THE CITY OF COLUMBIA HEIGHTS
REDISCOVER THE HEIGHTS

CITY COUNCIL WORK SESSION MEETING

AGENDA SECTION	WORK SESSION
MEETING DATE	JULY 6, 2026

ITEM:	**Municipal Service Center Project Update**
Presenting Item: *Aaron Chirpich, City Manager*	
DEPARTMENT: Administration	**BY/DATE**: Aaron Chirpich / June 29, 2026

CORE CITY STRATEGIES: *(please indicate areas that apply by adding an "**X**" in front of the selected text below)*

_Community that Grows with Purpose and Equity	X Engaged, Effective and Forward-Thinking
X High Quality Public Spaces	X Resilient and Prosperous Economy
X Safe, Accessible and Built for Everyone	_Inclusive and Connected Community

BACKGROUND

One May 26, 2026, the Council passed Resolution 2026-033 adopting a five-year Capital Improvement Plan and authorizing the potential future issuance of General Obligation Bonds to provide the full financing (up to $31.5M) necessary for the redevelopment of the City's Public Works Campus (Municipal Service Center). The preliminary bond issuance approval was subject to a 30-day reverse referendum period, meaning if a valid petition signed by five percent of the voters in the 2024 general election was received within 30 days of the passage of Resolution 2026-033, an additional approval of the proposed financing would be required by a majority of voters at the 2026 general election (ballot question). The 30-day referendum period passed on June 25th, and the City did not receive a petition. The City can now move forward with the proposed project timeline without the need to place a bonding question on the 2026 general election ballot. The 2026 project benchmarks are as follows:

- Soil borings and geotechnical engineering (completed in June 2026)
- Architectural and Engineering RFP completion (in progress to be completed in July 2026)
- Selection and contract award for Architect/Engineering firms (August 2026)
- Completion of design, plans and specifications (August 2026- February 2027)

SACA Acquisition:

As part of the MSC redevelopment project, the City plans to acquire the building located at 627 38th Avenue NE, as this acquisition will provide the necessary project area to complete the City's full redevelopment plans for the new MSC. This building is currently owned by Southern Anoka Community Assistance (SACA). SACA has owned and operated a food shelf and thrift store from this location since May of 1999. The City owns the land that the SACA building sits on, and SACA owns the building. The land has been leased from the City in an agreement that is set to expire in May of 2029 (attached). Over the past four years, the City and SACA have been working together to plan for the relocation of SACA operations within the City, and recently, SACA completed the remodeling necessary for the adaptive re-use of the former industrial building located at 3905

California Street NE in Columbia Heights. SACA has fully transferred their operations to the new location and vacated their old building at 627 38th.

As part of the lease agreement with SACA, the City has the option to purchase their building at fair market value upon completion of the lease term. To this end, an appraisal was completed for the SACA building and a value of $690,000 was determined by an appraiser mutually agreed upon by both parties. As part the 2026 budget planning, the City designated up to $400,000 to put towards the acquisition of the SACA building. It was initially anticipated that the City would make two payments over the course of 2026 and 2027 to fully complete the building acquisition and allow the City more flexibility in it's cash flow management for the project. Since making those early plans, SACA has reached out to the City expressing interest in a phased purchase plan that is different than what was originally contemplated. The attached purchase agreement proposed by SACA details a payment plan and timeline with the following benchmarks:

- Close on purchase in 2026
- Four installment payments of $172,500 each
- SACA secures payment through promissory note from City
- Full payoff by December 2027
- Interest charged on balanced owed until full payoff (7.25%)

In review of the proposed terms, staff and the City Attorney are concerned with aspects of SACA's request. Of primary concern is the fact that the current lease with SACA does not require action until May of 2029 when the lease naturally terminates. In other words, the City could save up funding as planned over the next year and a half to purchase the building in 2027, or wait until 2029 to exercise the purchase option at that time. Of additional concern, is any agreement that charges interest to the City, as the City can avoid this by waiting for the lease to expire, and/or by paying for the building in full at anytime before the natural expiration of the lease. Waiting until 2029 would run counter to the already stated desire of the City to conclude the purchase in full by the end of 2027 and is not favorable to SACA's business needs, as they have already moved to their new location.

With these considerations in mind, staff would like feedback from the Council on how best to move forward. Since first discussing purchase parameters with SACA for their building, the financial flexibility of the City has improved. The City has been awarded both state funding and federal funding for the MSC redevelopment and now has more options when it comes to the timing of the purchase of the SACA building.

Old City Hall Demolition:
As part of the MSC redevelopment planning, staff have begun to consider the timing of demolition for the old City Hall building. Staff think that it is prudent to time demolition of old City Hall with the demolition of the current public works building. This approach will allow the City to bid both demolition projects at the same time for efficiency's sake and would likely position the City to receive more competitive pricing for a larger project. It is expected that demolition of the current public works building would take place at the end of the redevelopment project in 2029.

As part of the demolition of old City Hall, relocation of the Firehouse gym needs to be taken into consideration. The Firehouse Gym operates out of old City Hall under a lease agreement that was executed in 2010 (attached). Under the agreement, the City only needs to give 30-days' notice to the gym to terminate the lease. Staff think it is more prudent to provide the gym with enough runway to plan for a transition to a new facility or to close if needed. By aligning demolition of old City Hall with the demolition of the current public works building, the gym will have over two years to plan for the lease termination/exit.

Requested Council Action/ Discussion Topics / Key Questions *(Briefly state the specific action staff is requesting of the City Council, if any. For example: provide direction, discuss options, or review information.)*
Staff would like feedback from the Council on how to respond to SACA regarding their proposed purchase terms, and staff would like feedback on the proposed concept of timing demolition of old City Hall with the demolition of the current public works building.

ATTACHMENT(S)

- Proposed Purchase Agreement from SACA
- SACA Lease
- Firehouse Gym Lease