



Request for Council Action

Originator Finance	Item Local Option Sales Tax (LOST) Discussion
Agenda Section ORGANIZATIONAL BUSINESS	Date December 20, 2021

Requested Action:

Discussion only. No action requested.

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Item presented by: Jamie Verbrugge, City Manager

Description:

Benefit to Bloomington

In July 2021 the Bloomington received the University of Minnesota Extension Office’s report on Local Option Sales Tax (LOST). Their report utilized the most current sale tax information available from 2019. The current report compared data to 2016 sales tax information on a previous LOST report. It should be noted up front that 75% or more of the sales taxes collected in Bloomington are from non-resident visitors to our city.

The current LOST report estimated that Bloomington could receive approximately \$10.6 million a year with the approval of a .5% local sale tax. Baker Tilly, Bloomington’s Municipal Advisor then estimated that this revenue stream over a 20 year period would fund approximately \$150 million (principal) in projects. Legislation on Local Option Sales Tax has been evolving over the past few years. Below is the most current process for submitting projects.

Debt Service

The Debt Service tax levy for 2022 is \$5.9 million and for 2023 it is anticipated to be near \$7.1 million with Capital Improvement Plan (CIP) Bonds issued for Fire Station 4 and Permanent Improvement Revolving (PIR) Bonds issued for the 2022 PMP reconstruction projects. The conceptual 2023 total property tax levy is anticipated to be less than 5% with this anticipated debt service levy increase. Over the next 10 years other essential city facilities and

park improvements will be needed and will place additional tax burdens on the property owners (both commercial and residential). Utilizing local option sales tax on the four more regionally significant projects will lessen the burden of government for our taxpayers.

The four projects for possible inclusion for Local Option Sales Tax include the Bloomington Ice Garden, Bloomington Health and Wellness Center (replacement of Creekside and Public Health), expansion of the Bloomington Center for the Arts, and Dwan Golf Course Improvements. The projected total costs of these projects can be accommodated within the .5% sales tax increase amounting to \$10.6 million collected annually for 20 years. The total LOST proceeds to be collected would amount to approximately \$210 million (\$150 million principal and \$60 million in interest).

Local Referendum Process

January 10, 2022 – Should the Council want to proceed with LOST, it is anticipated that additional discussion on LOST will occur at this Council meeting.

January 18, 2022 – Council would discuss with our legislators Bloomington’s 2022 Legislative agenda.

January 24, 2022 – Council would be requested to pass resolutions for each of the projects.

January 31, 2022 – These resolutions would then be sent to members of the legislative tax committee.

February-May 2022 – Council, Legislators and staff to provide education on the 4 projects.

June –November 2022 - Should the LOST legislation be successful, educational activities would continue through early November when residents will be asked to approve a local option sale tax at the individual project level at the general election. If any of the projects do not pass, the Minnesota Department of Revenue would recalculate the reduction needed.

January 2023 – Should all projects pass the general election, the Minnesota Department of Revenue will notify the businesses collecting the sales taxes to inform them of additional changes.

Proposed Projects

Below are 4 projects that meet the requirements of the statutes (attached) for Council to discuss for possible inclusion should the City seek a Local Option Sales Tax to fund these projects. The Description and Justification sections come from the 2022-2031 Draft CIP, on tonight's agenda, item 7.1. The CIP is a planning document and these project details are not final.

Bloomington Ice Garden - \$32M

Description: This will be a major renovation of the Bloomington Ice Garden. The project will include replacement of the two R22 refrigeration plants with a new Ammonia plant(s), replacement of rink floors on all three sheets, new roofs on all three rinks, major mechanical replacements throughout the building (such as furnaces, water heaters, dehumidification, cooling tower(s), electrical updates, fire alarm system). Project would also reduce the size of rink 3 from an Olympic size (200x100) to an NHL size (200x85) and replace the dasher boards and glass on all three rinks. The project also would include renovations to the locker rooms on rink 3 and expansion/remodel of the west concourse of the building centralizing and reconfiguring offices, bathrooms and concessions. The project would also include the addition of High School locker rooms and an addition of bleachers for 800-1000 people on rink 3 making this the premier rink at BIG.

Justification: The existing ice plants are running on R22 refrigeration which is no longer being produced and is detrimental to the environment. The ice system which operates rinks 2 and 3 is 29 years old and has a 25 year life expectancy. Many of the other mechanical systems throughout the building are also past their expected life expectancy. Staff are noticing signs of glycol leaks on multiple rinks. The roofs on all three rinks are also at or past their expected life span and are breaking down causing leaks. BIG was built in three phases which does not function as one whole facility, the west concourse renovation and addition would create a more efficient and user friendly feel and experience for guests and staff by centralizing restrooms, concessions and office space. The project would also open up additional revenue opportunities with additional meeting space, three NHL size sheets of ice for tournaments, and enhanced efficiencies with a centralized city-operated concession stand.

Community Health and Wellness Center - \$70M (Replacement of Public Health and Senior Center)

Description: Creekside Community Center Replacement

Construct a community center to replace Creekside Community Center. A community center needs assessment completed in 2015 found the following space needs could be served by a new community center: large multi-purpose room, indoor playground, multi-use classrooms, running/walking track, gymnasium and fitness areas. In 2016, a community center task force recommended that in addition to these amenities, an indoor aquatics facility should also be considered in a new community center.

Description: Public Health Replacement

Construct a new facility, co-locate in another City building or rent space for Bloomington Public Health and its clinics and services.

Justification: Creekside Community Center Replacement

Originally built as an elementary school in 1960. The City purchased the building in 1974 and converted it into a community center. During a facility assessment in 2015, issues were found with the building's critical infrastructure such as HVAC and electrical (original to the building), the ongoing costs for upkeep, operations and maintenance, and the lack of flexibility for remodeling. In 2016, a community center task force appointed by the City Council determined that the Creekside building is no longer a viable option and that making major improvements would not be worth the return on investment. The task force recommended replacing the existing Creekside Community Center with a facility that would possibly include gymnasium space, various sized multipurpose meeting rooms, indoor walking/running track, indoor playground and an indoor pool.

Justification Public Health Replacement

The building that currently houses Bloomington Public Health's operations and clinics at 1900 W. Old Shakopee Road was constructed in 1960. Modifications were made to the structure in 1970 and 1981. The building has outlived its estimated lifespan of 40 years. A study of the City's main buildings in recent years found that the condition of the structure fell into the "unsatisfactory" category. In addition, the building's energy use intensity rating was the worst of the 13 City facilities studied. There have been ongoing issues with the building's HVAC system, particularly cooling, and replacement parts are becoming harder to find due to the age of the system. Public Health houses 52 staff (36 full-time equivalents), many in cubicles inside a large room on the west side of the building. Staff workspaces are small and cramped due to a lack of available space. Public Health also serves as the site for public clinics such as Women, Infants and Children (WIC), vaccinations and breast and cervical cancer screenings. Public Health served 13,147 individuals in 2016. New or leased space could improve staff working conditions and morale, allow staff provide better service and access to clients and allow for more efficiencies. A study by HGA Architects in 2015 explored the possibility of locating Public Health in a new community center. Adding Public Health within the center could offer advantages such as providing a welcoming environment for diverse populations and promoting community awareness of health and wellness programming. The consultant recommended including Public Health in a community center as an "optional consideration." Another alternative could be to lease space for Public Health in Bloomington. Such an option might relocate the facility in a more visible, retail area with access to transit. The current Public Health building is approximately 9,500 square feet. Staff estimate that a "right-sized" facility would more likely be approximately 14,000 square feet.

Bloomington Center for the Arts Concert Hall Expansion - \$33M

Description: BCA Expansion: State-of-the-art concert hall with seating for 300 to 500 people. Retrofitting the Schneider Theater to improve the quality of the live theater experience. Rehearsal space designed to accommodate large bands, orchestras and choirs. Enhanced entryway with improved accessibility. On-site café serving arts audiences. Secure equipment storage and support space. Costs include project management. BCA Storage Addition: Construct 2,000 square foot storage area at \$322/s.f. for BCA operations. Location to be determined; possibly northeast corner of building. BCA Flyloft Art Renovation: Renovate flyloft art that has reached its useful life expectancy.

Justification: The Center for the Arts is bursting at the seams. An expansion of the center would leverage the facility's resounding success as a regional destination for artists and audiences as well as fostering greater engagement in the arts in a prime and increasingly diverse setting. Storage Addition: Storage space needed primarily for tables and chairs which are currently stored in hallways and lobby. Possible fire code violation. Flyloft: Replace equipment that is reaching its useful life expectancy.

Dwan Golf Course Clubhouse Replacement - \$15M

Description: A course master plan was completed in 2021. The design includes the renovation of existing bunkers to include new sand, drainage, bunker liners and replacement of greenside and tee irrigation. Also included in the master plan are other course renovations that improve sightlines, safety and the overall playability of the course. Construct a new clubhouse to replace the current clubhouse at Dwan Golf Clubhouse.

Justification: Bunkers typically have a life-span of approximately 20 years. The bunkers at Dwan are approaching 50 years old and are a constant complaint of the patrons and customers. Dwan's current clubhouse was built with the golf course in 1970. It underwent a major remodeling in 1986 when the clubhouse was updated and expanded. Since then, the building has had a roof replacement in 2015 and minor updates such as new carpeting, paint and kitchen appliances. The clubhouse is showing signs of age, both internally and externally. A new clubhouse would better serve the needs of customers and the operation. An expanded banquet area could allow the golf course to host larger special events and tournaments. In addition, traffic flow could be improved by reconfiguring check-in and concessions. In 2017, HGA Architects conducted a study on replacing the existing facility with a new building of the same size and provided a cost estimate for construction. A new HGA study was conducted in 2021.

Attachments:

[State Statute LOST](#)