

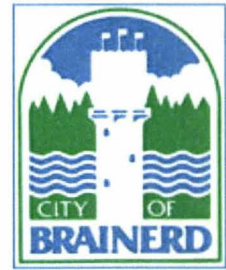


Brainerd City Council Agenda Request

Requested Meeting Date:

Title of Item:

<input type="checkbox"/> INFORMATION ONLY <input type="checkbox"/> CONSENT AGENDA <input type="checkbox"/> P&F COMMITTEE <input type="checkbox"/> SPW COMMITTEE <input type="checkbox"/> MAIN AGENDA	Action Requested: <input type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft) <input type="checkbox"/> Direction Requested <input type="checkbox"/> Discussion Item <input type="checkbox"/> Hold Public Hearing* <input type="checkbox"/> Ordinance 1 st Reading <i>*provide copy of published hearing notice</i>
Submitted by:	Department:
Presenter (Name & Title):	Estimated Time Needed:
Summary of Issue:	
Alternatives, Options, Effects on Others/Comments:	
Recommended Action/Motion:	
Financial Impact: <i>Is there a cost associated with this request:</i> <input type="checkbox"/> Yes <input type="checkbox"/> No <i>What is the total cost, with tax and shipping</i> \$ _____ <i>Is this budgeted?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Please Explain:</i>	



MEMO

TO: Mayor and City Council

FROM: City Administrator Torstenson, City Engineer Sandy, City Finance Director Hillman, City Planner Ostgarden

DATE: July 20, 2018

SUBJECT: Historic Water Tower Discussion Follow-Up: Alternatives with Costs, Funding Options, Fundraising Opportunities and Other Information

This memo is a follow-up from the discussion held at the July 16, 2018 Council Meeting. In this memo, staff will outline the information presented at the last meeting, follow-up activities that have taken place, alternatives for rehabilitation with associated costs, financial and fundraising opportunities including potential draft referendum questions, and other information we have compiled since the last meeting.

Existing Conditions

City Engineer Sandy and Building Official Caughey did some recon with a survey instrument to again evaluate the condition of the entire tower and to see if there are any visible loose pieces that may cause for more falling pieces. Through

Solving the Immediate Public Safety Issue

Upon directive from the Council on July 16, 2018, City Administrator Torstenson and City Engineer Sandy met with Brad Person at Breen and Person Ltd. To discuss the immediate public safety issues at his property directly underneath the historic water tower. Upon consultation with the City Attorney, he felt that an easement was not necessary to install a permanent fenced in area around the tower to address the public safety issue. With concurrence from Mr. Person, City staff consulted with Hytec Construction to install an 8-foot chain link fence around the perimeter of the tower to protect the public from any kind of falling debris. Along with the chain link fence, staff also directed Hytec to provide a protected walkway into the front door at Breen and person to allow his staff safe ingress and egress into the office. Total cost for the work not yet completed is quoted at \$10,400. This addresses the immediate public safety concerns while the Council is deliberating about the future of the historic structure. In

the meantime, street department staff installed an orange snow fence around the perimeter of the tower until Hytec can perform the more permanent fence at this location. Staff also recommended to Mr. Person that City staff handle the maintenance of the lawn at his location while these issues are being resolved. This will include Parks staff mowing the area and a designated spotter to identify any hazards that may fall off the building. Parks staff will also be directed to wear hard hats while mowing this area.

Alternatives for Rehabilitation

As discussed at the July 16, 2018 meeting, staff identified the options from the historical structure report. Staff did also reach out to Jeff Ledin at SEH to do some more evaluation of the original report completed in 2014 by SEH and Braun Intertec. An outline of what staff feels are the options to consider are below:

Option 1: Preserve the Historic Water Tower Per Secretary of the Interior Standards to Preserve Historical Register Status

This option, as outlined at the previous meeting, includes the installation of a light-weight roof (Option 1A or 1B) to solve the immediate active water intrusion, rehabilitate the exterior of the building including the repair of the existing stucco and concrete, steel stair rehabilitation, and window rehabilitation including masonry around windows, sills, jams, and arched headers. The total cost of this option is \$2,443,238 per the report, with a few years of inflation included, staff anticipates the cost to be estimated at \$2,600,000.

Option 2: Preserve the Historic Water Tower with Other Means (removes structure from Historic Register Status)

Per the report completed by SEH and Braun Intertec in 2014, this would include removal of damaged concrete and stucco, providing anchorage and shotcrete, a roof system, removal of the bowl brick liner, coatings on the shotcrete areas, and coatings on the non-shotcrete areas. The total cost of this option per the report is \$846,000. With a few years of inflation included, staff anticipates this work would cost around \$1,000,000. The overlying question in this circumstance is "what is the value of the historic status of the water tower?" The cost difference between option 1 and option 2 is approximately \$1,600,000.

Option 3: Remove the Existing Water Tower Structure and Build a Replica with Modern Materials

This option would include demolition of the existing structure and building a replica structure with modern material, much like modern water towers are constructed. Through conversations at a staff level, to determine a project cost, consultant services would be needed, as there is not case-studies of building replica water towers such as this. Consultant services would include manufacturer renderings of the structure and costs associated with specialized construction such as this. The up-front known cost is the demolition of the existing structure, which is estimated at \$150,000 - \$300,000.

Option 4: Demolition of the Tower

Per the SEH and Braun Intertec report from 2014, the estimated cost of demolition of \$150,000 - \$300,000. There is significant cost and work effort in removing property from the historic register including an environmental assessment worksheet and historical documentation to document the effects of the removal of the property, the special nature of water tower demolition (there are close to zero similar projects to reference in this regard for cost), and disposal costs of nearly 2,000 tons of concrete. The large price range is due to all of these factors and could be locked down more if either option 3 or 4 is chosen.

Summary

Staff feels these are the 4 most viable options and will get into potential funding option including draft referendum questions, funding options such as bonds or fundraising, and other information further in this memo. We have solved the immediate safety issues with the tower so that the council may decide going forward.

Financing Alternatives

Staff has discussed financing options with the City's bond counsel and financial advisors. Since the water tower is non-functional it is deemed to be a nonessential part of the City's infrastructure, and as a result, limits the types of bonds that could be issued to finance its rehabilitation. The type of bonds a City can issue, depends how the proceeds will be used.

The City's options are basically limited to:

- General Obligation (G.O.) Tax Abatement Bonds: Bond Counsel is still researching the criteria for this type of debt, but feels that it may be a stretch to use tax abatement bonds for the water tower rehabilitation.
- Lease Revenue Bonds: This type of financing is not able to be general obligation backed and would result in an estimated higher interest rate than G.O. debt. It is estimated that the interest rate would be about 35 basis points or a .4% higher than G.O. backed debt.
- G.O. Referendum Bonds: This type of debt is the most natural fit for the water tower rehabilitation. In order for the City to issue referendum bonds, the voters need to approve the issuance during an election. A sample of the potential referendum questions that could be on the November 6th ballot are attached. If the Council desires to go this route, the question(s) need to be finalized by August 24th to be on the November 2018 ballot.

There are many pros and cons of the water tower and the options for funding. It is also worth mentioning that BPU just received an estimate to build a brand new, functioning, 500,000 gallon water tower for \$1.8-\$1.9 million.

Currently, we are not aware of a nonprofit that will be actively fundraising for the water tower. Based on discussion with the auditors, it is recommended that dollars received via fundraising be held by an outside entity. Therefore, Community Action will be the fiscal agent for the funds.

Pipestone, MN Water Tower

The Planning Department has communicated with Pipestone City Administrator, Jeff Jones about its water tower. Its tower also needs significant repairs and it too received a grant from Minnesota Historical Society (MHS) to assess the repairs. It hired LHB, a Minnesota architectural/engineering/planning/design company to do the assessment and it estimated \$1.9 in repairs are needed.

We asked whether it has considered a water tower replica. It has not, however it is going to reach out to LHB to discuss the option.

If Pipestone decides to repair its water tower, it intends to apply for an MHS grant to finance part of the work. Rather than competing with Pipestone for the dollars, perhaps there is an opportunity to work together with the MHS to position both communities to receive funding. When our communities decide the fate of the water towers and should it include work common to both, perhaps there can be cost savings by working with the same contractor(s).

Our Responsibilities with the State Historic Preservation Office (SHPO)

The Planning Department contacted SHPO to inquire about our responsibilities with it should the water tower be demolished. Minnesota Statute 138.665, referred to the Minnesota Historic Sites Act and Administrative Rule 4410.300 Mandatory EAW Categories shall be followed.

State Statute 138.665 DUTIES OF STATE IN REGARD TO HISTORIC PROPERTIES reads:

Subd. 1. Notice.

The state, state departments, agencies, and political subdivisions, including the Board of Regents of the University of Minnesota, are by sections 138.661 to 138.664 and by this section notified of the existence of the state historic site network, state register of historic places, and the National Register of Historic Places.

Subd. 2. Mediation.

The state, state departments, agencies, and political subdivisions, including the Board of Regents of the University of Minnesota, have a responsibility to protect the physical features and historic character of properties designated in sections 138.662 and 138.664 or listed on the National Register of Historic Places created by Public Law 89-665. Before carrying out any undertaking that will affect designated or listed properties, or funding or licensing an undertaking by other parties, the state department or agency shall consult with the State Historic Preservation Office pursuant to the society's established procedures to determine appropriate

treatments and to seek ways to avoid and mitigate any adverse effects on designated or listed properties. If the state department or agency and the State Historic Preservation Office agree in writing on a suitable course of action, the project may proceed. If the parties cannot agree, any one of the parties may request that the governor appoint and convene a mediation task force consisting of five members, two appointed by the governor, the chair of the State Review Board of the State Historic Preservation Office, the commissioner of administration or the commissioner's designee, and one member who is not an employee of the Minnesota Historical Society appointed by the director of the society. The two appointees of the governor and the one of the director of the society shall be qualified by training or experience in one or more of the following disciplines: (1) history; (2) archaeology; and (3) architectural history. The mediation task force is not subject to the conditions of section 15.059. This subdivision does not apply to section 138.662, subdivision 24, and section 138.664, subdivisions 8 and 111.

Although the statute refers to a mediation task force, SHPO affirmed that at “the end of the day” demolition is a local decision should that be the chosen option.

Minnesota Rule 4410.4300 MANDATORY EAW CATEGORIES Subp. 31. Historical Places reads:

“For the destruction, in whole or part, or the moving of a property that is listed on the National Register of Historic Places or State Register of Historic Places...” an EAW is required.

CITY QUESTION BALLOT

CITY OF BRAINERD STATE OF MINNESOTA SPECIAL ELECTION

November 6, 2018

To vote for a question, fill in the oval next to the word "YES" for that question.
To vote against a question, fill in the oval next to the word "NO" for that question.

CITY BALLOT QUESTION 1

ISSUANCE OF BONDS TO FINANCE WATER TOWER RESTORATION

Shall the City of Brainerd be authorized to issue its general obligation bonds in an amount not to exceed \$1,100,000 to preserve the historic water tower to a degree not meeting Historic Register status, including without limitation removal of damaged concrete and stucco, removal of the bowl brick liner, construction of anchorage and application of shotcrete, construction of a roof system, and application of coatings on the shotcrete and non-shotcrete, which would result in removal of the water tower from the Historic Register?

☐ YES

☐ NO

**BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING FOR A
PROPERTY TAX INCREASE.**

CITY BALLOT QUESTION 2

ISSUANCE OF ADDITIONAL BONDS TO RETAIN HISTORIC DESIGNATION

If City Ballot Question 1 is approved, shall the City of Brainerd be authorized to issue additional general obligation bonds in an amount not to exceed \$1,600,000 to preserve the historic water tower per Secretary of the Interior Standards to preserve Historic Register status, including without limitation installation of a light-weight roof, exterior rehabilitation including repair of the existing stucco and concrete, steel stair rehabilitation, and window rehabilitation including masonry around windows, sills, jambs, and arched headers?

☐ YES

☐ NO

**BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING FOR A
PROPERTY TAX INCREASE.**