

**City of North Saint Paul
November 2, 2021
Approved Regular City Council Meeting Minutes**

I. CALL TO ORDER

Mayor Furlong called the meeting to order at 4:00 p.m.

II. THE PLEDGE OF ALLEGIANCE

All present recited the Pledge of Allegiance.

III. ROLL CALL

Present: Council Member Thorsen
Council Member Petersen
Council Member Cole
Council Member Wong
Mayor Furlong

Staff: Interim City Manager Brian Frandle, Deputy Clerk Jennie Kloos.

IV. ADOPT AGENDA

On motion by Council Member Petersen, seconded by Council Member Cole, with all present voting aye (5-0), motion carried to approve the agenda as submitted.

V. PRESENTATIONS

A. Ramsey County Library – North St. Paul

Ann Wahlstrom, North St. Paul Library Manager, reviewed ongoing programs and events at the library, including a skate park pass program in agreement with Minnesota Parks & Trails' legacy amendment. She introduced Mickey Lavich, Ramsey County Capital Planning. She noted the library is open 5 days a week, and library materials, including books, DVD's, CD's and magazines, are available for check-out or curbside pick-up.

Ms. Wahlstrom stated the library provides access to computers and wireless service to many residents who do not have internet access, as well as low-cost photocopying and scanner services. She added library staff help people fill out online job applications. She noted the library provides online programming for children ages 11 years and under in connection with Ramsey County Public Health. She noted the Covid vaccine will now be available to that age group, so children's programs in the library will begin in early 2022.

Mr. Lavich requested clarification regarding building maintenance requests. Mayor Furlong stated requests can be directed to Acting City Manager Brian Frandle.

Ms. Wahlstrom stated the library space has had recurring and ongoing maintenance issues, including the door lock and water damage on the ceiling that still needs to be repaired. She stressed the importance of ensuring that these issues are addressed.

Mayor Furlong expressed his appreciation for the library's presence in North St. Paul. He added new townhomes and apartments are being built, with many new residents coming to North St. Paul, and the library is an asset to the community.

Ms. Wahlstrom stated the library has a lot of regular local patrons and brings value to the community.

Ms. Wahlstrom requested that City Staff ensure that Ramsey County Library staff, including Interim Library Director Karen Saltes and Deputy Library Director Pang Yang, are kept informed of what is happening with the building. She added the last communication that the former Director had with the City Manager was over a year ago.

Mayor Furlong agreed. He requested that Acting City Manager Brian Frandle reach out to Library staff.

Ms. Wahlstrom stated she is dedicated to ensuring that the Library is an integral part of the City of North St. Paul with events planned throughout the community, including outdoor story time, the North St. Paul Holiday Hop, and a Main Street Story Stroll.

Council Member Petersen expressed her appreciation for and commitment to the North St. Paul Library. She thanked Ms. Wahlstrom for her dedication and enthusiasm.

VI. APPROVAL OF CONSENT AGENDA

On motion by Council Member Thorsen, seconded by Council Member Wong, with all present voting aye (5-0), motion carried to approve the consent agenda, Resolution No. 2021-113 consisting of:

- A. October 19, 2021 workshop meeting minutes.
- B. October 19, 2021 regular meeting minutes.
- C. General Claims \$983,296.27.
- D. HRA Claims \$1,678.36.
- E. Resolution Approving Donation from Kwik Trip to North St. Paul Police and Fire Departments. Resolution No. 2021-114.
- F. Resolution Approving Police Vehicle Agreement with Dakota County Technical College. Resolution No. 2021-115.
- G. City of North St. Paul COVID-19 Operational Policy. Resolution No. 2021-116.

VII. MEETING OPEN TO PUBLIC

John Schmahl stated this meeting's agenda attachments included a document related to capital improvements and specifically the transfer of funds to finance the community center. He added the funding source that is referenced is the solid waste fund, which comes from residents' waste hauler charges and fees. He noted, if there is \$650,000 in that fund, it represents an overcharge of residents and the money should be returned to the residents, and the rates should be lowered. He

noted the funds should not be applied to another area. He asked whether this is the same thing as an “enterprise transfer”.

R.T. Luczak stated he has 3 topics to discuss: the City of North St. Paul as a landlord; the value of the community center; and Kokoro Volleyball. He added addressing these topics will support the decision to sell the community center to Kokoro Volleyball at the current offered price.

Mr. Luczak stated the City of North St. Paul does not have the staff, policies, procedures, or communication capabilities to be a landlord. He presented a grate to show that the ducts and ventilation system in the building has never been cleaned; there is water damage to the roof and the elevator does not work. He added City Staff comes into the building without notification, which is a liability. He noted the City Attorney has indicated that the current state of Kokoro’s tenancy is no longer tenable.

Mr. Luczak stated the City Council met in closed session to make decisions about the future of the building and Kokoro Volleyball. He added he submitted a data request for all documents and information related to that closed meeting but only one insurance document was provided. He noted several Council Members indicated that they did not receive a copy of that document.

Mr. Luczak asked what data was utilized to determine the total of \$650,000 for capital improvements to the building. He added a document reviewed and approved at a 2012 City Council workshop indicated that amount was inaccurate. He noted he obtained an appraisal in December 2019 from Valbridge Property Advisors which valued the building at \$1 million. He noted \$1 million is the purchase price amount that has been authorized by Bell Bank.

Mr. Luczak stated the former City Manager indicated that another appraisal had been completed at a value of \$2.65 million. He added, as he discussed with City Attorney Soren Mattick, appraisals can differ based on comparables, but an appropriate range would be 10%.

Mr. Luczak stated Kokoro Volleyball is requesting to purchase the building at a fair market price. He added the City will be able to reduce the tax levy and utilize funds to offset other City expenses, saving money for taxpayers. He noted the library can move to a location that better fits their current needs.

Mr. Luczak stated Kokoro Volleyball brings 150,000 families into North St. Paul every year with a median household income of over \$100,000, and the families spend 1-2 hours in North St. Paul when they drop off their athletes. He added Kokoro employs 5 full-time staff and 50-60 part-time staff, and provides physical, academic and emotional health services for its athletes. He noted Kokoro has given approximately \$50,000 back to the community over the past 5 years and has displayed care for the facility and the overall community.

Mr. Luczak requested that the City work with Kokoro Volleyball to create a win/win situation for local businesses and families in the community.

VIII. PUBLIC HEARINGS

There were no scheduled hearings.

IX. CITY BUSINESS ACTION ITEMS & RECOMMENDATIONS

A. Community Center Discussion

City Attorney Soren Mattick reviewed negotiations to date with R.T. Luczak and Kokoro Volleyball regarding their community center space lease, including documentation, email communication and meetings with Mr. Luczak. He added City Council guidance is sought regarding a proposal from Kokoro Volleyball to purchase the community center building in its current condition for \$1 million, and to terminate the library's lease. He noted Mr. Luczak has indicated that this last item is negotiable.

Mr. Mattick stated it is his understanding that the majority of the City Council is not supportive of selling the building. He added, if the City cancels the library's lease, there would be a penalty of approximately \$500,000. He requested feedback and comment from the City Council regarding potential sale of the building, which could be continued to a closed session to determine offer amount and terms of negotiation, and then the City's position on lease negotiations.

Mayor Furlong stated the City Council discussed the issue of whether or not to sell the building in a workshop after receiving an offer from Schifsky's which was not pursued. He added there was consensus at that meeting that the City was not going to sell the building. He noted his opinion on this issue has not changed.

Mayor Furlong stated Council Members Cole and Wong worked with Mr. Mattick and Mr. Frandle on a new lease which was presented to Mr. Luczak. He requested input and feedback from the City Council.

Council Member Wong stated, based on previous discussions, the City wants the library to be there as it is a huge asset to the community. She added she supports moving forward with a lease agreement with Kokoro Volleyball for the lease of the building.

Council Member Cole thanked Mr. Mattick for his assessment. He added two items for consideration are a back-up generator for Public Works that is located in the facility, as well as an internal computer backup for City Hall. He noted removal of that equipment would represent additional expenses in the event of the sale.

Council Member Cole stated Kokoro Volleyball is an asset, and the library is an asset. He added there is a long-term lease for the library with Ramsey County that must be upheld. He noted, for those reasons, he does not support selling the building until the lease agreement comes to fruition, at which time there will be additional opportunities to discuss.

Council Member Petersen stated she was on the fence on this issue, but it would be very costly to relocate the City's fiber optic backup and the Public Works backup generator. She added she is ore in favor of leasing and keeping the library in the building.

Council Member Thorsen stated the City Council, in closed session, made the decision not to sell the building, and to direct City Staff to negotiate a long-term lease. He added he still supports selling the building, either to Mr. Luczak or another buyer, for various reasons, including the unknown costs to repair the facility. He noted it was his understanding that repair costs would be

available for the City Council's consideration before this meeting. He stressed the importance of understanding the potential costs as public funding will be involved.

Council Member Thorsen stated the committee has expressed a consensus that we are too far apart in terms of lease amount. He added he has requested a history of past tenants and rents paid as the proposed lease amount of \$24,000 is more than the City has ever collected from a building tenant. He questioned where the \$8-10 per square foot came from, and whether there are comparables, as it represents a 92% increase.

Council Member Thorsen stated he does not feel that it is reasonable to refuse to sell the building but rather engage in a long-term lease and double Kokoro's rent from \$12,500 to \$24,000, as well as capital improvement costs. He added he feels the City is leaving Mr. Luczak with no other option than to vacate. He noted the City will lose a tenant who brings a lot of value to the community and be left with no tenant and a building that will cost a lot of money to fix.

Council Member Thorsen stated Mr. Luczak has indicated a desire to negotiate with the City and accommodate the library. He added the City Council has heard that the library wants to expand and may not even want to stay in the building, although there has been no discussion about this. He noted he agrees the library is an asset and the City Council should make every effort to keep them in North St. Paul.

Council Member Thorsen stated the community center has never paid property taxes, and if it sold, City tax revenue will be generated. He added there are many unanswered questions about capital improvement repair costs that should be answered before the existing tenant is forced to vacate by doubling his rent.

Council Member Thorsen stated his recommendation is that the City Council direct City Staff to work on a long-term lease agreement with the current tenant; find out what the library wants and what their plan is; and get concrete answers from Mr. Luczak about whether he is willing to buy the building and lease back the City's assets.

Mr. Mattick stated Mr. Luczak did indicate that he is willing to negotiate with regard to the library. He added he has heard a consensus from the City Council not to move forward with selling the building. He requested City Council direction regarding the divide in rent, and lease negotiations.

Mayor Furlong stated the building is a City asset that brings value to North St. Paul. He added capital improvements should have been undertaken years ago. He added whether it is a community center or a volleyball center, the City should have control over the building. He noted this is a good opportunity to work with the library. He stressed the importance of negotiating a lease with Kokoro.

On motion by Council Member Cole, seconded by Council Member Wong, with Mayor Furlong and Council Members Cole, Petersen and Wong voting aye, Council Member Thorsen voting nay (4-1), motion carried not to negotiate the sale of the Community Center building.

Mr. Mattick stated Kokoro is paying \$12,500 a month for the lease, or \$150,000 annually. He added, moving forward, market value rent should be considered. He stressed the importance of having a current lease in writing, including liability.

Mr. Mattick stated the committee reviewed other commercial leases with base rent of \$4-6 per square foot. He added a \$4 per square foot lease would be conservative and does not include Common Area Maintenance (CAM), or expenses related to operations of the facility. He noted an estimated \$60,000 in property taxes would come due in 2022.

Mr. Mattick stated Kokoro is renting approximately 28,000 square feet at approximately. He added the committee arrived at a market rate of approximately \$24,000 per month, which he believes is reasonable. He acknowledged that is a steep increase. He noted Mr. Luczak has indicated their business model can sustain an increase up to \$165,000 annually.

Mr. Mattick stated \$280,000 on an annual basis represents a fair market value base rent and CAM, as well as property taxes. He added this would be a difference of \$115,000 annually, which is a big divide. He noted a 5-year lease term could be a potential solution.

Mr. Mattick stated Mr. Luczak has indicated a desire to stay in the space at least until June 2022 as the volleyball season begins in November. He added the City could continue with the lease at \$12,500 per month, but that would not cover the additional \$60,000, and taxes would be due in 2023.

Mr. Mattick stressed the importance of having a discussion about necessary capital improvements.

Mayor Furlong stated the roof needs to be fixed right away.

Mr. Mattick stated there may be other improvements that can be done at the same time as a new roof. He added any capital improvements should be considered with a potential new tenant in mind.

Council Member Petersen asked whether City Staff has estimated costs for a new roof.

Mayor Furlong stated capital improvements should be taken on by the City as part of the negotiation. He added, moving forward, a portion of the CAM would be put into a fund.

Mr. Mattick stated it is his understanding that Mr. Luczak would support having the City cover capital improvements, which could total \$500,000-650,000. He added \$4 per square foot is an estimate, and 2021 CAM is based on 2020 expenditures. He noted Kokoro has laid out what they can afford based on the number of volleyball courts, and they have already set their volleyball fees for fall 2021.

Council Member Cole stated the goal of the ad hoc committee, comprised of himself, Council Member Wong, Mr. Mattick and Mr. Frandle, was to come up with a swift solution to what has become a circular conversation. He added Kokoro has indicated they want to stay in the North St. Paul community. He noted he and Council Member Wong expressed support for a 5-8-year lease but not at a discounted rate, as the City will be paying \$60,000 in taxes. He expressed support for a decision not to move forward with the sale of the building and continue the lease negotiation process as swiftly as possible.

Council Member Cole stated he would like to have a counter proposal in place before the City Council's next meeting in 2 weeks in the form of a long-term lease that the City Council is comfortable with; or a short-term lease to get Kokoro through their season. He added a lease

would reflect the recovery of County taxes of approximately \$90,000. He noted a third alternative is to look for an exit strategy by the first of the year.

Council Member Thorsen requested annual utilities costs for the facility, including electricity costs and facility repairs and maintenance over the past 5 years, including lawn care and snow removal.

Mr. Mattick stated electric fees are approximately \$42,889 and gas fees are approximately \$12,247. He added he does not have data regarding facilities maintenance costs as they have been completed by Public Works. He noted there has been discussion regarding outsourcing maintenance of the facility.

Council Member Thorsen stated, under lease agreements, the lessor of the facility is generally responsible for lawn care and snow removal. He added the City has owned the building since 1991, but there is no firm data regarding annual costs. He noted market rate rents were never collected from previous tenants and the City has exhausted the idea of selling the building. He noted the City Council plans to support negotiating a lease but are being told we are too far apart.

Mayor Furlong requested clarification regarding whether the lease with Kokoro started as a lease with hockey school. Mr. Mattick confirmed that records indicate that is the case. He added he is not aware of a separate document.

Mr. Mattick stated to Council Member Thorsen, for purposes of clarification, when he says we are too far apart, doubling someone's rent is a big step. He added the committee is looking for guidance on whether there is an interest in closing the gap, and how to do so.

Council Member Thorsen stressed the difference between a long-term lease and a short-term lease. He added his interpretation is that if an agreement is not reached, there should be an exit strategy for Kokoro in place by the end of the year.

Mayor Furlong stated an agreement needs to be reached to move forward. Council Member Cole agreed, adding the negotiations cannot move forward without a lease from a liability and insurance standpoint.

Council Member Thorsen stated he does not know how the City can negotiate a lease with a tenant without having any idea of current costs. He added there is a chiropractor in the building, as well as a yoga studio, which he thought was common knowledge. He noted he feels that the City should continue to negotiate with Mr. Luczak. He noted going with market rate rent would be a bad approach and bad business practice.

Council Member Wong stated the committee is requesting City Council guidance in terms of the lease and trying to identify a comfortable number that the City can pitch to Kokoro. She added liability is the biggest issue, and there is a subtenant. She requested that the sublet be explicitly stated in the lease agreement.

Mr. Mattick stated, for purposes of clarification, there is support for a lease through June 2022 or January 1, 2022. He added the City Council has expressed that increasing the rent from a market standpoint does not seem entirely fair. He added the rent can be phased up over the course of a long-term lease.

Mayor Furlong requested that the committee negotiate and come to a consensus, and then come back to the City Council in two weeks as part of the negotiation process. Mr. Mattick agreed.

Council Member Thorsen stated his understanding was that there is a short-term lease, that the City has been operating on by default, that addresses liability. He added there should also be requirements in the lease for capital improvements funding and CAM.

Mr. Mattick stated there is a lease that was signed with the hockey school but no signed agreements with Kokoro. He added it is not uncommon for a lease agreement to be automatically renewed.

Council Member Cole stated he believes the original lease includes a step-up payment plan based on the number of skating students, which does not necessarily relate to Kokoro.

Mr. Mattick stated the ad hoc committee including Council Members Cole and Wong can continue to meet, as he appreciates their feedback and input, although they do not have the authority to finalize a lease. He added his office can provide legal guidance and documents for review and approval by the City Council.

Mr. Luczak stated he is disappointed that the information currently being discussed is already in the community center narrative, submitted to the City in 2012. He added it should be no surprise that there are two other assets in the building, which were always part of the discussion. He noted both Kokoro and the chiropractor have full liability insurance,

X. REPORTS OF CITY MANAGER AND DEPARTMENTS

Mr. Frandle stated concrete has been poured in front of the Sentinel building on 7th Avenue.

XI. REPORTS OF COUNCIL, COMMISSIONS & COMMITTEES

Council Member Cole stated he attended the Parks & Recreation Commission meeting last week, which included a discussion regarding park dedication funds. He thanked Finance Director Winek for his presentation. He added a rough draft of the Parks Improvement Plan is being finalized by WSB, for review at the Commission's next meeting, to be presented early in 2022.

Council Member Cole stated the Parks and Recreation Commission's next meeting is scheduled for November 17, 2021 at 6:30 p.m. in the Sandburg Room. He added the public are welcome to attend.

Council Member Cole stated the Economic Development Association is scheduled to meet November 9, 2021 at 3:00 p.m. in the Sandberg Room.

Council Member Wong stated the Arts & Culture Commission has been meeting regularly, going to different Commission meetings to introduce themselves and gather more information regarding potential collaborations. She added the Commission is scheduled to meet November 3, 2021 in the Sandburg Room.

Council Member Wong stated the Planning Commission's next meeting has been canceled. She added previous meetings have been included discussions regarding the Sign Ordinance, and City Staff have drafted a plan to complete the Sign Ordinance review over the next 6 months.

Council Member Petersen stated the 19th Avenue student-built house is going well. She expressed appreciation for Berwald Roofing for donating building materials. She added many students showed up to work over the past few days even though there was no school.

Council Member Thorsen stated the Master Redevelopment Plan Ad Hoc Committee met last recently to discuss the previous plan, adopted in 2012, and how to move forward. He added representatives of WSB were present to receive feedback from Planning Commissioners, as well as himself and Council Member Wong, and members of the EDA.

Council Member Petersen stated the Business Association is scheduled to meet on November 9, 2021 at the American Legion.

XII. GENERAL BUSINESS

Council Member Wong stated she attended the grand opening of the new Kwik Trip last week, which was well attended. She added Kwik Trip made donations to the Fire and Police Departments.

Council Member Petersen stated she and a few City Staff will be attending the prayer breakfast as guests of Oakdale City Manager Chris Volkers.

Council Member Petersen stated the Kwik Trip ribbon cutting was a wonderful event that brought in many residents. She added it is an impressive business.

Council Member Petersen stated the annual pumpkin drive is being held by the Scout Museum. She added residents can bring their pumpkins to be recycled through Friday.

Council Member Petersen stated a Polar Hockey welcome event is scheduled for November 19, 2021 at 3:00 p.m. She added all are welcome.

Council Member Thorsen thanked Ramsey County Library representatives for attending tonight's meeting. He thanked Mr. Luczak for coming to the meeting.

Council Member Thorsen stated City Manager interviews are scheduled for November 10 and 18, 2021.

Mayor Furlong stated the Kwik Trip event drew over 100 people.

Mayor Furlong stated a Veteran's Day event is scheduled for November 11, 2021 at 11:00 a.m. at Veteran's Park.

Mayor Furlong stated all veterans are welcome to come to the Prayer Breakfast at no cost.

XIII. CLOSED SESSION

There was no closed session.

XIV. ADJOURNMENT

There being no further business, on motion by Council Member Petersen, Seconded by Council Member Cole, with all present voting aye (5-0), Mayor Furlong adjourned the meeting at 5:36 p.m.

/s/ Terrence J. Furlong, Mayor

Attest: /s/ Brian Frandle, Interim City Manager/ Clerk