

**WORKSESSION OF THE ANOKA CITY COUNCIL
ANOKA CITY HALL
CITY COUNCIL WORKSESSION ROOM
MAY 22, 2023**

1. CALL TO ORDER

Mayor Rice called the worksession meeting to order at 5:05 p.m.

2. ROLL CALL

Present at roll call: Mayor Rice, Councilmembers Scott, Skogquist, Weaver, and Wesp.

Staff present: City Manager Greg Lee; Community Development Director Doug Borglund; Police Chief Eric Peterson; Police Captain Andy Youngquist; Liquor Manager Kevin Morelli; Electric Utility Director Del Vancura; Communications and Recycling Manager Pam Bowman; Finance Director Brenda Springer; Assistant City Engineer Ben Nelson; Public Services Director Mark Anderson; Public Services Administrator Lisa LaCasse; Streets Supervisor Jon Holmes; and City Attorney Scott Baumgartner.

Absent: None.

3. COUNCIL BUSINESS and/or DISCUSSION ITEMS

3.1 Discussion; Establishment of an Entertainment/Social District.

Community Development Director Doug Borglund shared a staff report with background information stating during the 2022 Minnesota legislative session as part of the omnibus liquor bill signed into law the bill included a special provision only for the City of Anoka to enable establishment of a social district. This law is exclusive to the City of Anoka in the State of Minnesota. A social district allows people to purchase and consume beer, wine, or cocktails from a licensed business and walk through a defined area of the city including public areas such as sidewalk or street or participate in a district event/activity. On May 8, 2023, staff met with businesses and property owners to discuss the social district and review details of the law. Summarizing the meeting, businesses were supportive of the idea and moving forward, but had comments regarding potential reconstruction of Jackson Street versus social district timing, funding improvements versus funding social district operations, cost of cups, policing of cups, start small, start slow, try for slow night of the week due to staffing concerns, service windows/walk up windows, focus of events versus every day, clean up and maintenance. The City Council was asked to discuss details of the law, business feedback, and potential direction or next steps as this bill was a result of working closely with Representative Zach Stephenson and was a trial run to set the example for the State.

Councilmember Weaver said he believed the different cups will be a concern with regard to logistics and costs and suggested they could be done through the distributors with different beer logos.

Mayor Rice said the requirement stated the cups need to include each bar location.

Councilmember Skogquist said its important this does not result in late nights or more patio hours and generate some revenue for clean up and other costs for additional staffing.

Mayor Rice said patrons would not be taking cups from one establishment to the next and suggested selling the cups from the beverage and if someone doesn't have one, they have to purchase another and they can only be used in the social district.

Councilmember Skogquist suggested adding initials with the location and date the cups as well.

Jackie Young, Anoka, said stickers and writing will take extra time when serving and noted they will go through a lot more cups because people will want to go outside.

Todd Young, Anoka, said the result will be higher drink prices for everyone as most will throw the cups away, adding some will bring in their own water bottles anyway and how would that be enforced.

Captain Andy Youngquist suggested if cups are the same but be different colors it might help officers help identify different locations.

City Attorney Scott Baumgartner said the container will need to clearly identify the on-sale licensee for the officers to monitor for minors, which will be a huge undertaking, and suggested a wristband with a charge to ensure everyone knows the patron has already been carded.

Councilmember Skogquist suggested the logistics can be dealt with through the bar owners and staff in the least expensive way as possible and have them make suggestions.

Councilmember Scott said he would support adding sponsorships which will help keep the costs minimal.

Councilmember Weaver said another concern was service windows. Mayor Rice agreed but said we will still need enough bar set up for the large events such as Anoka Halloween.

Councilmember Skogquist noted the license only allows for sale on the premise specified in the license. Councilmember Scott suggested including any patio areas as part of the licensed premises.

City Manager Greg Lee suggested Council focus more on the larger picture by defining the geographic area and timing and that we go slow this year and focus on Thursdays in September to start. He said staff will meet with the bars regarding the details, adding many other cities in other states can be researched and tailored for Anoka.

Mayor Rice noted the area has to encompass access to parking areas as well.

Councilmember Skogquist stressed the importance of establishing clear, traffic-free zones as part of the social district for safety and not allowing patrons to go back into another establishment.

Councilmember Weaver said the district will be very similar to the food truck festival which did not result in many issues.

Mayor Rice said the activity should be profitable for the existing bar owners in a larger space and that he envisioned events with music that would draw people in.

Mr. Lee noted many outside entities made a lot of money during the food truck festival so we need to make sure some of the funds come back to cover costs which will address concerns and result in the bar owners being more successful.

Councilmember Weaver asked about the potential of the Jam by the Dam. Jesse Hauf, 10K Brewing, said if they could be assured of a date in September, they would be willing to host it as part of their eighth anniversary with music. He said if the special event was within the social district and that alcohol can be taken around would it be a concern for the insurance companies. Mayor Rice said the law states as long as the alcohol was in an outdoor public place or in the social district only an additional insurance rider will be required.

Mr. Young asked if the goal was to fund through the district or bars. Mr. Lee said that's what we need to figure out but noted some costs have to come back to the City to help cover staffing and other costs.

Mr. Hauf it would be helpful to use some funds for a mobile stage/trailer and sound system for use in different areas.

3.2 Discussion; Gramercy Development/TOD Update.

Mr. Borglund shared a shared a staff report with background information stating Gramercy Development will provide an update on acquisition, project planning status, and an outline of how Gramercy would like to move forward with the TOD

Station in Anoka. Staff provided an overview on Gramercy Development's request for TIF assistance, stating Gramercy was requesting the City's position on the purchase of property in the TOD area including the purchase agreement that would be part of Site A as depicted on the concept plan. He provided an overview for the existing CRTV TIF district with options to acquire properties for Building A, stating if the City wanted to provide assistance, they would only be able to provide 25% of the TIF generated from each project over the remaining term which is December 31, 2037. He said they could create a new district with Sites A and B that met the requirements with eight parcels qualified and removed from the existing district to create a new one.

Mick Conlan, Gramercy Development, spoke about the only option available was the potential food hall site. He said they had a purchase agreement signed and in place then shared discussions with potential tenants and focused on how to make this the best site on Site A. He said they were partnering with Ebert Construction and a Realty Group to develop a strong team and that they were looking for support for Site A with options for Sites B and C as they believed there was a master development opportunity for this area. He noted there would be a financing gap and that it would be important to consider TIF but that the team was still reviewing rental market analysis.

Councilmember Wesp said there was a firm inquiring on Site B and that while he liked the Gramercy proposal was interested in the other firm's status. Mr. Borglund said NWF was interested in just Site B but that Council direction was to proceed with Gramercy first and if not successful then reach out to NWF.

Councilmember Weaver said without TIF will we generate tax dollars for the taxpayers or only the developer and if the project would occur without TIF assistance. Mr. Conlan said the project would likely not occur without assistance based on the proposed rental rates, adding if the City wanted market rate without affordability component then this project would not work.

Councilmember Weaver asked if additional TIF assistance in the TOD development would help increase the tax base. Mr. Borglund said the current district will not end and said even without development this area will generate more revenue than we're allowed to utilize.

Mayor Rice said the long-term goal was to help a developer create the tax base and use TIF as a tool to incentivize a project.

Mr. Borglund said the next analysis would include consultants to determine how much was owed which was approximately \$3 million.

Councilmember Skogquist referred to the \$3 million incurred to date and the VOA and David Weekley projects and how if nothing happened it would cover

the debt. Finance Director Brenda Springer responded (inaudible) that the City could pay the debt owed with the new VOA project.

Mayor Rice said establishing a new TIF district will not cost the City any more as we would have the revenue available.

Councilmember Skogquist said he would like to see the figures on what this could do, adding the current district and buildings will generate \$6 million and that we could spend \$1.5 million outside the district.

Councilmember Wesp asked what we want to develop in this area because the business had seen its useful life. He said while he was always in favor of single family over multi-tenant because we have a lot of those already with some having issues these are but there are interesting concepts and agreed to consider this further.

Mayor Rice said the golf course project was very attractive to the City because it was owner-occupied and this project would mark an enormous shift in our development strategy and identify projects that made sense and have a strategy to help eliminate rental units within the City.

Councilmember Wesp asked if there was consideration for a project on the other side of the coop, adding he was not in favor of non-owner occupied on Van Buren Street. Councilmember Weaver agreed.

Councilmember Skogquist agreed but said we need to review this overall as it might be nice to incorporate areas to the east. He said addressing the problem apartments towards 7th Avenue would help benefit the new district as well.

Planning Commissioner Borgie Bonthuis commented how the residents love the coop and that most have never lived in Anoka before and said she was impressed with the project's space and room. She encouraged another area on the corner of 2nd and Harrison because this area was walkable.

Mayor Rice said the market analysis was not as favorable for a coop on this site. Mr. Conlan said like all projects they were subject to the same struggles such as interest rate fluctuations and others and said the coop model was working in Anoka and that they want to do more.

Mr. Lee referred to the golf course study for other opportunities around the course.

Councilmember Wesp said he would support moving forward with a proposal from Gramercy Development. Mayor Rice agreed as long as we can fund purchasing apartments near St. Stephens or projects on Verndale, Harrison or Grant as rental is turning around and becoming more attractive to younger people

but we need a strategy to convert older units with new units. He said it was possible to see owner-occupied in the City in the future and this project would be a great location for rental. Councilmember Skogquist agreed.

Councilmember Weaver said he was not supportive of TIF and countered on a national firm as a leasing agent as an element built in needs to be not just for the developer but the taxpayers as well.

3.3 Discussion; City Liquor Stores.

Liquor Manager Kevin Morelli shared a shared a staff report with background information stating the City hired Dakota Worldwide to perform a market study to determine what locations would work best for future new liquor stores. The market study determined for a new rebuilt store on the adjacent property next to our existing store on East River road would have the potential to generate \$3.8-\$4 million in annual sales. To put that in perspective the East store generated \$2.5 million in sales in the year 2022. The new estimated cost for the East location is appx. \$4,650,000.00. Another option that the City Council could consider is to construct the East Liquor Store at 7th Avenue and Main Street. The concept was shared that showed two 7,000 - 8,000 sq. ft. buildings on this site. One of which could be the City liquor store and the other retail space. Staff was currently in discussions with the vendor to review the original liquor store market study and get their input. They have not completed their assessment at this time however it's been communicated that this property could be a great location for a liquor store and the thought is that it could perform better than what was predicted for a possible store on 7th avenue and Bunker Lake Boulevard. He reviewed benefits of a 7th and Main Liquor store that included higher traffic counts at 7th and Main, City resales east store - instead of demolishing a good and functioning building asset. The west parking lot could also be sold separately, allowing other mixed-use opportunities at 7th and Main Street. For a new store on 7th Avenue and Bunker Lake Boulevard, the market study determined \$4-\$4.2 million in annual sales. These numbers were dependent on an anchor grocery store as part of a development. If the grocery store is delayed or does not go through the site is still a viable option due to the high traffic counts in the area along with the current and future development that is asking place in the area. For a possible relocated West store to the Vineyard property on Highway 10 and Thurston Avenue the market study recommended waiting approximately five years before taking any action. This was due to three more years of construction on the Highway 10 corridor along with letting traffic patterns develop once construction is fully completed.

Mr. Lee said any purchase of the 7th and Main site from the HRA could be done through an internal loan instead of bonding then paid back over 20 years. He said they would not provide cash up front but possibly provide \$200,000 for use by the HRA which in preliminary discussions would be supported.

Mayor Rice said to discuss anything along East River Road would not be good but noted this was a better plan in a better location we already own. He referred to a call from someone interested in purchasing the entire City operation but how if sold the funds would not cover what the City covers each year through the revenue and that we should continue, even though we have already closed one location.

Councilmember Weaver shared concerns about shifting private businesses away from the public but said we could identify some of this without rent and said we should retain a portion from the former Vineyard site for a future liquor store.

Councilmember Wesp said we are seeing competition pressures from Total Wine and others and referred to past discussions about a possible high-end wine store instead. Commissioner Bonthuis said there was one interested party but that it had not moved forward and noted the area had unique businesses.

Councilmember Skogquist said this was an interesting idea and a way to advertise the store and how with many walking and biking this would be a good location now and into the future.

Councilmember Weaver said we could revitalize the building on the west side eventually.

Mr. Morelli said the current east location if rebuilt would have to double sales and noted there was no control in this section and said it was difficult to access for traffic. He said the 7th and Main intersection was more of a controlled intersection.

Councilmember Weaver said it will be important to consider ingress and egress first.

Councilmember Wesp noted on the north end of his neighborhood this would make sense for control but the store will be used by those traveling to other cities as well as others and supported designating a parcel of land for a store in the future from this site.

Commissioner Bonthuis spoke about pricing with Total Wine compared to City prices, adding the price was not always less.

Councilmember Scott said the two buildings could be a potential solution then referred to Cerdics as an opportunity for other products that compliment liquor such as cheese and olive oil.

Council consensus was to consider 7th and Main Street for the East liquor store and 7th and Bunker to wait with Ryan Companies or designate enough land for our own liquor store and for the West store look at the former Vineyard site. He

noted MnDOT's on notice the City wants to retain this site and the current West store could lease, sell, or retain.

Mayor Rice said he would consider other options outside of leasing.

Councilmember Weaver agreed about the need to get right fit in this location and should be paid for by MnDOT as part of the Ramsey project.

Mayor Rice said he was unsure about the frontage road cost but the properties that would benefit should have to contribute, adding selling would be best option.

3.4 Discussion; Public Services/Electric Building – Future Options.

Public Services Director Mark Anderson shared a shared a staff report with background information stating Anoka Public Services and Electric Departments have occupied the 501 Pierce Street property for 25 years. Previously the building had been home to the original Anoka Electric Cooperative followed by Howard Lumber. To accommodate these various uses, the building has been through a number of expansion and remodel projects over the years. Because there have long been discussions of Light Rail Transit oriented development at the Public Services/Electric site, some maintenance on this site and building has been deferred. In the 2023 and 2024 CIP there are important maintenance items that should be completed totaling \$370,000. He said staff recently began the space planning process for a total reconstruction at the existing site at 501 Pierce Street to accommodate the needs of Public Services and Electric. This project would be a near total re-construct of the 501 Pierce building to modernize the building to better meet the needs of Public Services and Electric. Oertel Architects has been working with the City on this project. While working through this process, the Miller Building at 2939 Sixth Avenue has become available for sale. The Miller building is a large manufacturing building (175,650 s.f.) located approximately 2 blocks from our existing site. Staff set up a meeting with the realtor to tour the building and site and it offers much of what we would need for a new Public Services/Electric building, adding the asking price was \$8.9 million. Mr. Anderson said staff asked Oertel Architects to help navigate this process of evaluating and comparing two options as well as provide preliminary Space-Planning services and budget pricing for two options then shared a summary of Options 1 and Option 2. He said Public Services/Electric could operate out of the existing facility during construction and renovation and significant selective demolition and new construction will be required and will be complicated. He said the estimated total budget was \$27.5 million and concluded the potential financial impacts of the two scenarios were similar but the operational impacts will be significantly reduced at 2939 6th Avenue North. At full buildout, the site at 501 Pierce becomes complicated for turning movements, access, floor to site area ratio, and several other factors. Overall, given the limited parameters reviewed, it appears that the property at 2939 6th Avenue North is a better long-term fit for the Public Services operation. The financial elements of the two options are similar at \$29.9 million and \$27.5 million dollars.

Mayor Rice asked if Lakeland Tool was much larger than we need and asked about the need for height in this space for hoists.

Councilmember Weaver noted they just had Gramercy present who wants to invest around this entire area and cautioned against putting a public works building in the middle of the area and suggested the entire area be demolished and begin again. Mayor Rice said that could be possible but it would mean someone had to purchase a \$49 million property then demolish it.

Councilmember Skogquist said the City has been spoiled because the current building was large and at 20% capacity for decades then the area was developed for industrial/warehouse with an active market, which could be good or bad. He said 24-hour truck traffic uses will be bad and maybe we can control some to help serve costs then asked about the breakdown between the Public Works and Electric Department uses and how payment of costs work versus electric. Mr. Ander responded the use was approximately 35% Electric and 65% Public Works.

Councilmember Weaver said we need to do what was in the best interest of the community in the long term and if redeveloped and taxes generated there could be high end projects with lots of revenue and could include this block in a future TIF district.

Councilmember Wesp asked about the potential use expansion such as Thermal Serve and Cornelius and how it can affect the area and that he may be open to purchasing 501 Main Street as the building has served its purpose.

Councilmember Skogquist said this was a unique opportunity because this site won't sell and the use was not compatible but noted there will be nothing but semi-truck noise.

Councilmember Wesp said Public Works would be great in this location but not if Gramercy develops there, adding this is an area for other redevelopment and we should get something nice as the building has served its purpose.

Mr. Anderson said staff could still operate out of the current building and spend the \$370,000 to fix the concerns, adding this amount has been budgeted already.

Electric Utility Director Del Vancura referred to the \$25 million renovation and redoing all anew because we're comparing it to Lakeland Tool (which is now Miller Manufacturing). Mr. Lee said the site could serve the City for another 20 years.

Councilmember Wesp cautioned against allowing uses we don't want in this area.

Mayor Rice said we need to be careful about spending \$7 million. Councilmember Wesp agreed but said we also need to be careful about the resulting project.

Councilmember Skogquist said it made sense to address this property and utilize the space for now but where are we going to float \$10 million for 10 years and said we could deal with the rates otherwise as it would be much easier. Councilmember Weaver suggested other ways could be explored such as legislatively.

Mr. Borglund noted we would have to rezone the site to allow for a public works facility.

Councilmember Wesp said as these properties evolve what do we do to be creative and address the situation, adding maybe Gramercy could partner on this project.

Councilmember Scott said an offer was given to Gramercy regarding potential partnership which needed to be followed up on.

Discussion was held regarding the drop floorage building and its resulting uses.

Mayor Rice said we could do improvements around the current site but it would have to be really improved and if not, we could fall back to Pierce Street.

Councilmember Skogquist agreed but said we have to figure out how to pay as this was an active market that we'll be up against and there might be underlying issues we're not aware of.

3.5 Discussion; 649 West Garfield Street Property – L.H. Boldue Company, Inc.

Mr. Borglund shared a shared a staff report with background information stating at the direction of City Council this item has been brought back for discussion. The last time this property was discussed was in August of 2022. He reviewed an email and related correspondence in detail relating to the purchase price then shared a current update on negotiations and pricing.

Mayor Rice said there is a lot of land around the golf course which was ideal for patio homes on the golf course and if so, he would be interested in selling the property and move the road away.

Councilmember Weaver shared memories of the area and how it has survived and the potential for life on the course which has brought people from outside Anoka.

Councilmember Wesp said he thought the aera was a bygone area and how the City was faced with an opportunity to do something more than in the past. He

said we sold as many rounds as possible and that Green Haven was extremely popular in the north metro area and that staff should go back and start negotiations again to remain in control.

Mayor Rice suggested an alternative scenario moving them to another location towards the tracks and screen the homes on the other side. Councilmember Wesp disagreed, stating we should go all in instead.

Councilmember Weaver said the golf course study will outline everything on Phase II regarding the apartments.

Councilmember Skogquist if the lots were not for sale, we should let the study be completed and return in six months once we know the finances better.

Mayor Rice referred to how things have changed such as Lakeland Tool, the grocery store, and others and agreed we should wait, adding no one is going to buy the site in the meantime until the study is complete.

Council consensus was to wait for completion of the study.

UPDATES/REPORTS/COUNCIL SUGGESTIONS FOR TENTATIVE FUTURE AGENDA ITEMS

None.

4. ADJOURNMENT

Motion by Councilmember Wesp, seconded by Councilmember Scott to adjourn the Worksession at 8:00 p.m. Motion carried.

Submitted by: Cathy Sorensen, *TimeSaver Off Site Secretarial, Inc.*

Approval Attestation:

Amy T. Oehlers, City Clerk