

CITY OF EXCELSIOR  
Hennepin County, Minnesota

MINUTES

City Council Work Session

Following the City Council Closed Executive Session

Monday, June 1, 2015

**1. Call to Order/Roll Call**

Mayor Gaylord called the meeting to order at 6:40 p.m. following the City Council Executive Session.

Councilmembers present: Beattie, Caron, Fulkerson, Miller, and Mayor Gaylord

Also Present: City Manager Luger, City Attorney Staunton, and Recording Secretary Johnson

**2. Agenda Approval**

Beattie moved, Caron seconded, to approve the agenda. Motion carried 5/0.

**3. Lease Agreement Renewals – Randall Pool & Spa and Tommy’s Tonka Trolley**

Luger said that the lease agreements for Randall Pool and Spa and Tommy’s Tonka Trolley are both set to expire this fall. Given that both spaces are somewhat in the state of flux, staff would like direction from the Council on how to proceed with the negotiation process. She noted that Fulkerson had asked her about the kayak agreement and that agreement will also end this season as well.

Mayor Gaylord said if the City Hall is going to be renovated, the City should use the money from the rentals for the renovation.

Caron said that she thinks the City should market the City Hall space to see what options are possible.

Mayor Gaylord said when the architect came before the Council he had indicated that the City Hall space would rent for around \$20,000 and the upper space combined with the Council Chambers would rent for at least \$30,000. This is more than what the City is currently getting for rent.

Fulkerson asked if the City would use the City Hall space. Luger said if the Council moved forward with the plans the architect brought forward, the Council would be able to lease out the City Hall space because the City offices would be moved over to the old library space.

**3. Lease Agreement Renewals – Randall Pool & Spa and Tommy’s Tonka Trolley – (Continued)**

Caron asked when Randall Pool’s lease expires. Luger said at the end of November. Caron said if the City wants to move forward with the architect’s plan, the City will need to begin marketing the space. Luger said the Council has not discussed the financing for the remodeling.

Caron said if Randall Pool is willing, the City could do a short term lease while the Council works through everything.

Mike Randall, Randall Pool & Spa, said he leased the space from the City five years ago. He has a good understanding now how the City works, so he’s less worried about getting the lease finalized. He loves this location and his employees love being here in the City. His employees and he are respectful of the building, respectful to the residents, and he always pay the rent on time. He does not want to go anywhere else. If there are going to be changes, he would like to be involved in the discussions. He is at the Council’s mercy. If something better comes along the City has the ability to terminate the lease. Write a lease that makes sense for the City and then if the City gets a better offer down the road, he understands.

Miller said the City might decide to ask for request for proposals (RFP’s) for the space. He asked Randall if the City goes out for RFP’s would he envision taking over the whole building. Randall said he would be in favor of that. Miller asked Randall if he would be willing to put in a proposal. Randall said yes.

Randall said his business does not affect the City’s parking. On weekends when he’s been at the office, people have been afraid to park in the City’s reserved parking spaces. He suggested that the City remove the reserved parking signs to help alleviate parking issues on the weekends.

Caron said she thinks Randall Pool has been a great tenant and the business is a low intensity use. The property is adjacent to residential. She is concerned if the City changes tenants and have a higher use it could affect the residential properties. She knows others on the Council are willing to look at other potential tenants, which is smart for the City to do. The issue is balancing people, traffic, parking, etc., and she hasn’t heard a lot of discussion regarding this.

Randall said a couple of years ago the brewery was thinking about leasing this space. The brewery is doing a great business and it is very busy. It was prudent of the Council not to lease to the brewery.

Beattie said maybe the better way to do this would be to do a year-to-year lease with Randall for the short term. He asked the Council whether the rent should be increased. Randall said the first couple of years the rent was flat

**3. Lease Agreement Renewals – Randall Pool & Spa and Tommy’s Tonka Trolley – (Continued)**

and then there was an escalator. He also benefited the first year because he didn’t have to pay property taxes; now he pays almost \$6,000 a year in property taxes.

Beattie asked if Randall pays the property taxes for the entire building. Luger said Randall only pays the property taxes for the portion of the building he leases.

Fulkerson asked Randall if he is interested in the entire building. Randall said yes.

Mayor Gaylord asked Randall if he would be interested in leasing the entire upper portion of the building. Randall said what he would probably do is sublet the extra space upstairs if the City was acceptable to that.

Randall asked if the City would do the leasehold improvements. Luger said the Council has not discussed leasehold improvements.

Mayor Gaylord said he thinks the City should consider all options at this point.

Randall said he would like to improve the front of the building and give it a facelift; the City would have a better looking building from the street side.

Caron asked Randall if he is open to a one year lease with an escalator. Randall asked if it was possible to do a two year lease with a 60-day termination clause.

Staunton said the current lease allows either party to terminate the lease with 6 months written notice. If the termination date falls between April 1 and September 30, Mr. Randall has the ability to terminate the lease with 60 days written notice.

Miller said it would seem appropriate to do a two year lease with a 60 day termination. Beattie said the Council could do a two year lease with a 180 day termination option. Randall said he basically has a six month business and it is hard to go looking for space during those six months.

Miller told Randall that the City needs help pay the bills and if he can help with that it would be perfect. He said there is another business interested in the building, so there are other possibilities. Randall said he understands that the City is a business just like he has a business.

Luger said staff has enough direction for Randall Pool and Spa to work with Mr. Randall on the lease agreement.

Randall asked if he would have a two year lease. The Council said yes, but the terms will still need to be worked out.

**3. Lease Agreement Renewals – Randall Pool & Spa and Tommy’s Tonka Trolley – (Continued)**

Mayor Gaylord said that he does not think the City is getting enough rent from the lease with Tommy’s Trolley. The trolley is located on prime lakeshore property in the City.

Miller said the City receives a percentage of the gross sales from the paddleboard business. Mayor Gaylord said the City should be getting a percentage of the gross sales from the trolley business also.

Luger said that Tom Drummond, Tommy’s Tonka Trolley was not willing to do a percentage of the sales for the trolley business. Drummond did not think it was fair to basically have to make his books public when there were other similar businesses in Excelsior that were not required to do this.

Mayor Gaylord said he understands that the trolley is owned by Drummond, if an agreement cannot be reached would the City be willing to take that over the trolley. Fulkerson said there is also the structure for the paddleboats.

Beattie said maybe there is a way to come up with a rent formula that would address the foreclosure issue.

Luger said that staff has enough direction from the Council to begin working on this lease agreement.

**4. Adjournment**

Caron moved, Beattie seconded, to adjourn at 7:00 p.m. Motion carried 5/0.

Respectfully submitted,

Cheri Johnson  
Recording Secretary