City of Blaine
City Council Workshop

August 19, 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; Safety Services Director/Police Chief Brian Podany; Director of Administrative Services Scott Johnson; Finance Director Jason Zimmerman; Deputy Public Works Director Jason Grode; Director of Engineering Dan Schluender; Public Works Water Supervisor Kristian Gaasland; City Attorneys Tom Loonan and Erik Larson; Web Coordinator Heidi Andrea; and City Clerk Catherine Sorensen.

3. New Business

3.1. 2024-350 105th Redevelopment Updates/Discussion
Sponsors: Erik Thorvig, Community Development Director

Community Development Director Thorvig stated the City Council last discussed the project at the July 8, 2024, workshop. He provided an update on recent property purchases and noted there were two key properties remaining. It was noted 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 explained the developer anticipates receiving actual bids for the horizontal work the week of August 12. This will memoralize the actual costs. The developer desires to begin construction of the West District infrastructure in the fall of 2024. 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 reported 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 commented 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.

Mr. Thorvig stated 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 bond sale proceeds are an eligible use of funds for site acquisition. If TIF bonds are sold in 2024, the City would be reimbursed for the acquisition of 2043 105th Avenue and have additional cash-on-hand to fund additional purchases. An appraisal is being completed to determine the value of the city/EDA owned land that will be sold to the developer. Land sale proceeds would replenish EDA funds balances in the future. 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.

Corey Burstad, Elevage Development, provided an update on the progress that has been made for the 105th Redevelopment project, offering information on the tax abatement process and parameters. He discussed the event stadium design with the council and noted all horizontal work was done for the west district. He explained his original plan was to have the first baseball pitch in the spring of 2026, but the timing of the project may push this out to the spring of 2027. However, he noted events could be held at the stadium beginning in the fall of 2026. He anticipated construction of the stadium would begin in February of 2025. He stated he was very comfortable with where the plans were at this time.

Robb Bader, Bader Development, commented on the infrastructure work that would be completed yet this fall.

Mr. Thorvig discussed the zoning ordinance that was approved by the council in 2022 and noted some amendments were necessary. He stated these amendments would be brought forward for council consideration in September or October. He indicated the development agreement would be coming to the city council for consideration on September 16.

City Attorney Erik Larson provided further comment on the master development agreement. He stated he anticipated the agreement would be 55 pages that provides a road map for this development. He stated the agreement would have three primary areas, which included a description of the project (public and private infrastructure), the project finances (public and private investment), and discussion regarding the land.

Mr. Thorvig described the two different financing options, which included TIF and bonding, that have been discussed with the developer for this project. He noted $25 million in infrastructure work has to be done for this development. He indicated he would like to get the vacant EDA buildings demolished yet in 2024 noting site work would begin in 2025. He explained $29 million of TIF would be generated from the development and the City was looking to do a bond issuance in the fall of 2024. He indicated these funds would then be used to repay the City's Strategic Priorities Fund, while also providing funds for remaining purchases and necessary infrastructure work. He commented further on the proposed bond issuance noting the City would have money available by November 14.

Mikaela Huot, Baker Tilly, discussed the parameters resolution in further detail with the council. She explained the council would be asked to accept the bid for the bonds while also setting a maximum amount for the bonds and interest rate.

Councilmember Massoglia thanked staff and the developers for all of their hard work on this project. He requested further information on how TIF would be used. Mr. Thorvig explained the initial projections show the amount of proposed TIF provided enough funds to accomplish the four components for the first phase of the development. Mr. Bader explained additional TIF may be needed in a future phase for the parking.

Councilmember Massoglia asked what the value of the property would be. Ms. Huot estimated the taxable market value of the land was $173 million.

Mayor Sanders thanked staff and the development team for the update and for their continued efforts on this project.

3.2. 2024-346 2025 Budget - General Fund Budget and City/EDA Property Tax Levy
Sponsors: Jason Zimmerman, Finance Director

Finance Director Zimmerman provided a presentation on the initial General Fund and Economic Development Authority (EDA) budgets as well as preliminary levy options, which include funding for capital improvements and debt service. Another council workshop is scheduled to address any outstanding questions to prepare for adoption of the 2025 preliminary levy, which will come before the council on September 16. This first formal workshop regarding the 2025 operating budgets and property tax levy is intended to begin the annual process of aligning city council priorities with financial resources to provide Blaine property owners, residents, and visitors with quality city services at a responsible tax level. While this discussion is very preliminary, with many assumptions, it will help set expectations for staff and create a more efficient budgetary process while striving for outcomes that align with council goals. Staff noted that in order to present this information, it will be broken down into baseline assumptions, department requested enhancements, and new positions. He described how the proposed levy met the service goals of the city council. He reviewed how the median value homeowner would be impacted by the proposed levy while also comparing the levy to peer communities. Staff commented further on the proposed tax levy scenarios and requested comments and direction from the council how to proceed.

City Manager Wolfe explained public safety were driving costs for the city, along with public works and maintenance costs. She reported of all of the comparable cities, Blaine is the only community that does not have two or three other significant sources of revenue besides property taxes. She indicated only 10% of cities in Minnesota do not receive Local Government Aid and Blaine was within that 10%. She indicated this was a big part of the story the city was dealing with when compiling the preliminary levy.

Councilmember Larson questioned why the city does not receive Local Government Aid. Ms. Wolfe explained LGA was a calculation within Statute and Blaine did not qualify.

Mayor Sanders recessed the workshop meeting at 6:53PM.

Mayor Sanders reconvened the workshop meeting at 7:57PM.

Mr. Zimmerman provided further comment on the capital levy and debt service for was spent on a yearly basis on city's streets, parks and trails and the SBM Fire Department. He reviewed the requests for each of these categories per year and noted the borrowing fees for the city. He discussed how debt for the 105th Area Redevelopment project would structured and added to the tax levy. He reiterated that city services would remain as is in 2025 and depending on the scenario, only specific new staff members would be added. Additional information was provided to the council regarding the potential levy scenarios.

Ms. Wolfe explained the items shaded in blue were an increase but were items she believed were necessary. She reported if no new public works staff were hired, she suggested the council consider additional seasonal staff members during the summer months.

Councilmember Robertson thanked staff for the high level of detail provided to the council within this presentation. She stated it was difficult from a council perspective to fund or address the concerns of the public sometimes given the dollar amount attached to these concerns. She indicated the City Forester had passed away and the city has not rehired for this position, which was leading to many calls and complaints from residents regarding trees. She understood there were residents who were concerned about emerald ash borer clean up, trail maintenance and properly maintained medians. She indicated each of these things come with a cost and residents need to understand the cost to complete these tasks on behalf of the community.

Councilmember Robertson excused herself from the meeting at 8:33PM.

Councilmember Newland explained with Scenario 4, the city of Blaine would be comparable to Maple Grove and Plymouth. Mr. Zimmerman reported this was the case.

Councilmember Newland indicated two of the Night to Unite parties he attended occurred at city parks where he heard comments about park maintenance and dead tree removal within the city's parks. He stated the city needed to continue to add the items residents wanted. He explained it was expensive to operate the city, especially as the city continues to grow. He did not believe the city could maintain a flat level of services given the fact residents want more services. He supported increasing the levy in order to get caught up on services.

Councilmember Newland asked what new staff members were proposed within the budget. Ms. Wolfe stated two new police officers and a fleet manager were proposed within the budget. She indicated additional staff members were being considered in the utilities department. Mr. Zimmerman indicated the vast majority of the staffing requests were coming from public safety and public works. He explained these requests were consistent with the city council's goals to provide current level of services given how the city was growing.

Ms. Wolfe commented on how a staffing study was necessary for the police department in order to better understand the needs of the police going forward. Mr. Zimmerman stated Blaine had the second largest police department in the north metro and it was expensive to hire and pay officers.

Councilmember Newland stated he was not supportive of Scenario 1 but could support Scenario 3.

Councilmember Larson supported the City Forester position being looked at again given the number of comments she has received regarding dead trees in the community.

Councilmember Massoglia explained he wanted to see the city level out its spending. He indicated he may not be able to support a 10% increase in the levy. He stated the debt levy increase was concerning to him. He commented he would want to learn more about the benefits of having a forester versus partnering with contractors.

Mayor Sanders stated the preliminary levy should be the highest levy the city council could support then indicated he could support Scenario 3 at this time.

Further discussion ensued regarding the facilities budget and the five year CIP.

Councilmember Newland asked if additional small group discussions would be held with the council members. Ms. Wolfe stated she would be more than happy to do this.

General consensus of the council was to support Scenario 3 which included a 17.10% increase as the maximum amount of the preliminary levy and to request staff to bring this item back at an upcoming workshop to review the proposed EDA levy.

4. Other Business

None.

5. Adjournment

The workshop was adjourned at 8:55PM.

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

Signed by ______________________
Tim Sanders, Mayor

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