

**CITY COUNCIL MEETING  
CITY OF FRIDLEY  
SEPTEMBER 12, 2016**

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The City Council meeting for the City of Fridley was called to order by Mayor Lund at 7:02 p.m.

**ROLL CALL:**

**MEMBERS PRESENT:**

Mayor Lund  
Councilmember Barnette  
Councilmember Saefke  
Councilmember Varichak  
Councilmember Bolkom

**OTHERS PRESENT:**

Wally Wysopal, City Manager  
Darcy Erickson, City Attorney  
Scott Hickok, Community Development Director  
Shelly Peterson, Finance Director  
Paul Bolin, HRA Executive Assistant Director  
Jim Casserly, Development Consultant  
Pam Reynolds, 1241 Norton Avenue N.E.  
Natividad Seefeld

**PROCLAMATIONS:**

Constitution Week: September 17-23, 2016  
Chiari Malformation Day: September 17, 2016

**APPROVAL OF PROPOSED CONSENT AGENDA:**

**APPROVAL OF MINUTES:**

City Council Meeting of August 22, 2016.

**APPROVED.**

**NEW BUSINESS:**

- 1. Resolution Declaring Cost to be Assessed and Ordering Preparation of Proposed Assessment for the Street Improvement Project No. ST 2015-01.**

**ADOPTED RESOLUTION NO. 2016-42.**

- 2. Resolution directing Publication of the Hearing on the Proposed Assessment for Street Improvement Project No. ST 2015-01.**

**ADOPTED RESOLUTION NO. 2016-43.**

- 3. Resolution Declaring Cost to be Assessed and Ordering Preparation of Proposed Assessment for Street Improvement Project No. ST 2016-01.**

**ADOPTED RESOLUTION NO. 2016-44.**

- 4. Resolution Directing Publication of the Hearing on the Proposed Assessment for Street Improvement Project No. ST 2016-01.**

**ADOPTED RESOLUTION NO. 2016-45.**

- 5. Resolution Directing Preparation of the Assessment Roll for the 2016 Nuisance Abatement.**

**ADOPTED RESOLUTION NO. 2016-46.**

- 6. Resolution Directing Publication of Hearing on the Proposed Assessment Roll for the 2016 Nuisance Abatement.**

**ADOPTED RESOLUTION NO. 2016-47.**

- 7. Claims (173816-174045; ACH PCard 1608)**

**APPROVED.**

- 8. Business License**

**APPROVED.**

- 9. Estimates**

Kuechle Underground, Inc.  
 PO Box 509  
 Kimball, MN 56302  
 2015 Street Rehabilitation Project No. ST 2015-01  
 Estimate No. 9.....\$131,885.49

Northwest Asphalt  
 1451 Stagecoach Road  
 Shakopee, MN 55379  
 2016 Street Rehabilitation Project No. ST 2016-01  
 Estimate No. 3.....\$281,953.40

**APPROVED.**

**ADOPTION OF PROPOSED CONSENT AGENDA:**

**Councilmember Bolkcom** asked about the claims on page 4, landscape design, if it was for Springbrook. Also on page 46 the line item for \$14,000.

**Councilmember Bolkcom** also noted that some of the liquor expenses have freight charges and others do not. She asked why it wasn't consistent for all liquor expenses regarding the freight.

**Wally Wysopal**, City Manager, replied that he would have staff research the questions and get back to Council. If the landscaping was for Springbrook, the Springbrook Foundation has paid the city to pay the bill.

**MOTION** by Councilmember Barnette to approve the Consent Agenda. Seconded by Councilmember Varichak.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY**

**OPEN FORUM, VISITORS:**

**Pam Reynolds**, 1241 Norton, asked questions regarding the proposed new City Hall. She asked why the HRA owned the building and why they were not responsible for the upgrades for what needed to be done. She would also like to know if Council has given any thought to bringing the desire to build the City Hall to the voters. At some point, they should ask if taxpayers want to pay for it. In November, an item on the ballot in Blaine is for approval to bond for a community center. One last question a neighbor had regarding Wells Fargo and the issues they were having was whether the City was going to change who they bank with.

**Mayor Lund** asked what issues Wells Fargo was having.

**Ms. Reynolds** replied the scandal of \$1.5M falsified accounts.

**Mayor Lund** replied staff brings those things to Council in January so this fall would be an appropriate time to revisit that. There is a meeting on October 25 regarding the Columbia Arena site and there will be a public hearing in November about the potential bonding for a new City Hall. At that time Council will take input.

**Wally Wysopal**, City Manager, added staff has not been able to figure out why the HRA owns that property. The HRA attorney is looking at documents to try and figure this out. If the HRA owns the property and improvements needed to be made, they would charge the tenant. The latest estimate for the repairs was \$20-30M. The City of Blaine cannot bond for the community center without voter approval because that is not an essential building like police, fire, etc.

**Ms. Reynolds** replied Council could bring this to voters if they decided to do that.

**Mr. Wysopal** noted the banking would be reviewed in January regardless of what is happening with Wells Fargo.

**Mayor Lund** added that the City does not bank huge amounts with Wells Fargo; just day-to-day activities. The location is very convenient. City investments are made with other institutions.

**Shelly Peterson**, Finance Director, confirmed that the banking institution is reviewed on a regular basis and they have looked at doing requests for proposals. This is on the horizon to look at in 2017.

**ADOPTION OF AGENDA:**

**MOTION** by Councilmember Bolkcom to adopt the Agenda. Seconded by Councilmember Saefke.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**PUBLIC HEARING:**

**10. Consider the Creating of Tax Increment Finance District #23.**

**MOTION** by Councilmember Saefke to open the public hearing. Seconded by Councilmember Bolkcom.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED AND THE PUBLIC HEARING OPENED AT 7:24 P.M.**

**Paul Bolin**, HRA Executive Assistant Director, stated staff is asking Council to hold a public hearing on the creation of TIF District #23 and adopt a resolution modifying the City's redevelopment plan and the TIF plans for the existing districts. This district is necessary to assist with extraordinary development costs including demolition, environmental remediation, geotechnical corrections, utilities, and roads in excess of \$14.5M.

**Mr. Bolin** reviewed the TIF District #23 Assumptions:

- Phase 1: 15 owner occupied patio homes commencing in 2017
- Phase 2: 15 owner occupied townhomes commencing in 2018
- Phase 3: 180 units senior rental housing and 15 owner occupied townhomes commencing in 2018
- Phase 4: 7,500 sq. ft. commercial space; 180 senior rental housing units; 142 market rate rentals
- Phase 5: 7,500 sq. ft. commercial space; 142 market rate rentals \$75M of value upon completion; \$24M total TIF; PV – \$13.5M

**Mr. Bolin** stated the HRA approved creating TIF District #23 on Thursday, September 1. Staff recommends, after holding the public hearing, Council approve the resolution modifying the existing TIF Plan and creating TIF District #23.

**Councilmember Bolkcom** asked when the TIF district would start.

**Mr. Bolin** replied when a TIF district is created, the collection is deferred for four years after the district is created. The reason is that there is more value on the site so there is more increment.

**Councilmember Bolkcom** asked if the build would be completed by 2020.

**Mr. Bolin** replied that 2021 is the estimated time to complete. The commercial space would not be built until the other space is full.

**Councilmember Bolkcom** asked if Phases 4 and 5 would not be completed until 2021.

**Mr. Bolin** replied this is our best guess to the type of development and time frame based on what staff heard from developers in May of 2015. Once the creation of this district is approved, a request for qualification would be done so a developer can be on board to have a real plan moving forward.

**Councilmember Bolkcom** asked what was meant on Page 76.

**Mr. Bolin** replied those are the values in the tax increment plan, \$27-28M is what could be generated and is the max increment that can be collected from the district. Even if there was a value of \$110M, the increment can only be collected on a value of \$76M.

**Councilmember Bolkcom** asked on Page 88 how many of the objectives would be met. It says one or more. She asked which ones.

**Mr. Bolin** replied all of them.

**Councilmember Bolkcom** asked where the documents were regarding item number 3; the opportunity to correct environmental problems.

**Mr. Bolin** replied the documents have been created over the last 2 ½ years and are available if Council would like to review them.

**Councilmember Bolkcom** asked what incompatible uses were being eliminated.

**Mr. Bolin** replied Public Works.

**Councilmember Bolkcom** asked on Page 91, land and building acquisition, if that included what's happened thus far or what might happen.

**Mr. Bolin** replied that it includes what's happened so far and what may happen.

**Councilmember Bolkcom** asked if the amount included Public Works. She asked where they came up with that number.

**Jim Casserly**, Development Consultant, replied that they are not sure if there will be an amount that the Authority may have to pay additionally. He said they know that the Columbia Arena costs are in there, and what those costs represent are an educated guess. We are not stuck with them and the amounts could be moved around internally. The aggregate project cost cannot exceed the amount of the tax increment. The hope is that these amounts will be substantially less and if the revenues are what we hope they will be, the increment will only last 12 years. These numbers are all just estimates, and as we put the plan together, we will try to be expansive. Going back to amend is painful.

**Councilmember Bolkcom** added this is a lot of money, so she was wondering what was included in the estimate. She asked what other qualifying improvements were vs. the site improvements.

**Mr. Bolin** replied that would be for environmental costs, soil corrections etc.--those items that do not fall under the other categories.

**Councilmember Bolkcom** asked what the site improvements were.

**Mr. Bolin** replied demolition and general site grading.

**Mr. Casserly** added he was not sure of the impediments of the full development of the site. These categories were used because they are unsure. There may be various parking treatments that may fit under other qualifying improvements. Specifics will be known once we are more into this process.

**Councilmember Bolkcom** said on Page 97, 3 buildings are mentioned. What buildings are they talking about that are structurally substandard?

**Mr. Bolin** replied Columbia Arena itself and the two buildings on the Public Works site were deemed to be substandard.

**Councilmember Bolkcom** asked for an example of what is substandard about them.

**Mr. Casserly** showed the report that was on file for the public hearing notice that goes into detail about the code violations and issues with the structures.

**Pam Reynolds**, 1241 Norton Avenue, said she does not understand TIF. This proposal sounds as though it has gone through already but it is a proposal, right?

**Mayor Lund** replied yes.

**Ms. Reynolds** noted on Page 25, item 25.17 states that there will be no impact on City services due to creation of this TIF District. She disagrees and said she thought there would be an impact

on services if 700 units of housing are built. This will have an impact because for 26 years, they will not be paying full taxes on the building. TIF delays what taxes they pay because they do not pay market rate taxes.

**Mr. Casserly** replied that TIF creates confusion with the tax increment because we are freezing the base of the area that is approximately \$6M. What is being captured is the spread between the original base and the new value. Capturing a portion of the taxes on the difference is what goes to pay the entire infrastructure that allows you to do the development in the first place. The people in the district pay the exact amount as everyone else. Creating these districts provides the ability to reduce the referendum levies on the taxpayers of the city, as there is more value on which to levy. Tax increment is a portion of the local property tax. The amount of tax increment is only about 35-40% of the total amount of taxes that are being paid. There is a portion that the County collects on behalf of the HRA and the tax increment is used to pay eligible expenses. The plan is trying to say if the City did not take that initiative, you would not have increased value.

**Ms. Reynolds** said she thought someone would be willing to develop this piece of property. She asked if there would be other ways to make this property useful without creating a TIF.

**Mayor Lund** replied that TIF is a good tool. We invest money upfront and recapture the reinvestment overtime. There are many cases where if there was not a TIF District created the projects would not happen. Developers go for areas of raw land. When there are demolition costs, soil corrections, etc., most developers walk away. Sites like the new Northern Stacks development that is already highly successful from a very negative site would not have happened without creating a TIF District.

**Ms. Reynolds** asked what increased bonding authority meant in the resolution.

**Mr. Casserly** replied that this is a term used because when revenue notes are issued, in many projects the developer will absorb costs and be reimbursed in terms of revenue notes. This is in every one of the plans.

**Councilmember Bolkcom** noted this has nothing to do with the City bonding.

Natividad Seefeld asked if the buildings could be identified other than using building 1, 2 or 3.

**Mayor Lund** replied that there are 3 buildings, the arena and two existing Public Works buildings.

Ms. Seefeld said she thought it would be a better idea to be more specific with the description.

**MOTION** by Councilmember Barnette to close the public hearing. Seconded by Councilmember Saefke.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED AND THE PUBLIC HEARING CLOSED AT 7:59 P.M.**

**NEW BUSINESS:**

- 11. Resolution Modifying the Redevelopment Plan for Redevelopment Project No. 1 and the Tax Increment Financing Plans for Tax Increment Financing Districts Nos. 6, 9, 11-13 and 17-22 to Reflect Increased Project Costs and Increased Bonding Authority within Redevelopment Project No. 1, Creating Tax Increment Financing District No. 23, and Adopting a Tax Increment Financing Plan Relating Thereto.**

**MOTION** by Councilmember Saefke to adopt Resolution No. 2016-48. Seconded by Councilmember Bolkom.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

- 12. Resolution consenting to the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, Adopting a 2016 Tax Levy Collectible in 2017.**

**Shelly Peterson**, Finance Director, stated that MN Statutes authorize the HRA to levy properties within the community to support housing and redevelopment efforts. The 2017 Levy is equal to .0185% of the estimated market value which is the maximum allowed by law. 2017 levy will allow HRA to collect \$408,362. The HRA approved the levy at their September 1 meeting. The Final HRA Levy is due to the County no later than September 15. Staff recommends Council's approval.

**MOTION** by Councilmember Saefke to adopt Resolution No. 2016-49. Seconded by Councilmember Bolkom.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

- 13. Resolution Approving the Plans and Ordering Advertisement for Bids; 2016 Springbrook Nature Center Improvements Project No. 510 – Nature Play Area and Outdoor Amphitheater**

**Mike Maher**, Springbrook Nature Center Director, stated with the recent completion of the Phase 1 Interpretive Building at Springbrook Nature Center, City staff and the Springbrook Nature Center Foundation are recommending proceeding with two of the components of Phase 2 for the SPRING Project. The two components ready for bidding and construction are the nature-based play area and the amphitheater.

**Mr. Maher** stated the nature-based play area will be designed to encourage children to engage with nature in unstructured play opportunities. Children can climb on logs and boulders, play in sand in water, and build things with branches and other natural items. The play area will consist of natural elements and constructed features that will blend into the Nature Center's environment. The outdoor amphitheater will be located just east of the Nature Center building and will feature tiered hillside seating and a small round performance area. Nature education classes, musical

and theatrical performances, ceremonies and meetings could utilize this area with permanent seating for up to 150 people, and capacity for an additional 100 people on adjacent grassy slopes.

**Mr. Maher** said the estimated cost for these components is approximately \$280,000. The Springbrook Nature Center Foundation has raised the funds necessary for these improvements through their capital funding campaign for the SPRING Project. Upon approval of the plans and authorization to proceed with the bidding, the bid documents will be available starting this Thursday, September 15, 2016. The schedule calls for the sealed bids to be publicly opened on Friday, October 7, 2016, at 10:00 a.m. in Conference Room A of the Fridley Municipal Center. It is expected that a recommendation to approve the bids and award contracts will be before the Fridley City Council at the October 10, 2016, Council meeting. Staff recommends the City Council adopt the attached resolution authorizing staff to advertise for bids for the Springbrook Nature Center Improvements Project.

**Mayor Lund** said that the green roof, donated by Central Roofing, will be delivered tomorrow to go on top of the new roof. This was removed because of the high cost and now has been donated by a generous donor.

**Councilmember Bolkom** asked if some work would happen yet this fall.

**Mr. Maher** replied the date for opening bids is October 7 and the projects are expected to be completed to be open for summer of 2017. It will be up to the individual contractor if they choose to start work this fall.

**MOTION** by Councilmember Bolkom to adopt Resolution No. 2016-50. Seconded by Councilmember Saefke.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

#### **14. Resolution Adopting the 2017-2021 Capital Investment Program.**

**Shelly Peterson**, Finance Director, stated the Capital Investment Program is the City's plan to provide and maintain facilities for the citizens and businesses of Fridley. Similar to the annual operating budget, the Capital Investment Program is a policy document. While it details anticipated capital expenditures in the City over the next five years, changes in the City's priorities and available resources require that the plan be reevaluated on an annual basis. The goal of creating a separate Capital Investment Program document is to focus on capital projects and better prepare for the funding of those projects.

**Ms. Peterson** noted there have been two Council work sessions to review the Capital Investment Program. On June 13 the Council and staff held an in-depth review of the draft Capital Investment Program. On September 12, the Council reviewed the updated Capital Investment Program tables for each of the Capital funds. The City has made a concerted effort over the last several years to dedicate all Local Government Aid (LGA) to capital projects. This was a conscious decision so that in the event LGA experienced a last-minute reduction it would be

easier to adjust current or future one-time purchases rather than on-going operations. Due to levy restrictions, in 2016 we shifted a small portion of LGA back to the General fund to provide funding for basic operations.

**Ms. Peterson** stated approximately half of the LGA has been shifted back to the General Fund to maintain current operations in 2017. This shift has resulted in the deferment of \$500,000 in equipment replacements. All capital funds are anticipated to use fund balance, with the exception of the Information Technology Project fund. We continued research on alternative reliable funding sources for 2018 and beyond. Within the Utility Funds, cash reserves are anticipated to remain stable with proposed 2017 projects. Water Fund projects in 2016 and 2017 are funded through bonding. We continue efforts to build reserves and meet our fund balance initiatives for both Water and Sewer. The Liquor Operation Fund analysis is being done today on the best options for the Highway 65 store.

**Ms. Peterson** said the approval of the CIP is not the last step in the budget and planning process. The capital items noted in the 2017 columns will be included in the 2017 annual budget under each respective fund. Council will review the entire budget at the November work session, with ultimate approval set for December. Staff recommends the resolution adopting the 2017-2021 Capital Investment Program be approved and that the document be moved into the record.

**Mayor Lund** said Council has cautiously made a decision not to use LGA for capital investment. There is a trend to use more LGA funds to make ends meet in our general budget. He said he does not like to see this because LGA funds cannot be relied on all the time. Eventually all of LGA could go to the general fund. Part of the reason is because of the levy restriction. We cannot raise the levy on property taxes but costs for the City continue to rise. Staff is doing their best to cut costs, but there are no new streams of revenue to offset the restriction.

**Councilmember Bolkcom** complimented Shelly and the other department managers for doing such a good job at putting certain priorities on pieces of equipment and explaining why we need them and what service it provides to the community. Copies are available to read for those who want to see the full report.

**MOTION** by Councilmember Barnette to adopt Resolution No. 2016-51. Seconded by Councilmember Varichak.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY.**

## **15. Informal Status Reports**

**Jim Kosluchar**, Public Works Director, announced that preliminary dates have been set for project open houses for the West Moore Lake and 2017 Street Project. West Moore Lake is September 27 at 6 p.m. and the 2017 Street Project is October 4 at 6 p.m.

**Mayor Lund** said there has been discussion and comments about the restoration of current street projects. There have been complaints on Melody Manner and south of the freeway. Some restoration and improvements have occurred. He asked if those areas are looking better.

**Mr. Kosluchar** replied the contractor did some rework and staff are making sure they are working to the best of their ability. Staff will continue to monitor the project.

**Councilmember Bolkcom** asked if the project on East River Road would be done soon.

**Mr. Kosluchar** replied yes.

**Councilmember Bolkcom** noted that the closure on east I-694 has been ongoing for several weekends. Updates are on the website.

**Councilmember Varichak** asked about the work being done over by the Holiday gas station.

**Mr. Kosluchar** replied that is MnDOT work to modify the intersection in the southeast corner.

**Councilmember Varichak** asked how long it will last.

**Mr. Kosluchar** said about 3 to 4 weeks.

**ADJOURN:**

**MOTION** by Councilmember Barnette to Adjourn. Seconded by Councilmember Varichak.

**UPON A VOICE VOTE, ALL VOTING AYE, MAYOR LUND DECLARED THE MOTION CARRIED UNANIMOUSLY AND THE MEETING ADJOURNED AT 8:25 P.M.**

Respectfully submitted by,

Krista Peterson  
Recording Secretary

Scott J. Lund  
Mayor