

City of Excelsior
Hennepin County, Minnesota

MINUTES
EXCELSIOR CITY COUNCIL WORK SESSION

December 7, 2015

1. CALL TO ORDER/ROLL CALL

Mayor Gaylord called the meeting to order at 5:35 p.m.

Present: Councilmembers Caron, Carlson, Beattie, Miller, and Mayor Gaylord

Absent: None

Also Present: City Manager Luger, City Attorney Staunton, Finance Director Tumberg, Public Works Superintendent Wisdorf and City Clerk Orlofsky

2. AGENDA APPROVAL

Carlson moved, Caron seconded, to approve the agenda. Motion carried 3/0.

3. 2016 BUDGET

Tumberg provided a summary of the 2016 General Fund and Enterprise Fund Budgets.

Caron discussed that she would like to increase the parking meter revenues to the 2015 actual amounts.

Caron and Carlson are both ok with the vacation accrual and pay recommendations from Luger for 2016. Carlson added that the vacation accrual change would help give the City an edge with hiring, Gaylord agreed.

Both Carlson and Caron felt it was important to put money aside for Capital Improvement Projects; but want to lower the levy to 2.0%.

Tumberg explained that the City of Excelsior's late fee's for utility bills are extremely high and currently at a 20% penalty. Tumberg asked the City Council if they wanted to consider reducing the penalty to 10%.

Carlson asked if other cities use a sliding scale. Tumberg explained that she has not found a City that used a sliding scale for their penalty rate. Gaylord added that he felt the City should keep it easy for staff. Caron, Carlson and Gaylord agreed that 10% would be fair.

Councilmember Beattie arrived to the meeting at 5:45 p.m.

4. PROPOSED WATERS DEVELOPMENT

Tumberg explained that the Council has been discussing the Waters Senior Living proposal, which would be located on three parcels of land, two of which are currently located in the City of Shorewood (the former Excelsior Grill and the garages for the apartments at 723 Water Street) and one in Excelsior (the apartment building at 723 Water Street). There are a number of factors to consider when deciding how to proceed.

Councilmember Miller arrived to the meeting at 5:50 p.m.

The City could propose an offer that includes annexation of the two Shorewood properties into Excelsior, and in trade, give Shorewood a specified amount of money. The preliminary amount staff has discussed is \$215,000. The rationale behind the dollar amount is that it's the equivalent of 21% (Shorewood's current percentage of all three properties valuation) of the Tax Increment Financing the City would receive in the five years after the Tax Increment Financing for the project is paid. Staff believes this would be a fair amount given that the property only generated \$1,687 in tax dollars in 2015 for the City of Shorewood. If the properties continued to generate taxes for Shorewood as they are now, it would take approximately 127 years to make the City of Shorewood \$215,000.

Shorewood has expressed some concerns about losing the tax dollars generated by their two properties and having that negatively impact other properties in Shorewood. If they lost these two parcels, their tax rate would increase by 0.01%. Based on their 2016 preliminary levy and property values, this tax rate increase would result in a one dollar increase in City taxes for a residential property valued at \$700,000. If Shorewood lost the tax dollars from their two parcels, there wouldn't be a noticeable impact for the rest of their property owners.

Mayor Gaylord asked the applicant if they were aware of the other Senior Development that Shorewood is entertaining. The developer, Jay Jensen, explained that he was aware and that there is only enough room in the market for one senior development housing project.

Jensen explained that the difference between his project, The Waters, is that they hire their own employees and staff, whereas; Oppidan manages the properties for Ebenezer, which is the project proposed in shorewood.

Jensen exclaimed that he is very focused on The Waters project in Excelsior and wants to get this project rolling as soon as possible. They have invested a lot of time and money to see this project through.

The developer explained that he is also working with Shorewood and their community to help move this development along.

Beattie asked how long it would take to build. Jensen stated that it would take one year to complete. He added that half of the memory care units will be one bedroom single units at about 750-775 square feet. It is the developer's hope that the seniors will move into the units at a younger age and then add services later.

4. PROPOSED WATERS DEVELOPMENT-Continued

Mayor Gaylord asked if the annexation option was dead now. Jensen explained he does not have the time to follow through with the annexation with another project in the area.

Miller stated that he felt Hilltop would not be demolished and redeveloped without this development. Miller thought it was really in the best interest for both cities to do this development.

Carlson suggested that staff continue discussions with the applicant and try to find something creative to help make this development happen.

Beattie suggested that staff move forward with the general direction and wrap it with something that is palatable and strong in the negotiation.

Jensen added that he hoped to bring this back to the Council in February.

Luger explained that she would set up another meeting with Shorewood.

5. CITY HALL

Tumberg explained that at the November 2nd Council Meeting, the Council discussed the City Hall Remodel Project and funding of the project. The Council requested that BKV refine their figures and requested that staff come up with funding scenarios and create a postcard to send to Excelsior residents to notify them of the potential financial implications of moving forward with the project. Staff has updated potential funding scenarios based on the costs presented at the November 2nd meeting. Costs used in the funding scenarios are:

Phase 1 - Council Chambers and City Hall Remodel	822,785
Phase 2 - Exterior Building Improvements	222,181
Alternates	66,350
Audio/Visual	64,235
Eng/Arch/Soft (30%)	352,665
Total Phase 1 & 2	1,528,216

Each funding scenario would call for an increase in the City's levy in order to prepare to pay back the bonds beginning in 2018. The City wouldn't be able to fund the entire project out of reserves because the City won't have enough cash and liquid investments to cover the costs. The annual tax impact for residents wouldn't be unreasonably high; however, with Excelsior property values rising, residents are already paying much higher taxes than they did a few years ago.

Miller asked if the City sold the 810 Excelsior Boulevard building, would the City be able to handle the cash flow for these improvements. Tumberg said yes they could.

5. CITY HALL-Continued

Miller added that the City should do the bonding on this soon so that the City can take advantage of the lower rates. He also believes that given the history of the 810 Excelsior Boulevard building sitting empty for three years with no occupant, it is time to sell the building.

Caron suggested that the City do an analysis on selling the building.

Bruce Schwartzman, from BKV Group stated that they went back and talked to contractors and went through the estimate that they had on the project and they felt that a more accurate estimate for the City Hall remodel would be closer to \$730,000 and an additional \$200,000 for the exterior site work.

They asked the Council to keep in mind that these prices are quoted for good quality materials. They also estimated a 10% contingency from actual bid price.

These new estimates would bring the project to \$1.1 million for the total costs of Phase 1 and Phase 2.

Tumberg added that the audio visual cost would be an additional \$65,000 and that she's also estimating the soft costs at 30%.

Beattie stated that the City should figure out the sale price for the 810 Excelsior Boulevard property and get that building sold. Beattie agreed with Miller that this is the bond market to go into and the City really can't afford to wait on it.

Caron added that she still feels these estimates are rather high. She would like to see them target for under a million dollars. Gaylord agreed with Caron.

Carlson, Beattie and Miller are comfortable with staff moving forward and, asked that staff have information available at the December 21, 2015 City Council meeting.

6. ADJOURNMENT

Carlson moved, Beattie seconded, to adjourn at 6:46 p.m. Motion carried 5/0.

Respectfully submitted,

Ann Orlofsky
City Clerk