CITY COUNCIL SPECIAL MEETING

Brainerd, Minnesota
June 10, 2019
5:30 P.M.

Brainerd City Hall
Council Chambers

______ D. Badeaux
______ S. Hilgart
______ J. Lambert
______ K. Stunek
______ D. Pritschet
______ K. Bevans
______ G. Johnson
______ Mayor Menk

1. Call to Order

2. Roll Call

3. River-to-Rail Economic Incentives Discussion

4. Parking

ANY INDIVIDUAL NEEDING SPECIAL ACCOMMODATIONS, PLEASE CALL 828-2307.

River TO Rail

Our community. Our commitment.

A Presentation

to

Brainerd City Council
Work Session 4/29/2019

Thank you

- We appreciate you taking your time to hear our ideas
- We are all volunteers working on this
- We have reviewed this with your key staff
- The ultimate goal is to improve Brainerd!

Work Session Purpose

- **R2R Year in Review**
- **Potential Incentives –** Review/Discuss/Direction
- **Parking –** Review/Discuss/Direction
- **Funding Potential –** Review/Discuss/Direction

No Decisions – Just discussion & thoughts

History

- August 28,2017 - Council approval of initiative
- February 26, 2018 - Communitywide presentation
- Established Steering Committee
- Established “Engines”
  - Arts & Culture –
  - Trails, Parks & Community Space -
  - Marketing, Events & Special Projects -
  - Comprehensive Plan & Infrastructure –
  - Existing Business & Housing –
  - Development & Redevelopment –
- Created a Video - Express Ideas/Energize Public & Investors
- “Engines” working on individual efforts

Our discussion today is to provide information so you can give direction to the R2R volunteer committees and staff as opportunities present themselves.

R2R Year in Review

You know all of this – It just helps to review!

- Positive Signs
  - School Projects
  - Dave Pueringer – Mall/Apartment Imp.
  - Events/Farmer's Market
  - OZ Designation
  - Murals
  - City Hall Renovation
  - NPC – Change in Ownership
  - Children's Museum – RFP
  - Add'l SCDP Grants
- Positive Signs (Cont'd)
  - Water Tower Restoration Effort
  - Housing Project being explored
  - Downtown Building -
    - Sale/Renovation
  - BRE Initiatives
  - Destination Downtown #3
  - Elysium Hair Salon
- Setbacks
  - Hockey House
  - Totally Kidz

Incentives Justification

- Aged building infrastructure
  - Hazardous materials to remove
  - New codes to comply with
- Declining downtown property values
- Renovation is more costly than new
- Lack of parking - Real/Perceived
- Level the field - occupied land vs. vacant land
- The City would be doing things similar to other cities
- Incentives will provide a public benefit

Progressive Approach

- Incentives = Public-Private Partnership
- Incentives could reduce duplication of fees
- Incentives reduce soft costs = more for private investment
- Larger private investment = larger incentive
- Incentives help both entities – Developer & City
  - landowner/developer achieve reasonable ROI
  - City gets to address public needs/issues
    - Parking
    - Large project – DA & conform to downtown design requirements

Are you interested?

Incentive & Basis

- Basic Premise –"But For" = No significant development will occur without incentives
  - Declining property values (R2R corridor)
  - Declining employment
  - Declining retail
  - Declining economy downtown
  - No fees
- City Incentives – Perhaps for a period of 10 years
  - License Fees – Duplication of state requirement, added cost
  - Permit Fees – Require permit but eliminate fee
  - SAC/WAC – Downtown is already served and it's been paid for
  - TIF – Pay as you go to assist with added costs & provide public benefit
- Expectation – Developer will conform to "downtown" reqmts

Incentives – Small Projects

Range of Invest	Incentive
Incentives increase with investment	City - License required – waive fee for state licensed contractors City - Building Permit required – waive fee (Not incl. State) City/HRA - Revolving Loan Fund HRA - SCDP Grants BLAEDC - BUF (Unified Fund) loans City - Eliminate SAC/WAC fees BPU - Econ. Dev. Elect. Rate Reduction

Assumptions

- All improvements help
  - Are performed IAW codes
  - Meet certain design guidelines for downtown
  - Result in increased value/property tax
- Small improvements have no plumbing changes
- There is no prior basis considered for SAC/WAC calcs.
  - Any prior basis would reduce the SAC/WAC fees shown as part of incentives
- Permits & Fees based on 2018 approved list
- All calculations are based on 2018 market values - 2019 tax levies
- Recoup is based on incentives divided by City share of taxes collected
- Incentive calcs. Based on MV increase = const. cost value

Examples

Minor Improvement

Value = $50,000

Permits/Fees = $1,224.14

SAC/WAC fees = $0.00

Incentive = $1,199.64

Years to recoup = 6.0

Small Retail

Value = $417,500

Permits/Fees = $5,617.38

SAC/WAC fees = $1,785.25

Incentive = $7,194.38

Years to recoup = 1.2

Restaurant

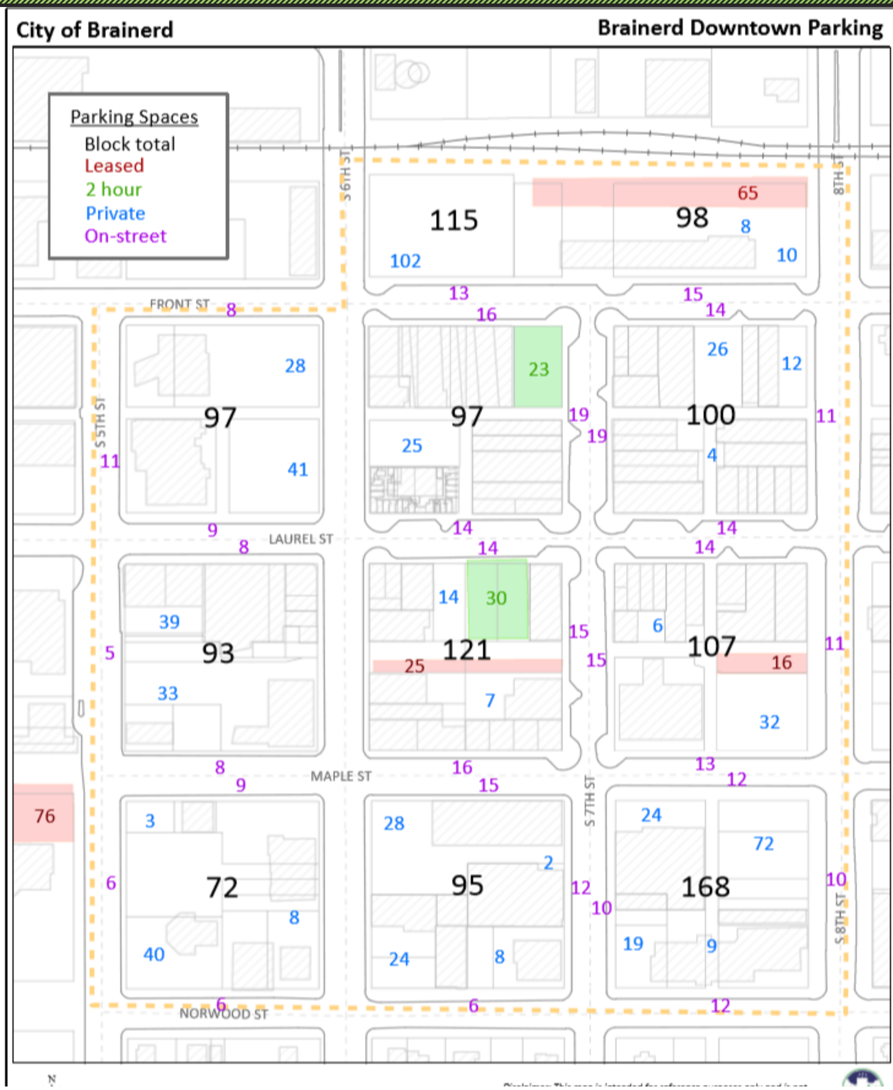
Value = $335,000

Permits/Fees = $4,738.76

SAC/WAC fees = $18,150.00

Incentive = $22,721.76

Years to recoup = 4.8



Parking

Total Shown - 828 = 100%
Private - 387 = 46.74%
Leased - 106 = 12.80%
2 hour - 55 = 6.64%
On Street - 280 = 33.82%

Only 40% is available to the public.

NLT 300 more shared spaces are/will be needed

*Parking Facts

- On average, cars are parked 23 hours vs. driven 1 hour per day.
- Based on most ordinances – parking land = building land.
- For every $ spent on cars, someone spends another $ on parking.
- Parking problems are most prevalent planning problem.
- Average person does not understand the cost of parking.
- Alternative transport means can/should reduce parking.
- Shared parking can save $ - public & private.

***Taken from Parking Management Report – VTPI 3/18/2019**

Parking

- Downtowns are different today than in the past - Eisenhower started this
- Businesses know they need parking but reqmts & costs are high
  - Businesses downtown will not survive based on walkers/bikers only
  - We do not have sufficient public transportation to change this yet
- Parking is not free - it costs to build & maintain.
  - People need to accept they cannot park right in front
- We need to manage what parking we do have
  - Ideas
    - Increase turnover - Reduce limit to 90 min.
    - Restrictions - Midnight until 10:00 am
    - Require tenants lease & use designated spots
    - Allow businesses to share employee parking at off-peak times
    - Meters
- It is important to encourage walkability, bike ability, alternative transport
- Provide shared parking for businesses/landowners OR require they do so.
  - Change ordinances?

Typical Parking Codes

- Residential – 2/each
- Apartments – 1.5 each
- Restaurants/Bars – 1/40 SF + 1/80 kitchen
- Retail – 1/200 SF
- Offices – 1/300 SF
- Hotels – 1/room + staff + meeting spaces, banquet, etc.
- Many ordinances provide for shared parking
- **Ordinances promote sprawl!**
- **The Paradigm is shifting to limiting parking!**

Typical Parking Costs

- Land
  - Suburban - $8.00-$15.00/SF
  - CBD - $5.00/SF
- Construction Costs
  - Surface Parking - $5,000/per stall
  - Ramp structure - $22-25,000/stall
  - Underground - $35,000/stall

Parking – Operation Costs

- Total Costs
  - Land
  - Construction
  - O & M
  - Interest
  - Taxes

- How do we pay for this?
  - User Fees -
    - Surface - \$2.00/day or \$50.00/mo.
    - Ramp - \$12.00/day or \$250.00/mo.

Are you open to an alternate solution?

Incentives – Larger Projects

Range of Invest	Incentive (including others)
Incentives increase with investment **Based on Need!**	TIF (Tax Increment Financing) Remove overhead electrical service Land Acquisition Opportunity Zones Parking Assistance New Market Tax Credits

Tax Increment Financing (TIF)

- Must meet the "but for" test
  - Development would not occur without TIF
  - Needed to correct environmental issues
  - Needed to make site competitive
  - Etc.
- Must have some public benefit
  - New/expanded business
  - New/expanded employees
  - Improved building infrastructure
  - Assist in addressing public imp./parking issues

TIF Basics*

- Redevelopment District = up to 25 years
  - City decides how long
- City keeps admin cost = NTE 10%
  - City must justify
- Developer must apply and demonstrate need
  - City decides how much
- City can designate excess for public benefit
  - 90% must be spent in TIF district
  - 10% can be spent in TIF Project Area
- There are many options for how this is all done -

***Therefore, consult your fiscal & legal advisors!**

TIF Incentive Options

Range of Investment	TIF Alt. 1 5% admin fee	TIF Alt. 2 5% admin fee	TIF Alt. 3 5% admin fee
>$1,000,000 but <$2,000,000	100% for 10 years No $ to Imp. fund TIF runs 10 years	75% for 10 years 25% to Imp. fund TIF runs 10 years	75% for 10 years 25% to Imp. fund TIF runs 25 years
$2,000,000 or greater	50% for 15 years TIF runs 25 years All "excess" funds go to Pub. Imp. fund	50% for 10 years TIF runs 25 years All "excess" funds go to Pub. Imp. fund	75% for 15 years TIF runs 25 years All "excess" funds go to Pub. Imp. fund

Example – Apartment Remodel

- Improvement Value = $1,112,500
- Normal Permits/Fees = $11,639.89
- SAC/WAC fees = $0
- Incentive = $11,094.89 (not incl. St. Surcharge)
- TIF Incentive = $152,034.64 (100% for 10 years)
- TIF Incentive = $114,025.98 (75% for 10 years)
  - Imp/Parking Fund = $38,008.66 (25% for 10 years)

Example – Apartment New

- Improvement Value = $10,209,500
- Normal Permits/Fees = $76,072.90
- SAC/WAC fees = $264,000.00
- Incentive = $338,312.39 (not incl. St. Surcharge)
- TIF Incentive = $1,060,523.48 (50% for 15 years)
  - Imp/Parking Fund = $2,474,554.78 (Balance of 25 years)

Example – Multi-Use Bldg

- Improvement Value = $12,517,300
- Normal Permits/Fees = $88,908.43
- SAC/WAC fees = $266,778.03
- Incentive = $353,810.60 (not incl. St. Surcharge)
- TIF Incentive = $1,357,688.88 (1/2 for 15 years)
  - Imp/Parking Fund = $3,167,940.71 (Balance of 25 years)

Example – Downtown Bldg

- Improvement Value = $2,724,720
- Normal Permits/Fees = $23,518.96
- SAC/WAC fees = $79,657.82
- Incentive = $102,059.36 (not incl. St. Surcharge)
- TIF Incentive = $335,753.43 (1/2 for 10 years)
  - Imp/Parking Fund = $1,343,013.70 (Balance of 25 years)

Review

- TIF funds-
  - Downtown - $1,343,013.70
  - New Multi-use - $2,474,554.78
  - Subtotal - $3,817,568.48
- NOT enough for a parking ramp
  - 250 stall ramp = $6,000,000
- Uses for funds – (R2R TIF Districts only)
  - Parking – Existing & New
  - Walk/Bike/Trail improvements

Non-Ramp Parking Ideas

- **BNSF** – Buy/Develop - Door Doctor & Land to Bierga Foods
- **MMFCU/City** – Work to realign parking
- **Mills** Parking – Shared parking, open to leasing
- **Etc.**

Thank You

- We have provided a menu of potential incentives to help redevelop the River to Rail corridor.
  - Permits/Fees
  - SAC/WAC Fees
  - Reduced Elec. Costs
  - Loans/Grants
  - TIF
- Later, you have to decide what, if any, you want to implement, how to do so, how much to implement, and for how long.

Questions?

M E M O

TO: Mayor & Council

FROM: Cassandra Torstenson, City Administrator
Connie Hillman, Finance Director
Paul Sandy, City Engineer
David Chanski, Community Development Director

DATE: June 6, 2019

RE: City Parking Lots

As mentioned by Mr. Buxton during the presentation that he gave to the Council on various economic development incentives, parking lots cost money. Staff has been reviewing the pay lots that the City currently operates.

The City has a Parking Lot Fund (Fund 236) that is used to account for the revenue generated and expenses associated with certain lots. One of the questions has been; what lots should be maintained by this fund? In the past, this fund has been used to pay for the Civic Center parking lot, and paving a parks parking lot etc. Staff feels that the lots that should be maintained via the Parking Lot Fund are only the paying lots: Burlington Northern (BN), Alley, and Maple, as well as the free lots downtown: Laurel, and 7th and Front Street. The revenue generated from the City Hall lot (the City currently leases nine spots in this lot) is included in the revenue of the Parking Lot Fund. It is staff's opinion that the cost of maintenance for the city hall, fire, police and parks lots should be part of the facility capital plan.

Current Status:

Attached you will find:

- Information on the pay lots – the average number of spaces leased per month and number of spaces available, as well as the cost per space to rent.

- A history of the budget and actual performance of the Parking Lot Fund. The actual performance of the fund depends mainly on the amount of snow and the amount needed to be paid to the third-party contractor. This also shows that the fund balance at 12/31/18 is less than $500.

- The 2019 budget and the 2019 budget with annual improvement costs being included.

- The 2019 budget was adopted with a $6,000 deficit. As shown in the first attachment this is not that unusual, since the budget for personnel is not always used, and the amount that will have to be transferred out for snow removal is unknown.

- The improvement cost is the estimated annual costs for resurfacing, crack sealing, and seal coating over 30 years. It is estimated that the Laurel lot has an estimated lifecycle remaining of about 2-3 years and the other lots have approximately 10 years remaining.

Options:

Adjust Rates: In reviewing minutes, rates were increased in 1997 (1987 prior to that), and the last time they were increased was in April 2010. It is estimated the rates would need to be increased by $9.50 a month to just *break even* annually, to make up the $17,000 estimated deficit. This would make each spot between $19.50 and $34.50 keeping the same structure as we currently have.

In reviewing the minutes, effective 4/1/10, it appears that the BN lots spaces were to increase to $20 per month. This was not done to our knowledge. There must have been some confusion as one motion was made 1/19/10 to increase the BN lots to $20 a month and then there was another motion on 2/1/10 increasing the City Hall and Alley lots by $5.00 per month. The City Hall and alley lots did increase, but the BN lots did not. We are assuming there was additional discussion and we are unable to locate the minutes at this time as to why the BN rates were not increased. However, by updating the BN lots all to $20 a month, the increase would need to be $5.75 for all spots, making each spot being between $25.75 and $30.75 per month. This would more than double the cost of the current BN lot spaces.

By covering the estimated annual improvement cost, and less than 30 years of pavement life remaining, we will see the fund go negative over the next several years until reserves can be built up.

Reduce Annual Operating Expenses: We know that the railroad will not sell off the lot we currently lease unless we pay to relocate their building that is on the property. Leasing the current lot is a large expense annually. Should the City purchase the lot next to it to be leased parking or another location?

Increase the Number of Spaces to be Rented: One way would be to make the free lots at Laurel and 7th and Front to be paying lots. This option has been discussed in the past, and it is still unclear if the lots being public parking was part of the purchase agreement.

Maple lot is the hardest lot to rent and has capacity. An option would be lease all of the outside spots in City Hall lot, and allowing the middle spots to be the 2 hour parking for visitors coming to City Hall. City Hall staff would then park in the Maple lot. This would allow an additional seventeen spots to be rented at City Hall and an additional $5,100 of revenue per year at $25 a month per spot, assuming all spaces were leased. A downfall of this option besides employees not being fond of it, is that by leasing more spaces, it makes it more difficult to close the lot for downtown programming and special events or to close other lots downtown, as those cars currently utilize the City Hall parking lot during the events. The lease spaces in the lot could be limited to 7am-5pm, Monday-Friday to better accommodate council meetings etc.

Other:

Parking downtown is either a perceived or real problem. A project for the intern this summer is to tally the number of bedrooms available for rent downtown and to see if we can obtain the number of employees at peek time for each downtown business. This will establish a baseline for the number of parking spaces utilized and needed.

It would be staff's recommendation to increase the monthly lease rates and to explore the option of purchasing the lot next to the current BN lot to reduce the annual operating costs. This memo is intended to provide the council information and to seek their input.

/clh

Lot Name	Rates Per Month	Average Spots Rented	% of Spots Rented	Total # of Spots Avail
Burlington	$10.00	42	98.31%	43
	$15.00	16		16
Maple **	$20.00	25	43.10%	58
Alley	$25.00	36	100.00%	36
City Hall	$25.00	9	100.00%	9
		128		162

** There are a total of 76 parking spaces at the Maple Parking Lot, there is an agreements for 4 spots for the Drivers' License Testing Office, 4 spots for the Library, and 10 spots for Watland that are free of charge.

Parking Lot Fund
History

	BUDGET			ACUTAL		
	Revenue	**Expenditures**	**Difference**	**Revenue**	**Expenditures**	**Difference**
2000	26,720	25,825	895	31,502	19,741	11,761
2001	29,600	25,825	3,775	34,416	21,866	12,550
2002	30,440	12,499	17,941	26,540	22,588	3,952
2003	28,180	14,412	13,768	29,628	45,957	(16,329)
2004	26,932	16,928	10,004	32,940	24,156	8,784
2005	35,800	29,996	5,804	37,668	21,741	15,927
2006	36,600	18,910	17,690	32,716	24,161	8,555
2007	32,500	21,018	11,482	28,242	27,966	276
2008	26,500	26,215	285	25,134	25,439	(305)
2009	27,000	26,083	917	22,900	73,399	(50,499)
2010	24,750	31,840	(7,090)	25,657	68,222	(42,565)
2011	24,000	27,848	(3,848)	20,816	29,840	(9,024)
2012	25,000	27,848	(2,848)	23,907	17,976	5,931
2013	25,000	27,550	(2,550)	23,238	57,318	(34,080)
2014	23,000	28,048	(5,048)	22,312	30,699	(8,387)
2015	23,000	28,225	(5,225)	22,735	17,345	5,390
2016	22,000	28,154	(6,154)	23,510	19,791	3,719
2017	22,500	28,523	(6,023)	26,555	26,935	(380)
2018	25,000	30,653	(5,653)	25,719	39,193	(13,474)
2019	25,000	31,044	(6,044)			-

FUND BALANCE AS OF 12/31/18: $479

Parking Lot Fund
2019 Budget by Lot (as of 6/5/19)

	Adopted Budget	Budget w/ Improvements
Revenue:		
Park A Day Rental	$ 25,000	$ 25,000
Total Revenues	**25,000**	**25,000**
Expenditures:		
Personnel (Signage/striping)	$ 4,055	$ 4,055
R&M Supplies	100	100
Postage	200	200
Utilities	500	500
Misc.		
Admin Fee	1,000	1,000
Lease Fee	13,439	13,439
Misc.	1,750	1,750
Transfer Out **		
Snow	8,400	8,400
Special Services	1,600	1,600
Improvement ^*^	-	10,922
Total Expenditures	**$ 31,044**	**$ 41,966**
Revenue Over/(Under) Expenditures	**$ (6,044)**	**$ (16,966)**
Fund Balance - January 1st	479	479
Estimated Fund Balance - December 31st	(5,565)	(16,487)

** This is the estimated amount for snow removal paid to contractor when it snows over 4 inches, and the amount for downtown maintenance contract. If it snows less than 4 inches, or in the case of snow removal for the Maple, the snow removal cost is part of the overall snow removal budget.

^*^ Improvement costs are the estimated annual costs for resfuracing, crack sealing, and seal coating over 30 years. The improvement costs for the City Hall Parking lot are part of the overall cost of the facility plan and are not included in the above costs. Estimated costs are only for the Maple, Laurel, 7th and Front and Burthington Northern lots.