City of Blaine
City Council Workshop

May 13, 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 at 5:35 PM by Mayor Sanders.

2. Roll Call

PRESENT: Mayor Sanders, Councilmembers Fleming, Larson, Massoglia, Newland, Robertson, Saroya.

ABSENT: None.

ALSO PRESENT: City Manager Michelle Wolfe; Community Development Director Erik Thorvig; Safety Services Director/Police Chief Brian Podany; Finance Director Jason Zimmerman; City Attorney Eric Larson; Public Works Director Nick Fleischhacker; and City Clerk Cathy Sorensen.

3. New Business

3.1. 2024-163 Closed Session Pursuant to Minnesota Statute 13D.05, Subd. 3(a) - City Manager Performance Review
Sponsors: City Council

This item was postponed to a future workshop meeting.

3.2. 2024-158 Council Requested Items for Discussion
Sponsors: Michelle Wolfe, City Manager

Councilmember Larson stated she would like the council to consider discussing ground mounted solar in the farm residential zoning district. She supported this moving forward because the request was in farm residential.

Councilmember Robertson supported staff investigating this further with the property owner. She indicated her only apprehension was focusing solely on farm residential because there were other lots in the city that were quite large.

Councilmember Newland agreed noting he would support looking into the allowed uses on farm residential properties that are of a certain size.

Councilmember Fleming indicated she could support a further discussion as well.

Councilmember Saroya commented her only concern with ground mounted solar arrays would be that they may require the loss of trees. She requested this be considered

Council consensus was to support a possible code amendment to allow ground-mounted solar. Council encouraged staff to consider farm residential property separate from other residential as part of their research as well as environmental benefits and possible tree coverage loss.

3.3. 2024-148 105th Redevelopment Project Financing Discussion
Sponsors: Erik Thorvig, Community Development Director

Community Development Director Thorvig stated the City Council has discussed various financing components for the 105th Redevelopment Project at workshops over the last year. The financing discussions have been related to turf field, event stadium and infrastructure financing. On May 6, 2024, the City Council approved a bond sale for the turf field project. This action finalized the turf field financing deal. Further discussion is necessary for the event stadium and infrastructure financing. The concept of an event stadium has been discussed since last spring. The stadium cost is estimated at $40MM. The stadium would be privately owned and operated by various parties related to the development and proposed baseball team. Recent discussions with the developer have revolved around the City issuing a $34+MM bond to finance a portion of construction of the event stadium. Other funding sources would include private equity and bank financing. The debt payment structure proposed would be a lease payment model where the developer would be responsible for paying an annual payment to the City to cover the debt service. This is a similar model used for CHS Field in St. Paul.

Mr. Thorvig stated initially, a revenue sharing model was discussed where percentages of revenue from the baseball and stadium operations would be shared with the City to cover debt service. The lease revenue model is a simplified approach and provides a variety of revenue sources for the developer to provide the annual lease payments. The original revenue sharing model would have solely relied on event stadium/baseball operations to cover the debt service. The primary goal of the lease payment structure is for the developer to cover the debt service and have no general fund tax dollars used to pay for the stadium. The anticipated financing structure for the stadium financing would be General Obligation Tax Abatement Bonds with annual lease payments pledged to the City and would cancel the annual abatement levy. Though tax abatement bonds would be used, this is unlike the turf field financing where tax abatement revenue was used to pay the debt service, but instead, the debt service would be paid by the developer through annual payments. The City would be seeking security through business and personal guarantees. These arrangements will be memorialized in future agreements considered by the council.

Mr. Thorvig reported the developer is in the process of preparing architectural plans and anticipates applying for a conditional use permit for the stadium which will be considered by the council this summer. They are also preparing construction plans in order to submit a building permit for construction to begin in late 2024. The developer is seeking guidance from the council on the willingness to provide financing. A resolution could be considered at the May 20, 2024, meeting which identifies the willingness of the council to provide financing if certain terms and conditions are met by both the city and the developer. This gives the developer and staff guidance to continue to work through the financing model prior to consideration of formal actions by the council that would occur in late 2024/early 2025. These actions would include establishing tax abatement and selling bonds.

Mr. Thorvig explained the developer has expressed a desire to complete all project infrastructure (roads, utilities, stormwater) and building demolition as part of Phase 1, beginning in 2024. Completing the infrastructure in Phase 1 accomplishes several things including getting all necessary road/utility improvements in place early in the project and creating development ready sites for later phases of the project. Completing all building demolition in Phase 1 would remove the existing buildings currently owned by the EDA. All this activity would show significant progress for the project in addition to the private development that would occur in Phase 1 (food hall, event stadium and field house). The developer has identified approximately $18.5MM in infrastructure costs and approximately $700,000 in demolition costs. These costs are eligible Tax Increment Financing (TIF) expenditures and it is not uncommon for these types of improvements to be funded by TIF for a redevelopment project. It has always been assumed that a redevelopment TIF district would be created for this project to fund various eligible expenditures. The TIF district would encompass any parts of the redevelopment project that are not included in the tax abatement area. This would generally include the east portion of the project (housing, professional office).

Mr. Thorvig commented Baker Tilly is completing an analysis of the potential TIF generation of the east portion of the project based on the concept plan. It’s anticipated the TIF district may generate sufficient TIF dollars to support the infrastructure and demolition costs. It is expected that any additional TIF revenue would be available for other eligible expenditures and would be negotiated as to what is available for the project. This could be an additional funding source to complete property acquisition in the district. There are two options to finance improvements with TIF. The first option is to issue a bond to fund the improvements at the beginning of the project, and TIF revenues over the term of the district repay the debt. The other option is called pay-as-you go, in which the developer finances the improvements via private financing, and TIF revenues over the term of the district cover the debt incurred by the developer. Baker Tilly, city staff and the developer are currently analyzing the TIF structure to determine whether this is the appropriate funding mechanism for infrastructure and demolition. The structure of land take down, including timing and method for identifying sale proceeds per lot, are also in the process of being developed to understand the feasibility of the redevelopment site and the availability of TIF and other potential funding sources as a means to finance the identified redevelopment costs, including demolition and infrastructure improvements.

Rob Bader, Bader Development, further discussed the structure of the development, stadium and team with the Council. He explained the stadium authority would be a joint venturn between Elevage/Bader, True North and possibly a third party as well. He stated Elevage/Bader would be the ground lease holder for the NSC land. He reported the stadium authority will the be sole owner of the fieldhouse, food hall and event stadium. It was noted there would be a management and hospitality group and indicated all revenues will flow into the hospitality company and they would be responsible for payment on the bonds. Corey Burstad, Elevage Group, explained the baseball team would have a sublease with the stadium authority. He appreciated how one management team would have authority over the venue and would be responsible that the fiduciary needs were being met.

City Attorney Larson reported the proposed lease provides greater security and support, and provides certainties when it comes to revenues to support the bond and supported the council move forward with this model for the lease. He commented further on the progress that has been made on the public/private master development agremeent. He described how the cross contingencies would be working in tandem to facilitate this development. He advised the district would break down and guide both the east and west portions of the development.

Mr. Thorvig discussed the preliminary funding resolution that the developer was seeking support for and described the detailed information the baseball team would have to provide to the city. Further information was provided regarding the schedule and timeline for this project and commented on the TIF funding that would have to be approved for the overall project infrastructure. It was noted the final two steps would be approval of the abatement bonds. He explained that on May 20 council would be presented with a resolution that states the city was willing to commit to financing so long as all of the city's requirements are met and asked if the council supported staff bringing this resolution for consideration.

Councilmember Massoglia indicated he supported the preliminary resolution. He asked what properties would be abated for these bonds. Michaela Huot, Baker Tilly, reported these properties have not been identified yet, but noted the city would have to find enough property with an existing tax base that would cover the debt service levy for the bonds.

Councilmember Newland asked if the revenue share would be just for the stadium. Mr. Bader reported the revenue sharing would be for the stadium, field house and food hall.

Councilmember Newland stated he supported the resolution coming before the council on Monday for consideration.

Councilmember Robertson thanked Ms. Huot and Mr. Larson for sharing their expertise with the city. She asked if there were things the city was doing better than had been pursued at CHS Field. Mr. Larson stated every project was different and unique. He reported CHS Field was owned by the city and parks department, which led to pluses and minuses for stadium ownership. He commented further on how the lessons learned from that development were taken into consideration with this development agreement. He was of the opinion that this agreement would supplant the CSH Field agreement and Blaine would become the model if this agreement was successful and felt that it would be.

Councilmember Robertson reported public funding would be utilized for this project, but not through taxpayer dollars. Mr. Larson explained this was the case. He commented further on how the lease payments would be made through profit sharing going forward but indicated the city would be facilitating the financing for the project at the beginning.

Councilmember Robertson asked when the city council would be able to view the architectural renderings. Mr. Bader explained he was working on the horizontal infrastructure at this time. He indicated he could not go any faster on the project due to statutory requirements. The goal would be to have renderings for the council to review in August of 2024.

Councilmember Robertson stated she appreciated all of the efforts from the development team, city staff and finance team to keep this project moving forward. She indicated she would be willing to consider the financial resolution on Monday.

Councilmember Larson explained she was comfortable with how this project was progressing and she appreciated all of the checks and balances that were in place.

Mr. Thorvig commented further on the infrastructure work that would have to be completed and reviewed the area of the development that could be included in a TIF district. He discussed how the city would have to work to purchase further properties in order to keep this development and infrastructure work moving forward. He reported the city held the first of its two open houses and noted approximately 60 people were in attendance. He indicated the concern voice most by the residents attendance had to do with traffic.

Councilmember Newland estimated 75 people attended the open house and thanked staff and the developer for providing the public with an informative presentation on this project. He believed the comments from the event were generally very positive which was validating to him.

Councilmember Robertson agreed the general vibe for this development was extremely positive. She appreciated how this project was becoming a reality. She anticipated infrastructure questions would continue to arise. She appreciated the fact the city would continue to have dialogue with the public regarding this project.

Councilmember Fleming shared she was recently visiting with a cousin from Coon Rapids and how she and her husband commented on how well Blaine was doing on this project. She discussed how people in surrounding communities were following this project and would be positively impacted by the new sports district.

3.4. 2024-157 Well Interference Updates
Sponsors: Nick Fleischhacker, Public Works Director

Public Works Director Fleischhacker stated staff has been working with private well interference claims submitted to the DNR. These claims were submitted to the DNR by private well owners in response to statewide drought conditions over the past several years. Many of these claims were attributed to the recently developed well field in the northeast quadrant of the City. After analysis by the DNR's technical team, it was found that many of the City's existing well fields may also be contributing to lowered groundwater levels. These lowered groundwater levels may have impacted private well owners and, by state statute, are eligible for compensation. Staff has been evaluating each of these complaints to ensure their validity. Any complaints received by the DNR that the City does not agree to pay are sent to the DNR's technical team for final evaluation. The majority of claims have either been addressed, or have been turned over for final evaluation by the DNR.

Mr. Fleischhacker reported the DNR, city staff, and consultant engineers have been engaged to start the process of evaluating the City of Blaine's existing well field to ensure further well interference does not take place and that the city can operate its well field for its customers. This process will include having a small technical team engage the DNR to work through the well appropriations process. Staff hopes this small team can expedite the process, ensure impacts to surrounding wells are minimized, and that water utility customers have the highest quality water possible. As this process will not have a resolution for the summer of 2024, efforts relating to sprinkling enforcement will start immediately in the spring and continue throughout the summer. He said staff will continue to work with the DNR to get the wells permitted then shared other miscellaneous water updates with council.

City Manager Wolfe discussed how growth cities were being impacted by the DNR's new requirements.

Councilmember Massoglia asked when the wells at Water Treatment Plant 4 were turned off. Mr. Fleischhacker reported the wells were turned on in early 2022 and the wells were turned off in late 2022.

Counclmember Massoglia questioned if the city could take any legal actain against the consultant that assisted with this project given the fact three of the four wells can not be used by the city. Ms. Wolfe said staff did not believe the concern occurred because of the consultant because the DNR signed off on all of the construction plans.

Further discussion ensued regarding how wells are modeled and how permit regulations have changed in recent years.

Councilmember Larson asked why Ham Lake's wells were so easily impacted. Mr. Fleischhacker indicated this may be due to the fact Ham Lake's wells were quite shallow compared to Blaine's wells.

Councilmember Massoglia supported the city placing some sort of timeline on Ham Lake in order to allow the city to get all of its wells back up and running. In addition, he supported the city pushing back on the DNR's new requirements given how adversely the city has been impacted.

Councilmember Robertson indicated the DNR was very difficul to work with and discussed how regulations change with each new administration. Mr. Fleischhacker explained according to the DNR the city of Blaine does not have a supply issue concern except during peak demand times during the summer months.

Councilmember Massoglia encouraged the public works department to repaint the bottom of the water towers in order to eliminate the discoloration. Mr. Fleischhacker explained Sherwin Williams had reached out to him to share there were products that could be used and that he would be discussing this matter with them further.

3.5. 2024-120 Licensing Discussion - Off-Sale Intoxicating and Tobacco
Sponsors: Cathy Sorensen, City Clerk

City Clerk Sorensen stated council had requested an opportunity to discuss current licensing for off-sale intoxicating liquor and tobacco licenses in order to explore whether amendments with regard to the number and locations of both license types are warranted. To begin the discussion, below is a summary of each license type based on city code and statute, including number and location data:

<u>Off-Sale Intoxicating Liquor Licenses</u>
Sec. 6-38. - Kinds of liquor licenses.
Off-sale intoxicating liquor licenses, which may be issued only to exclusive liquor stores, brewer taprooms or brew pubs.

Sec. 6-36. - License required; number of licenses.
The city council shall issue off-sale liquor licenses in such a manner that no license shall be issued to a property which is located within one mile of the location of an existing off-sale license. The number of off-sale licenses issued shall not exceed a ratio of one license for every 7,000 population. The council is not required to issue the full number of off-sale licenses that it has available.

Ms. Sorensen reported based on current code and population, the city has 10 off-sale licenses available, with 8 active licenses to date. It should be noted brewer off-sale licenses are excluded from this cap. A map is included showing the current off-sale licenses and the one-mile radius around each location. This topic was last reviewed in September 2017 and council consensus at that time was to review again if and when a grocer/off-sale concept was presented. Economic development staff routinely have conversations with grocers that are interested in the community and have an off-sale liquor component to their operation. The question whether the city would be interested in changing the distance and/or number of licenses is often asked by these groups, as many of the sites they look at are within one-mile of another off-sale location. Unfortunately, staff isn't able to provide a solid answer since the discussion has not occurred with the city council. Additionally, staff has spoken with potential restaurants that have an off-sale component for wine. This is a more "boutique" transaction in which the restaurant has unique, nicer wine offerings at their location for off-sale purposes. An example is Pour Wine Bar in Champlin, where they have a restaurant and offer un-opened bottles of wine for sale that a customer can take home. Staff commented further on the city's current off-sale intoxicating and tobacco licensing and requested feedback from the council.

Mr. Thorvig discussed how the city has received a number of requests for liquor licenses in areas that currently are not allowed and stating it was very challenging for staff to address these requests, which was why staff brought this matter to the council for discussion.

Councilmember Fleming asked if there was a reason for the one mile radius. Ms. Sorensen indicated the current ordinance has been in effect since 2007 as a way to limit the number of liquor stores in the community, while also keeping liquor stores away from schools.

Councilmember Robertson questioned how difficult it would be to create a tiered scenario and stated she was of the opinion the rules have to change because businesses were losing interest in the community. She supported the city have some cap in place and was interested in discussing how to make adjustments to the current regulations. She wanted to see the city being open for new boutique type liquor stores and to ensure the city was not missing out on new opportunities. Ms. Sorensen indicated the parameters in place could be adjusted to allow for such new requests.

Councilmember Massoglia stated he would be willing to look at the regulations, but wanted the city to be cautious of how existing commercial uses in the city would be impacted.

Councilmember Robertson indicated the city would have to be flexible. It was her hope the city could make space for a new use, such as a Pour Wine Bar.

Councilmember Newland reported he was not bothered by losing Total Wine to Coon Rapids, because this business would have adversely impacted local liquor stores. He explained he was concerned about the impact the city's regulations were having on uses such as Trader Joe's. He agreed with Councilmember Robertson that the city's regulations should be more flexible. He was of the opinion the one mile radius requirement was somewhat arbitrary.

Councilmember Massoglia asked if the city could open up new licenses for grocery stores and could this include existing grocery stores. Ms. Sorensen indicated the ordinance could be amended to limit the number of liquor licenses within grocery stores, this could be another tier within the code.

Councilmember Robertson commented on how the market may assist with regulating the proper number of liquor stores in the community.

Mayor Sanders supported the ordinance language being amended to create more flexibility for new users.

Ms. Sorensen thanked the council for their feedback regarding off-sale liquor licenses. She then discussed the city's tobacco requirements and asked if the council wanted to make adjustments to the current regulations. She reported the council could agree to a total number of licenses they would support then the city would work to reduce the number of licenses through attrition, similar to the process for reducing the number of massage enterprises.

Councilmember Massoglia supported the city have separate licenses for cigar clubs.

Councilmember Robertson stated if this were allowed, she wanted to see the city setting a cap on the number of tobacco licenses. She indicated she could support signage and lighting requirements for tobacco licenses as well.

Councilmember Larson asked if cannabis was a separate issue from this.

Mayor Sanders reported this was a separate issue that would have separate ordinances and regulations in place.

Councilmember Larson indicated she supported the city limiting the number of tobacco shops allowed, given the fact the city may be receiving new cannabis shops.

Councilmember Newland supported the city limiting the number of tobacco shops while also reconsidering the lighting and signage at these shops.

Councilmember Fleming stated Blaine was already the highest when it came to cities with tobacco licenses and suggested this number not be increased to 60.

Councilmember Robertson commented the city could reduce the number of allowed licenses to 45 and the number of licenses could be reduce through attrition over time.

Councilmember Massoglia supported the city limiting the number of tobacco shops to four or five through attrition. However, he anticipated it would be difficult to limit the number of tobacco licenses at gas stations and liquor storeslicenses. Ms. Sorensen commented on how the city council reduced the number of therapeutic massage licenses and explained through attrition, the city has reached the new limits.

Staff thanked the council for their feedback and noted she would revise the ordinances and report back to the council at a future worksession meeting.

3.6. 2024-153 General Fund - Fund Balance
Sponsors: Jason Zimmerman, Finance Director

Finance Director Zimmerman stated pursuant to city policy, the General Fund is required to retain a year-end fund balance equal to:

- 30% of the subsequent year's budget
- 5% of the subsequent year's property tax levy
- 100% of the subsequent year's budgeted public safety reimbursements from the state

Mr. Zimmerman explained while not required, the Office of the State Auditor (OSA) recommends that at year-end, local governments maintain an unreserved fund balance in their general fund and special revenue funds of approximately 35% to 50% of fund operating revenues, or no less than five months of operating expenditures. He reported during the last 16 years, 12 times unrestricted General Fund reserves have been transferred to the Capital Equipment and Projects Improvement Fund for the purchase of vehicles and capital equipment. This funding has historically served as a financing mechanism that otherwise would have necessitated an additional property tax levy. On June 20, 2023, the council approved staff's recommendation to transfer $1,850,000 to the Workers Compensation Fund and $650,000 to the Self-Insurance Fund, with funding provided by General Fund reserves. At the time this recommendation was provided, staff didn't consider the following factors when calculating the available unassigned fund balance in the General Fund at year-end 2022:

- The $850,000 investment market value mark-down that occurred for fiscal year 2022;
- The updated property tax levy for 2023; and
- The requirement to retain 100% of budgeted public safety reimbursements for 2023

Mr. Zimmerman stated ultimately, the General Fund had $1.5 million of excess unrestricted reserves in 2022, not the $2.5 million that was indicated. For year-end 2023, the General Fund is projected to be in violation of the city's fund balance policy by approximately $760,000. He explained preliminary 2023 financial statements indicate the year-end net position, or assets in excess of liabilities, will be approximately $10,000 for the Self-Insurance Fund and a negative $31,000 for the Workers Compensation Fund. The balance of these funds has been a topic raised by S&P, the city's credit rating agent, during the last several bond sales. The city's commitment to financing these activities appropriately and developing a plan to ensure the funds maintain a positive net position has been noted in the most recent credit rating. Absent the $2.5 million transfer, both of these funds would continue to be in a significant deficit status.

Mr. Zimmerman stated albeit generally not a significant audit issue, failure to maintain the City's fund balance policy may have an impact on the credit rating the City receives when issuing debt. Erosion of fund balance, non-conformance with internal policy, and failure to proactively resolve the projected gap will likely impact the rating agencies' evaluation of the city's management and financial controls. With several bonding projects on the horizon related to regular city activities, including pavement management and capital equipment, as well as additional financing for redevelopment along 105th Avenue, maintaining the City's AAA rating will be important to secure the best possible interest rate in a very volatile environment. Staff asked if the council would support amending the transfer from $2.5 million to $1.5 million with $1 million being transferred from the Strategic Priorities Fund. If the council supported this action, an item would be brought to the council on June 3.

Councilmember Robertson stated she could support staff's proposal, but commented at some point in time, she would like to better understand the budgeting requirements in order for the council to remain consistent. She commented on how important it was for the city to maintain and safeguard its AAA bond rating.

Ms. Wolfe reported going forward staff would be bringing the council with more detailed information mid-year. She provided further comment on how the requirement changes made to the self-insurance and worker's compensation funds had impacted the city.

Councilmember Newland questioned how the 2024 budget would be impacted by these changes and by the adjustments that would have to be made to the funds for 2023. He said he did not want the city to be in this same situation early next year but that being said, he supported staff's recommendation.

Councilmember Massoglia indicated he was not very supportive of this concept as he wanted to see the city level out its spending and noted the city has been increasing its spending 10% each year over the past three years. Mr. Zimmerman commented on how the city has been hit by retroactive claims which had increased spending in an unanticipated manner then reported Standards & Poor would like to see the city having a standard fund in place for these expenditures instead of relying on other funds.

Councilmember Massoglia asked if the city has considered another policy to address this matter for budgeting purposes. Mr. Zimmerman indicated the renewal process was occuring at this time and staff was considering if a retroactive program should be pursued given the fact the city does not currently have a proper reserve fund in place.

Councilmember Robertson anticipated the council's discussion on this topic would continue through the budgeting process. Ms. Wolfe indicated the small group meetings would continue to build on this topic, as well as the building blocks of the budget. She discussed how the $2.5 million was needed to shore up the budget and based on the rating agencies recommendations.

4. Other Business

Ms. Wolfe stated the council meeting on July 1 would be held as scheduled and that staff would likely be scheduling a budget workshop on September 30. She shared interviews had been held for the Administrative Services Director position and that a decision would be made soon.

5. Adjournment

CITY OF BLAINE
L'ETOILE DU NORD
ANOKA CO., MINN.

Signed by Tim Sanders

Tim Sanders, Mayor

Signed by Catherine M. Sorensen

Catherine M. Sorensen, CMC, City Clerk

The workshop was adjourned at 8:21PM.