

# CITY COUNCIL PROCEEDINGS

## BEMIDJI, MINNESOTA

### Special Meeting/Work Session – June 14, 2007

Pursuant to due call and notice, a regular meeting/work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, June 14, 2007, at 5:30 p.m. in the Council Chambers of City Hall, Mayor Pro tem Downs presiding.

Upon roll call, the following Councilmembers were declared present: Markeson, Johnson, Erickson, Downs, Meuers. Absent: Hellquist, Lehmann.

Staff & Others: Paul Richards, John Chattin, Kay Murphy, Rita Albrecht

Pro tem Downs stated that the purpose of the meeting was to describe the Event Center project to the state bonding committee and it was not an open public forum.

Chattin provided a handout that outlined the costs of the proposed event center.

Paul Richards, Widseth Smith Nolting, stated that the Council needed to describe the project to the state bonding committee. Discussion continued on what the project will be. Richards stated that the designers have been looking at the options that will fit within the \$50 million cap and reviewed the following assumptions:

- 1) CSL will be brought on board to determine the financial feasibility;
- 2) based it on an inflation of five (5) percent per year;
- 3) construction contingency of 10 percent will be adequate;
- 4) MPCA will have funds available for soil remediation;
- 5) site location avoids extensive cultural/historical mitigation;
- 6) city purchases the minimum amount of land necessary to construct initial project;
- 7) no relocation costs;
- 8) BSU is the main tenant without the second sheet (practice) ice;
- 9) second sheet of ice is deferred;
- 10) on-site parking for 700 cars is adequate;
- 11) no additional partners for major capital cost;
- 12) fixture, furniture and equipment can be prioritized and reduced from \$3 million to \$1 million;
- 13) scoreboards and signage can be funded through marketing and advertisement;
- 14) suites can be built out at a later date; and
- 15) art portion of the project will be donated.

Richards then reviewed the funds needed to cover what he termed as “risk management”. He stated that \$23 million comes out of the \$50 million before the building is built. This leaves \$27,124,000 for the building and it is estimated that the building cost is \$200 per square foot. This amount is based on case studies in today’s dollars. Therefore, maximum square footage for the building is 135,620. Staff recommended the following: Option A: Arena with 3,500 seats; economical construction; BSU hockey requirements included; suites deferred and potential to reach 4,000 spectators with build-out. Conference area 10,000 s.f.; defer second sheet of ice. Option B is no project.

Johnson commented that the suites would be immediately important and other requirements would not be needed, i.e., weight room and puck room.

Chattin commented that the City has asked BSU what their minimum requirements are for them to be an anchor tenant. BSU stated that they are hoping that the suites would be built but this could happen from another source of funding. The real issue without the second sheet of ice is that BSU will be practicing on the main ice during hockey season and hockey season is from September through March. He stated that CSL needs to look at financial feasibility given the new project parameters. Consensus of the Council was that CSL do another study on the event center based on the new plans.

Markeson stated that the facility will extremely limit events with the hockey use.

Johnson asked if BSU would not be a part of this unless it was a hockey rink. When the project started, the practice sheet was not part of it. He stated that any event use would be cut short because of the hockey use. Johnson stated that what we are getting is a “John Glas Fieldhouse”.

Rick Gloeb, BSU Athletic Director, stated that when the hockey team is on the road there are lots of opportunities for events and opportunities around their practice times.

Meuers asked if this was a statement that BSU will be an anchor tenant and be involved. Mr. Gloeb stated that he was just clarifying the hockey use.

Chattin stated that he asked BSU what the minimum requirements were to have BSU as one of our tenants. If BSU is not involved, there is no bonding bill. One of the reasons that the City has an opportunity to participate in the bonding bill, and probably be successful, is that MnSCU is supporting it.

Erickson stated she would advocate another study by CSL due to the change in the plans and perhaps the cost of such a study will be less. Erickson commented that we are approaching the legislation with a hockey rink.

Downs stated that perhaps public confidence is wavering and the best thing to do is no project at this time and look at it in a couple of years.

Erickson asked that if we in good faith request the 50 percent match, and following the CSL study we find that no way in the world can afford to build it, what will happen at the state. Chattin stated that it would better to withdraw the request before it is granted.

Johnson stated that we started this whole process because BSU needed an arena and it was decided to build an event center that BSU could play games in and get them into the WCHA. There is lots of space within the structure for a convention center and it grew into this big thing that we got today.

Richards stated that a protective cover could be placed over the ice within a half a day and then it could be used for an event.

Dave Hengel, HRDC, stated that in speaking with legislators to delay the event center is a risky choice. There is no visioning anything in two years. He stated that to what extent the City partners with BSU is a local decision.

Richards stated there needs to be a general description as it goes forward. There are a lot of other things the Council is dealing with aside from moving forward. The situation that the design team has is that they do not know what to design and understand that CSL has to help in the decision. He observed that the information process has been behind the decision-making process.

The Council reviewed the application which requires what is being requested, i.e., how much, what is being constructed, where it will be located, who will own the building and the project costs. As part of the project rationale explain whether the project has local, regional or statewide significance and why.

Albrecht stated that the Council may choose Option A or perhaps the Council may have another option they want to consider. Richards suggested that CSL have a couple of different options to look at.

Hengel asked what if it comes in under budget and now we have eliminated things. Richards replied that we will know that in short order. The decision that is being made now would benefit from a schematic design and cost estimate but we do not have that at the moment.

Richards stated that everyone needs to be comfortable with the risk management numbers and it needs to be a reasonable number. There is another thought that if the Council has the capability with the half cent sales tax to collect \$30 million and there is \$25 million designated for the project, there may be a possibility where the difference of \$5 million could be used for risk management. Discussion continued on the amount collected from the half cent sales tax.

Johnson stated that we would be using \$5 million for risk management but not getting the 50% match from the state that the City could have asked for. The City should ask for 50% of \$5 million.

Erickson commented that one thing she counts on when she looks at an estimated inflation rate or contingency is that the numbers are real numbers for the project. We have enough

history to know the inflation rate based on other projects. When we ask if we are going to double that, and raise the inflation and contingency, it is a fake number to get the extra \$5 million and she did not support this at all.

Markeson stated that what we will get with the limited money is difficult, it is not what the community has envisioned, and not as economically viable as it would be in another fashion. He asked if it would be out of line to change the original request for the matching amount to the State.

Johnson suggested that the Council consider asking for the matching funds from the state. Johnson stated that the bond counsel reported to the finance committee that the nature of revenue bonds creates a pool of money at the end. Chattin stated that this is not accessible during the period of the bond.

Erickson stated that the bond counsel, that the City works with, ran an analysis and did not come up with the same amount as the bond counsel used by the finance committee. Chattin stated that there was a one percent difference. Erickson stated that what the bond counsel provided is not written in stone. Markeson stated that is why there are contingency fees.

Erickson stated that it is not a matter of leaving \$5 million of state dollars on the table but as a \$5 million savings for our citizens.

Richards commented that it is a shame that the Council did not know what they were getting for \$50 million when they made their decision for matching dollars from the State.

Motion by Markeson, second by Johnson, to approve Option A but adding the convention center square footage, and add 10% inflation and contingency to the project for a total amount of \$59 million and request that it be matched by 50 percent by the State. Motion failed by the following vote: Ayes: Markeson, Johnson. Nays: Downs, Erickson, Meuers. Absent: Hellquist, Lehmann.

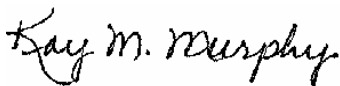
Johnson commented that the HRDC has offered their services to move this forward and to develop something that everyone can agree upon.

**Motion by Johnson, second by Erickson, to develop a multi-use event center in partnership with BSU. In addition, have HRDC steer the project. Motion carried unanimously.**

**ADJOURN**

There being no further business, motion by Meuers, second by Johnson, to adjourn the meeting at 6:37 p.m. Motion carried.

Respectfully submitted,



Kay M. Murphy  
City Clerk