City of Blaine
City Council Workshop

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

MINUTES

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

The meeting was called to order by Mayor Pro Tem Robertson at 5:30PM.

2. Roll Call

PRESENT: Mayor Pro Tem Jess Robertson, Councilmembers Terra Fleming, Chris Massoglia, Tom Newland, and Lori Saroya.

ABSENT: Mayor Tim Sanders, Councilmember Leslie Larson.

Quorum Present.

ALSO PRESENT: City Manager Michelle Wolfe; Community Development Director Erik Thorvig; Safety Services Director/Police Chief Brian Podany; Finance Director Jason Zimmerman; Director of Engineering Dan Schluender; City Attorney Eric Larson; and City Clerk Catherine Sorensen.

Also present Mikaela Huot, Baker Tilly.

3. New Business

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

Director of Engineering Schluender presented an overall update on the TH 65 project, including status of funding, lobbying/legislative, project meetings of note, and project design information. He commented on the neighborhood meeting that was held with the residents and businesses surrounding 107th Avenue and explained those in attendance were in favor of having access to the service road. He discussed the noise analysis study that was completed and noted five noise walls were proposed. He indicated the voting process for benefiting parcels was now underway. He reported Wall C and Wall J would be included in the project and the remaining walls would be voted on a second time before a determination was made. He discussed how the project would be shifted to MNDOT for final design. The project schedule was further reviewed.

Mayor Pro Tem Robertson asked what type of noise wall was being proposed. Mr. Schluender explained a standard MNDOT wall was 20 feet high and would be constructed from concrete.

Mayor Pro Tem Robertson questioned who was overseeing the communication process. Mr. Schluender reported all communication was being managed by the city's consultant.

Mayor Pro Tem Robertson inquired if the storm ponding had been finalized along the corridor. Mr. Schluender stated work continues on the storm ponding. He informed the council that all updated information regarding the TH65 corridor was available on the city's website for residents.

Mr. Schluender encouraged the council to think about whether or not the city should hire a PR firm to work with the businesses along the service road/TH65 corridor.

Mayor Pro Tem Robertson thanked staff for their efforts on this project and for the extra communication that has been done with both residents and businesses.

Councilmember Newland asked if staff had any updates on the timeframe for Radisson Road/109th Avenue. Mr. Schluender stated Anoka County completed their study on Radisson Road/109th Avenue. He indicated the study did not take into account TH65 and how traffic will be impacted. He reported the city suggested University Avenue, Davenport Street, and Radisson Road be further studies and modeled. He explained he would report back to the council with further information on these models.

Councilmember Massoglia stated besides the roundabout at 99th Avenue and Baltimore Street, what other work was the city doing to mitigate the impact of the construction. Mr. Schluender indicated the city would be installing a roundabout at 117th Avenue and Ulysses Avenue in 2024. In addition, the city would be putting a signal at Paul Parkway and Ulysses. He explained temporary traffic measures would be looked at more in the future.

Further discussion ensued regarding potential funding sources for the service road.

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

Community Develompent Director Thorvig stated 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).

Mr. Thorvig reported 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.

Mr. Thorvig explained 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 $3.8M 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.

Mr. Thorvig stated through negotiation, the MASC/NSC identified the need for turf fields as compensation for leasing property. An amount of $12M 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. 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 $12M 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 $12M to pay for the installation of ten, lit turf fields.

Mr. Thorvig commented 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 $12M project and source to repay debt. The city, with the assistance of their municipal financial consultant Baker Tilly, identified a payment structure for the $12M bond. The payment structure is in the form of tax abatement. The annual debt service for the bond is approximately $1.1-$1.2M. 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.

Mr. Thorvig indicated approximately $125M 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-$107M 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.

Mr. Thorvig reported the $78-$107M 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 Court. 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 $78M, 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.

Mr. Thorvig explained 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. Staff reviewed the timeline for the tax abatement process in further detail with the council.

Councilmember Saroya asked what type of notification would be made for the public hearing. Mikaela Huot, Baker Tilly, explained a public hearing notice would have to be posted 10 days prior to the meeting and within this notice the abatement amount and number of years would be declared, along with a list of the parcels being abated.

Mayor Pro Tem Robertson reported she received a positive text from a Spring Lake Park School school boardmember who appreciated the detailed presentation from staff regarding the proposed abatement project.

Ms. Huot provided the council with further information regarding the tax abatement structure. She explained tax abatement was established as an economic development tool that operates similar to TIF. The goal of the tool would be to capture incremental taxes for redirection to pay for certain improvements. She noted the biggest thing to understand was that this was not a new revenue stream. Rather, this was tool that captured new taxes generated by a development and used these taxes to pay back an obligation. She commented further on how the city could utilize tax abatement funds and described the proposed term for the tax abatement funding. It was noted the annual debt service payments would be paid for by the tax abatement levy. She broke down how the debt service would be shared between the city, county and school district based on the assumptions for future growth.

Mr. Thorvig explained TIF could not be used for public facilities or the proposed turf fields. He commented on the parcels that would be included within the tax abatement process, noting the most conservative values were being considered.

Councilmember Fleming asked if the apartment complex could be included within the tax abatement process in order to assist with paying off the bonds quicker. Mr. Thorvig stated this could be considered by the council.

Councilmember Saroya questioned if community or neighborhood meetings would be held in order for the public to provide input on this topic. Mr. Thorvig explained neighborhood meetings would be held to address the design of this project this spring. He reported residents would not be paying for the tax fields. Rather, the city would go out and bond for the turf field project and the new tax revenue from the parcels in red would be used to fund the annual debt service. Ms. Huot explained the property owners highlighted in red would not be taxed any more then they normally would have been, but instead their taxes would be redirected to pay down the annual debt service.

Councilmember Saroya expressed concern with the fact this project would be taxpayer funded. She believed the city should have worked to receive more community input, spoken to businesses and should have hired a PR firm. She stated this project did not feel like a city project, but rather she felt the developer would be benefiting from this project. In addition, she did not want to put the city in a situation where more apartments and traffic was being created in the 105th Redevelompent area. Ms. Huot explained the properties in red were a tax base that the city does not have today. She indicated the structure of the tax abatement would redirect the taxes from the properties in red to pay off the annual debt service for the bonds needed for the turf fields. She stated the public benefit to the city, county and school district would be the construction of the turf fields. She reiterated that no benefit would be given to the properties within the tax abatement.

Ms. Wolfe discussed how most of the properties included within the abatement were state property and the state was the resident of the property. She indicated the two new apartment buildings were not currently generating any tax dollars and the new tax dollars generated would be directed to financing the fields.

Councilmember Newland asked when the full development values were realized. Mr. Thorvig reported values are placed on properties January 1 of each year. He explained as development happens, not all taxes will be collected in 2025, but the full values would be realized in 2028, or sooner. Ms. Huot commented further on when the development would come on line noting the turf fields would be constructed in 2024 and 2025 and interest payments would be due in 2025. She discussed how she would work with the city to balance risk and bridge the years from when the bonds are issued to when the value was online.

Councilmember Fleming inquired what the interest payment would be on the bond debt service. Ms. Huot estimated the yearly interest payment would be $1M to $1.1M per year. Mr. Thorvig commented on how the city could accelerate the repayment by having the properties that were generating taxes being directed to the yearly interest payments.

Councilmember Massoglia asked if maintenance on the turf fields was necessary within the first three years, or could the $300,000 that was set aside each year for maintenance could be used to pay down the bonds. Mr. Thorvig indicated this would be an option. He explained there was flexibility with how the $300,000 could be used.

Mayor Pro Tem Robertson discussed how the turf fields would be a tremendous investment for the NSC. She was hopeful the NSC would have more revenue flexibility going forward. She appreciated how the city's AAA bond rating would assist with securing a lower interest rate for the turf bonds.

Mr. Thorvig reviewed the next steps for this project with the council and noted he would be working with the school board and county to finalize the financing structure. He stated the council would be considering this matter at the April 15 city council meeting.

Councilmember Newland appreciated how staff has streamlined and broken down the information being presented to the council regarding this project.

Mayor Pro Tem Robertson thanked staff for all of their efforts on this project.

4. Other Business

City Manager Wolfe shared an update regarding the mobile command unit funding request, CCX proposed merger request, EPA mandate for lead service line survey and attempts to do resident home visits, cable television legislation efforts to modernize funding streams, and potential council retreat dates.

5. Adjournment

The workshop was adjourned at 7:00PM.

Signed by ______________________________
Tim Sanders, Mayor

Signed by ______________________________
Catherine M. Sorensen, CMC, City Clerk