City of Blaine
City Council Workshop

July 8, 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 Sanders at 5:30PM.

2. Roll Call

PRESENT: Mayor Tim Sanders, Councilmembers Leslie Larson, Chris Massoglia, Tom Newland, Jess Robertson, and Lori Saroya.

ABSENT: Councilmember Terra Fleming.

Quorum Present.

ALSO PRESENT: City Manager Michelle Wolfe; Community Development Director Erik Thorvig; Police Captain Joe Gerhard; Finance Director Jason Zimmerman; Director of Engineering Dan Schluender; City Attorney Eric Nelson; Administrative Services Director Scott Johnson; and City Clerk Catherine Sorensen.

3. New Business

3.1. 2024-248 Ground Mounted Solar Discussion
Sponsors: Sheila Sellman, City Planner

Community Development Director Erik Thorvig stated at the May 13, 2024, council workshop, council directed staff to research ground mounted solar and provide recommendations on findings. Currently, city code does not allow ground mounted solar in any residential districts. Ground mounted solar is allowed as an accessory use in all industrial zoning districts and in the Planned Business District (PBD) with approval of a conditional use permit. Staff researched cities with similar lot sizes and populations as Blaine. These included Maple Grove, Woodbury, Rosemount, Burnsville and Lakeville. Staff provided a summary of what these cities allow. Based on research, staff recommends the following for parameters: If council agrees, staff will put in formal language and bring forward an ordinance amendment.

- Limit to Residential Estate (RE) (small area in the NW corner of the city with large lots) and Farm Residential (FR) - regardless of lot size.
- Limit location to rear yard only.
- Side yard setback - 20 feet
- Rear yard setback - 30 feet
- The maximum height at full tilt is 15 feet
- The footprint of the solar panel unit(s) and any attached or detached accessory structures may not total more than 2,000 square feet in the RE district, and 3,000 square feet in the FR district. Any combination thereof exceeding 1,200 s.f. would require a conditional use permit in the FR district.

Mr. Thorvig explained staff reached out to the property owner who would like to install ground mounted solar on his property and the proposed requirements are consistent with his solar installation.

Councilmember Newland thanked staff for the detailed background information. He indicated he was surprised by how many communities already allowed ground mounted solar. He asked if staff had a map of where ground mounted solar would be allowed in Blaine. Mr. Thorvig reviewed a map with the council and highlighted the RF and FR zoning districts.

Councilmember Newland supported the City limiting ground mounted solar to the RF and FR zoning districts and recommended lot size limitations be put in place, along with setback requirements.

Councilmember Larson thanked staff for providing the council with information on what comparable cities were doing. She asked what was allowed on rooftops. Mr. Thorvig reported rooftop solar was allowed in all residential zoning districts.

Councilmember Robertson stated she supported ground mounted solar in the FR and RF zoning districts, along with the North Oaks East and West neighborhood because those lots were 3+ acres in size.

Councilmember Massoglia supported the recommendations of staff, along with the recommendations from Councilmember Robertson. He believed larger lots in Blaine should be allowed to have ground mounted solar.

Councilmember Saroya asked if changes were made now could amendments be made in the future, adding she was of the opinion this was a good start. Mr. Thorvig indicated changes could be made in the future if concerns were to arise.

Councilmember Newland recommended staff research language on how to manage glare from the solar panels from ground mounted panels. Mr. Thorvig stated he could investigate this matter further.

Council consensus was to support the amendment as proposed but not limit to Farm Residential lots only and include Residential Flex lots as well and review ways on how to address potential glare impacts.

3.2. 2024-249 105th Redevelopment District Updates/Project Discussion
Sponsors: Erik Thorvig, Community Development Director

Mr. Thorvig stated on May 20, 2024, the City Council adopted a preliminary funding resolution regarding financing for the event stadium that is part of the 105th Avenue redevelopment project. That resolution includes various contingencies and conditions that need to be met prior to formal approval of funding. Since the approval, the city and development team have been advancing work and discussions to accomplish the various requirements. One of the conditions requires that "agreements for both the construction of and financing of public infrastructure necessary for the project, which includes but not necessarily limited to public right-of-ways/streets, public utilities, public open space areas and demolition of existing structures and facilities" be negotiated and in place. The city and development team have been working diligently over the last six weeks to identify the cost of said improvements and what funding sources exist to finance the improvements. Among many challenges here as with any project is that development costs are incurred on the front end, whereas, the recapture of those costs occur after completion of the development through increased tax base, employment, use and enjoyment of the property, and similar positive impacts for the adjacent neighboring properties and community. Therefore, both the City and Developer have taken a conservative approach. For instance, the projected sources and uses have built into them conservative real estate values for abatement and increment projections and a contingency for project costs. The developer has identified estimated costs related to the right-of-way construction, utilities, infrastructure, public space/landscaping, site work and demolition for the east and west portions of the district as follows:

West District - $13,010,000
East District - $12,220,000
TOTAL - $25,230,000

Mr. Thorvig reported the developer desires to begin construction of the West District infrastructure in 2024 in coordination with beginning construction of the event stadium. Activity in the East District which may begin in 2024 include demolition, utilities, and site preparation, with a majority of the work occurring in 2025. The most common financing mechanism for redevelopment areas such as this is tax increment financing (TIF). TIF utilizes property taxes generated by new development in the redevelopment district to fund various improvements within a district. Common uses of TIF include:

- Site acquisition
- Cleanup of hazardous substances, pollution or contaminants
- Site preparation such as building demolition and construction of utilities, roads and sidewalks.
- Parking facilities

Mr. Thorvig explained based on development projections in the East District where a new redevelopment TIF district could be created, it is estimated that approximately $28,290,000 in TIF would be available to finance various qualifying activities listed above. Up to 25% of the TIF proceeds ($7,070,000) can be spent outside the TIF district. The West District was included in the tax abatement area to finance the turf fields and cannot be included in a TIF district. Therefore, only 25% of the TIF proceeds can be utilized in the West District for infrastructure improvements. Based on this information, there is sufficient TIF revenue to fund activities in the East District, however a shortage in the West District.

Mr. Thorvig stated due to the shortfall of available TIF that can be utilized in the West District, alternative scenarios have been discussed. The city and development team are analyzing a scenario where the bond for the event stadium would be increased from $34MM to approximately $40MM to finance improvements to the event stadium and other infrastructure in the West District. Revenue sources to repay the bond would still include developer lease payments to repay the event stadium portion and then a combination of eligible TIF and/or excess abatement revenue that may be generated from the West District. In previous workshop discussions, it was noted that there is an expectation that additional tax abatement revenue will occur as a result of higher than projected development values in the West District. Excess abatement revenues can be utilized to pay debt service from higher bond issuance. If excess abatement revenue doesn't exist, TIF proceeds can be utilized to pay the higher debt service. Baker Tilly is analyzing what potential excess abatement revenue may be generated from the West District and would be available for debt service.

Mr. Thorvig indicated the EDA is actively negotiating with property owners to complete acquisition of the remaining three parcels. The EDA does not have enough existing cash-on-hand to complete purchases if they occur in 2024/early 2025. TIF proceeds are an eligible use of funds for site acquisition. An appraisal is being completed to determine the value of the land that will be sold by the EDA to the developer. A development agreement is being drafted that outlines the developer acquisition of EDA property.

Mr. Thorvig commented the development is anticipated to generate approximately $2,000,000 in park dedication fees. Because the project includes various public spaces, park dedication can be used to fund certain improvements within the district. Staff is analyzing existing park dedication fund balances to determine what funds may be available to fund public open space improvements in 2024/2025, which will be replenished as the development pays park dedication fees. The City will be applying for a grant from the Minnesota Department of Employment and Economic Development (DEED) to assist in building demolition. This grant application is due on August 1. The grant can fund up to 50% of the demolition costs, which are estimated to be approximately $800,000. TIF proceeds can be utilized for the remaining cost. There has been discussion about utilizing Minnesota State Aid (MSA) funds to assist in paying for the new round-about on 105th Avenue. Further analysis will need to occur to determine what, if any MSA funds are available and how using dollars would impact other street projects in the City.

Mr. Thorvig reported the developer has identified the need of approximately $15,000,000 in TIF for private parking structures associated with the vertical development. The poor, substandard soil/geotechnical conditions in the development area result in increased vertical development costs. Typically, when TIF is requested for project specific costs, an analysis is completed by Baker Tilly to determine the amount of TIF that is reasonable to provide a project based on a variety of factors including extraordinary project costs, equity return, etc. This will be completed at a later date when these projects come forward. However, for the purposes of analysis, a placeholder in the amount of $15,000,000 is included as a use of funds. Staff provided a summary of the sources and uses of funds based on the information provided above.

Mr. Thorvig stated based on the sources and uses identified above, there is an approximately $12MM gap. This gap can be reduced by potential excess abatement revenue which is being analyzed. The city and development team are analyzing other ways to leverage developer payments after the bond for the event stadium is paid off. Based on the work that is desired to start in 2024/2025, there could be two separate bond issuances to finance the work:

- $40MM abatement bond for the stadium and west infrastructure work.
- $19.2MM TIF bond for east infrastructure work and property acquisitions.

Mr. Thorvig reported these funding sources would provide significant advancement in the early phases of the development including the event stadium, all project infrastructure (roads, utilities, etc.), public spaces, demolition, final property acquisitions and replenishment of certain EDA expenses that have occurred for the project including property acquisition and reimbursable costs for design. If the City Council provides the requested project financing consensus, then the timing of the bond issuance approval(s) are anticipated to be presented to the City Council within the next few months, subject to coordinating the approvals with commencement of the stadium/west infrastructure and east infrastructure work and property acquisition. Other funding sources including park dedication, grants and MSA funds will continue to be analyzed to determine how/if/when they can be utilized for the project. There is sufficient TIF revenue based on projections to cover the debt service for the bond issuances listed above. The $12MM gap becomes problematic when the developer begins vertical construction of the east district. Because this is several years out, there is some time to determine how to solve the gap. Staff reported the development team had additional information to present to the council.

Corey Burstad, Elevage Development, discussed the development infrastructure. He reviewed an image for the baseball stadium, noting there would be 3,100 premium seats. He explained the development team has been working on the development agreement for this project for the past month and it was his hope a development agreement would be in place by early August. He commented on the project timeline, noting he was nearly ready to bid the civil portion of this project. He indicated the baseball team should be announced by September 16. He further discussed when construction would begin on the various phases for the project. He reviewed where the four acre victory park would be located and noted Damon Farber would be assisting with the design of this amenity.

Councilmember Robertson asked what the takeaways were for the council for the project at this time. City Attorney Eric Larson reported there was a lot going on, but he appreciated how staff has kept the council apprised on this project. He explained every major threshold has been presented to the council. He commented on how the master development agreement will terminate the pre-development agreement and will serve as the binding document that takes the concepts into reality. He discussed the potential value of this development and commented on how important it was for this project to be shovel ready, in order to have future developments built by the private marketplace. He thanked Baker Tilly for all of their efforts on behalf of the city.

Councilmember Robertson thanked everyone for coming together to make this project possible.

Councilmember Newland stated it appears there would be a TIF request coming before the city soon and asked what dollar commitments the council would be considering. Mikaela Huot, Baker Tilly, discussed the timing for the public and private investments. She explained staff was working to find funding for the demolition costs along with funding for other TIF eligible expenses such as infrastructure.

Mr. Burstad reported he was closely reflecting on what the needs would be after the infrastructure was in place.

Councilmember Newland requested the developer and city keep residents apprised on big announcements from this development. Mr. Burstad stated he had a landing page that he was working on that would be live in the coming weeks for the public.

Councilmember Larson stated because TIF would be used on this project, when would the abatement/TIF end and residents begin seeing benefits. Mr. Thorvig explained the west district would have a 15 year term. He noted TIF districts could go up to 26 years, but this timeline could be shorter based on valuations. Ms. Huot stated a redevelopment district could run up to 26 years and this would begin in 2025. She commented on how there would be a value on the MASC property, which would not have been realized without this development. Mr. Thorvig discussed how the city would benefit tremendously 25 years from now after this development was well established and the TIF districts had run their course.

Mayor Sanders thanked staff and the development team for their presentation.

3.3. 2024-290 2025 PMP Update

Sponsors: Daniel Schluender, Director of Engineering

Director of Engineering Schluender stated engineering staff has reviewed the 5-year transportation CIP and reevaluated the condition and rehabilitation types of the streets and are proposing the following streets for the 2025 transportation projects. Lakes Parkway from Radisson Road to the east end, 99th Lane from Baltimore Street to Davenport Street, and Baltimore Street from 93rd Avenue to 99th Avenue will all be a Mill and Overlay rehabilitation. Zest Street/ Lakes Parkway at Lexington Avenue and Austin Street at Pheasant Ridge Drive will be new street extensions. The final area is the neighborhood, generally at 87th Lane and Van Buren Street, and will be a full reconstruction with the addition of curb and gutter. The final phase of 89th Avenue will also be finished next year as the construction is scheduled over a two-year period. The preliminary engineer's estimate has these 2025 transportation projects costing approximately $10,600,000.

Mr. Schluender reported the 2025 transportation projects will be brought forward for council consideration to initiate and order the preparation of feasibility reports at the July 15th City council meeting for action. The reports, if ordered, will identify the funding sources for these projects but will contain, at a minimum, a combination of assessments, utility funds, and Municipal State Aid Funds. Please note, as the 2025 budget process moves forward, staff will bring the updated 5-year transportation CIP and budget for review and comment.

Councilmember Larson asked who gets assessed for Lakes Parkway. Mr. Schluender commented on how the city's assessment policy would address Lakes Parkway.

Councilmember Larson questioned what was going on at Lexington Avenue and 122nd Avenue. Mr. Schluender reported the County was installing a signal at this intersection.

Councilmember Massoglia asked of the $10.6 million how much was being spent on reconstruction versus mill and overlay. Mr. Schluender estimated $2.4 million was spent on Zest, $1.4 million on the Lakes overlay, $1 million on Austin, and $1 million on Baltimore and 99th.

Councilmember Massoglia questioned when the last pavement management assessment was done. Mr. Schluender stated this was done in 2019 and 2022. He anticipated this work would be done again in 2025.

3.4. 2024-268 Proposed Amendments to Tobacco Licenses Follow-Up
Sponsors: Cathy Sorensen, City Clerk

City Clerk Sorensen stated at the June 17 workshop, council provided staff feedback in support of the proposed amendments to tobacco licenses but wanted to follow up on the capped amounts for each license type. There was some consensus to cap the general tobacco licenses at 50 (grocery, gas, liquor), 12 for tobacco product stores, and 3 for cigar shops. Currently, there are 54 tobacco licenses, 9 of which are tobacco products stores. Staff reviewed the proposed language changes in further detail with the council.

Ms. Sorensen reported if there is a cap on the number of licenses issued in conjunction with a grocery store, convenience store, liquor store or convenience store, a potential unintended consequence exists which would limit future businesses (grocery, convenience) from having a license. Based on previous council discussion, it appears the primary concern is related to exclusive tobacco shops and not necessarily grocery and convenience stores, etc. The proposed language above would allow for five additional licenses to be issued for new convenience stores, grocery stores, etc. and three additional for exclusive tobacco shops. If adopted, all existing licenses would remain in effect until they are not renewed or they expire. Changes in ownership already require a new license to be applied for; the council is not required to issue the full number of tobacco licenses it has available. Once direction is given, staff will bring forward the ordinance amendments for formal consideration.

Mayor Sanders asked if vape shops required a tobacco license. Ms. Sorensen explained vape shops did require a tobacco license.

Councilmember Robertson thanked staff for the presentation and for taking into consideration comments council made to staff previously. She supported the council looking further into the signage that was allowed on standalone vape and tobacco shops. She supported the city setting a cap with licenses falling off if a business were to close or move outside of the community.

Further discussion ensued regarding the compliance checks that were conducted by the Blaine Police Department.

Ms. Sorensen thanked the council for their feedback and confirmation of the number of licenses and types as proposed and noted she would bring this item back to the council for consideration at a future council meeting.

3.5. 2024-271 Adult-Use Cannabis Preliminary Zoning Discussion
Sponsors: Erik Thorvig, Community Development Director, Cathy Sorensen, City Clerk

Mr. Thorvig stated adult-use cannabis was legalized in August 2023. The legislation created the framework for licensing and establishing the Office of Cannabis Management (OCM) for regulation, and requires cities to issue a retail registration to a cannabis microbusiness/ mezzobusiness with a retail operations endorsement, a cannabis retailer, medical cannabis retailer, or lower-potency hemp edible retail that:

- Has a valid license issued by the OCM.
- Has paid the registration fee.
- Is found to be in compliance with the requirements of the applicable state laws through a preliminary compliance check performed by the city.
- Is current on all property taxes and assessments at the location where the retail establishment is located.

Mr. Thorvig explained while rule making will continue through the end of 2024, the League of Minnesota Cities and the OCM have developed a model ordinance for cities to use in anticipation of licenses beginning to be issued early in 2025 (attached). In the meantime, because cities are allowed to adopt reasonable restrictions on the time, place and manner of cannabis operations, including the location of registrations and hours of operation, staff is seeking preliminary council input on how restrictive the council wants to be with regard to location and the number of licenses, potential zoning districts for cannabis registrations, input on the number of registrations to allow and hours of operation, and the potential for a city cannabis license. Staff reviewed the restrictions, hours of operation, number of registrations, and municipal license regulations that were allowed per state statute for cannabis businesses.

Ms. Sorensen reported as part of the 2024 session, the Minnesota Legislature adopted the Conference Committee Report on HF 4757 related to cannabis regulations within the state. The legislation requires the OCM to begin accepting applications for social equity applicants on July 24, 2024, with applications closing on August 12, 2024. A social equity applicant includes people who were convicted of possessing or selling cannabis, for example. A successful social equity applicant will gain pre-approval to operate a cannabis business. In addition, the legislation's language regarding early cultivation allows businesses that have received pre-approval to immediately begin cultivating cannabis if the business complies with local zoning ordinances, state fire and building codes, and Minnesota rules related to medical cannabis. No other cannabis-related operations may commence until the OCM has adopted final rules, which are expected early next year. With the current interim ordinance in place establishing a moratorium on all cannabis operations until 2025, an approved social equity applicant would be prohibited from operating under the early cultivation exception because they would not meet local zoning ordinances. Staff noted further discussion will occur regarding the licensing process and other zoning requirements in the future.

The council supported limiting hours of operation between 9PM and 2AM and to not allow stores to open until 10AM Monday through Saturday. Council asked staff to see how neighboring communities will be setting hours of operation for adult-use cannabis sales.

The council supported capping the number of adult-use cannabis licenses to the maximum of six as required for the city of Blaine.

Councilmember Robertson asked that the police department be brought in for future discussions to assist the council with learning more about compliance and licensing issues.

Councilmember Massoglia questioned when applicants could begin applying for an adult-use cannabis license. Ms. Sorensen reported social equity applicants could apply now, and all remaining applicants could apply in January of 2025.

The council supported the distance limitations as proposed by staff from uses such as daycares and treatment facilities.

Councilmember Robertson asked if a business owner would have the right to refuse to lease to this business type. Mr. Thorvig reported landlords and property owners can do this. Ms. Sorensen commented further on the state's signage requirements for these uses that did not allow for anything that could attract minors.

Councilmember Robertson stated she did not want to see cannabis sales along the TH65 corridor. Ms. Sorensen explained this could be done, but noted the city had to allow enough area in the community for the six licensed establishments.

Councilmember Newland indicated he would look to staff on how to limit or set the locations for these businesses. He was of the opinion the TH65 corridor would be a great location for cannabis sales.

Councilmember Larson stated she could support keeping cannabis sales in the Northtown area because this area was largely commercial. She commented she did not want to see cannabis sales in the B-5 district.

Mayor Sanders asked if some of the city's light industrial or light manufacturing areas would qualify for this use.

Councilmember Newland suggested the six licenses be split between the wards in the city because he did not want to see all six cannabis shops in the Northtown area for example.

Councilmember Massoglia stated he supported this use in the B-2 and B-3 zoning districts, but prohibited along TH65.

The council requested staff to report back with further data regarding a municipal cannabis store in order to assist the council in making a decision.

4. Other Business

None.

5. Adjournment

The workshop was adjourned at 7:58PM.

Signed by ______________________________
Tim Sanders, Mayor

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