

City of Spring Lake Park Staff Report



Agenda Date	Status
August 17, 2026	Discussion
Requestor	Agenda Section
Buchholtz/Scanlon	Discussion Items
Agenda Item:	
Terrace Park Building project update	
Executive Summary	
The City is moving forward with plans to replace the Terrace Park building using a combination of a \$450,000 Anoka County CDBG grant, \$246,335 from Fund 226, and other potential City funding sources. As design and engineering have progressed, estimated project costs have increased to approximately \$955,229 to \$1,055,229, primarily due to higher-than-anticipated utility improvement costs and uncertainty regarding construction pricing. Based on current estimates, the project exceeds committed funding by approximately \$258,894 to \$358,894. If the Council applies the full \$91,664 balance in Fund 225, the remaining funding gap would be approximately \$167,230 to \$267,230. These figures remain preliminary pending the August 18 bid opening, which will provide more definitive construction pricing. Staff has identified four primary options for Council consideration: cancel the project and return the CDBG grant; reject the bids and reconfigure/rebid the project; proceed with additional City funding while pursuing cost reductions; or delay action pending a decision on potential federal funding. Staff recommends reviewing the August 18 bid results and updated project budget before determining the preferred course of action.	
Background	
The City has been working toward replacement of the Terrace Park building using a combination of Community Development Block Grant (CDBG) funding, City park improvement funds, and other potential funding sources.	

Anoka County has awarded the City a \$450,000 CDBG grant for the project. To provide the local match and support the project, the City has set aside \$246,335 in Fund 226 – Park Equipment and Improvement Fund.

As design and engineering have progressed, project costs have increased beyond the amounts originally anticipated. Based on information available prior to the August 18 bid opening, estimated project costs are as follows:

Project Component	Estimated Cost
Engineering – Design/Bidding/Construction	\$146,600
Soil Borings	\$ 3,435
Demolition	\$ 5,416
Utility Improvements	\$194,778
Building Construction/Site Prep	\$550,000 - \$650,000
Furniture, Fixtures and Equipment	\$ 55,000
Total	\$955,229 - \$1,055,229

Costs are higher than originally anticipated for a couple of reasons. First, the cost of the required utility improvements is more than \$100,000 above staff's initial estimate. Second, the project's coordination with the High School Construction Trades program creates a somewhat unique construction schedule and delivery structure, which may affect contractor interest and the level of competition among bidders. While the City initially anticipated that this partnership would help reduce construction costs, it is possible that the additional coordination requirements could have the opposite effect. Staff will have a clearer understanding of the impact, if any, following the August 18 bid opening.

Based on the current estimated project cost of \$955,229 to \$1,055,229, the project is projected to exceed currently committed funding by approximately \$258,894 to \$358,894. If the City Council elected to use the entire \$91,664 balance in Fund 225, which consists of park dedication revenues, the remaining estimated funding gap would be approximately \$167,230 to \$267,230.

These figures remain preliminary. The August 18 bid opening will provide substantially better information regarding the building construction and site preparation portion of the project.

Staff has identified four alternatives for Council consideration:

- Alternative 1: Discontinue the Project. The Council could cancel the project, return the \$450,000 CDBG grant, and absorb costs already incurred. This would avoid additional City investment but leave the Terrace Park building need unresolved.
- Alternative 2: Reject Bids, Reconfigure the Project and Rebid. The Council could reject the bids and direct staff to revise the project scope, sequencing, or delivery approach before rebidding. The current coordination with the High School Construction Trades Program may affect contractor participation and bid competitiveness. If warranted, the City could restructure the project and consider using the Trades Program for a separate future garage or storage project. This option may reduce costs but would add delay, redesign expense, and potential CDBG timing concerns.

- *Alternative 3: Proceed with Additional Funding and Cost Reductions.* The Council could proceed with the project, establish a maximum project budget, and provide additional City funding to close the remaining gap. Staff would also pursue available cost reductions, including the possibility of removing the hockey rink and routing the required water main through that area rather than through the parking lot. This option would preserve the CDBG funding and move the project forward but would require a larger City contribution. Additional funding could be provided from Fund 416 – Building Maintenance and Renewal Fund, which is expected to be replenished with a portion of remaining bond proceeds once the City Hall project is formally closed out.
- *Alternative 4: Delay Pending Potential Federal Funding.* The Council could delay a final commitment while awaiting a decision on the City's federal funding request. If awarded, federal funding could reduce the local cost. However, there is no guarantee of an award or that a decision would occur in time to meet CDBG requirements. This option therefore carries the greatest timing and funding uncertainty.

Board/Commission Review

N/A

Financial Impact

The project is projected to exceed currently committed funding by approximately \$258,894 to \$358,894 or \$167,230 to \$267,230 if the full balance of Fund 225 is applied. Any remaining shortfall would require additional City funding, potentially from Fund 416, or reductions in project scope and cost. The final financial impact will be better defined following the August 18 bid opening.

Staff Recommendation

Staff recommends that the City Council review the bids received on August 18, along with the updated project budget and available cost-saving measures, before determining how to proceed. If the bids are reasonably consistent with current estimates and a manageable funding plan can be identified, staff believes proceeding with the project remains a viable option given the significant CDBG investment already secured. If costs materially exceed current projections, staff recommends reconsidering the project scope and delivery approach before committing additional City funds.

Attachments