Total estimated market value based on preliminary value estimate of similar developments*
very preliminary and subject to further review. Includes 0% annual market value inflator
(2) *Total net tax capacity based on commercial-industrial class rate of 1.5% first $150,000 and 2% value above $150,000 and residential rental rate of 1.25%*
(3) *Original net tax capacity based on existing land value*
(4) *Total local tax capacity rate for taxes payable 2023*
** subject to individual Board approvals.*

Summary Abatement Values - with Low Range as Provided by County - preliminary and subject to change

MASC/NSC New Development Site

Parcel ID	Development	# Units or SF	Est. Value per Unit or SF	Total Estimated Tax Value	Construct Start Year	Construct Complete Year	Property Location
21-31-23-22-0005	Golf/baseball	18,000	500	-	2024	2026	Stadium Site
21-31-23-22-0005	Indoor pickleball	19,000	500	-	2024	2026	Stadium Site
21-31-23-22-0005	Restaurant	34,000	200	6,800,000	2024	2026	Stadium Site
21-31-23-22-0005	Outdoor Lounge	12,000	350	-	2024	2026	Stadium Site
21-31-23-22-0005	Outdoor Games	10,000	350	-	2024	2026	Stadium Site
21-31-23-22-0005	Hotel/Amusement	250/60,000	80,000/$0	20,000,000	2026	2027	Stadium Site
21-31-23-23-0003	Stadium	3500-5000 seats	4,250	21,250,000	2024	2026	Stadium Site
21-31-23-23-0003	Food Hall	19,000	150	2,850,000	2024	2026	Stadium Site
21-31-23-24-0033	Hotel/Rest	180 rooms/5000 SF	80,000	15,275,000	2024	2026	Stadium Site
21-31-23-24-0012	Hotel	80	60,000	4,800,000	2026	2027	Redev Site
21-31-23-31-0003	Offsite Commercial	45,000	150	6,750,000	2023	2024	Offsite
	Total			77,725,000			

Offsite Partial Construction Apartments

	Development	# Units or SF	Est. Value per Unit or SF	Total Estimated Value	Construct Start Year	Construct Complete Year	School District
29-31-23-34-0014	Arris	64	220,000	14,080,000	2023	2024	SLP
33-31-23-33-0042 33-31-23-34-0002	Glenfield	152	220,000	33,440,000	2023	2024	SLP
	Total			47,520,000			

	Total Estimated Value for Tax Abatement	125,245,000

Summary Abatement Values - with Average Range as Provided by County - preliminary and subject to change

MASC/NSC New Development Site

Parcel ID	Development	# Units or SF	Est. Value per Unit or SF	Total Estimated Tax Value	Construct Start Year	Construct Complete Year	Property Location
21-31-23-22-0005	Golf/baseball	18,000	500	-	2024	2026	Stadium Site
21-31-23-22-0005	Indoor pickleball	19,000	500	-	2024	2026	Stadium Site
21-31-23-22-0005	Restaurant	34,000	200	6,800,000	2024	2026	Stadium Site
21-31-23-22-0005	Outdoor Lounge	12,000	350	-	2024	2026	Stadium Site
21-31-23-22-0005	Outdoor Games	10,000	350	-	2024	2026	Stadium Site
21-31-23-22-0005	Hotel/Amusement	250/60,000	100,000/$0	25,000,000	2026	2027	Stadium Site
21-31-23-23-0003	Stadium	3500-5000 seats	7,375	36,875,000	2024	2026	Stadium Site
21-31-23-23-0003	Food Hall	19,000	200	3,800,000	2024	2026	Stadium Site
21-31-23-24-0033	Hotel/Rest	180 rooms/5000 SF	100,000	19,125,000	2024	2026	Stadium Site
21-31-23-24-0012	Hotel	80	80,000	6,400,000	2026	2027	Redev Site
21-31-23-31-0003	Offsite Commercial	45,000	200	9,000,000	2023	2024	Offsite
	Total			107,000,000			

Offsite Partial Construction Apartments

	Development	# Units or SF	Est. Value per Unit or SF	Total Estimated Value	Construct Start Year	Construct Complete Year	School District
29-31-23-34-0014	Arris	64	220,000	14,080,000	2023	2024	SLP
33-31-23-33-0042 33-31-23-34-0002	Glenfield	152	220,000	33,440,000	2023	2024	SLP
	Total			47,520,000			

	Total Estimated Value for Tax Abatement	140,440,000