

City Council Minutes
November 1, 2021

The Fergus Falls City Council held a regular meeting on Monday November 1, 2021 at 5:30 pm in the City Council Chambers. Pastor Rich Iverson gave the invocation and the Pledge of Allegiance was recited. Mayor Schierer called the meeting to order at 5:32 pm and the following council members were in attendance: Fish, Hagberg, Kvamme, Rufer, Thompson, Arneson, and Gustafson. Hicks was absent.

Approval of Agenda

A motion and second were made by Fish and Hagberg approving tonight's agenda as presented and the motion carried.

Public Hearing: Red River Milling Redevelopment Project

Kevin Bartram is seeking Tax Increment Financing to redevelop the historic downtown mill building. Phase I of the project would be a 24 room boutique hotel in 2022 or 2023. Phase II would be the construction of 24 unit multi-family housing units. Mr. Bartram is seeking the creation of a Redevelopment TIF District to provide assistance with the redevelopment of this site. The preliminary cost estimate for Phase I is \$5,250,000. The developer would be utilizing historic tax credits to assist in the redevelopment as well as a \$130,000 grant from the Minnesota Department of Employment and Economic Development (DEED). The DEED grant requires a 50% match from the city which can come from TIF assistance. Doug Green from Baker Tilly reviewed the redevelopment district qualifications, requirements, financing project costs and next steps. The Phase I estimated post development taxable market value is \$3 million and the developer would incur all costs associated with the redevelopment of the project site. The TIF plan would be used for both phases of the proposed project.

The redevelopment district requires 90% of the TIF revenue must be used to reimburse the cost of correcting conditions that allowed the TIF district to be qualified. These costs include acquiring property, demolition, the clearing of land, installation of utilities, roads, sidewalks and parking facilities. The redevelopment TIF district has a maximum term of 26 years and the district will be decertified earlier once the obligations are satisfied. The TIF plan costs total \$3,459,128 which includes the developer reimbursable TIF costs, pay as you go note interest payments and administrative expenses. This will be a pay as you go project meaning the developer pays for the public improvements, is reimbursed by tax increment and the reimbursement is limited to the amount of TIF collected. The city has no obligation in the event of TIF revenue shortfall. The current TIF request for assistance is \$579,000. The projected repayment term for a pay as you go note in the amount of \$579,000 is approximately 15 years if only Phase I (hotel) is constructed. Phase II development could reduce the term further. Tonight the council is being asked to consider approving a resolution to create the TIF district. A development agreement would come before the council at a later date.

The public hearing was opened at 5:42 pm. NeTia Baumann of Greater Fergus Falls spoke on behalf of Kevin Bartram to express his gratitude to the collaboration to bring this property back to life. Bauman was supportive of the redevelopment efforts to take a blighted property and redevelop it into a high profile site which will add to the momentum of the downtown redevelopment. The project will increase the tax base, provide new jobs and provide a tourism amenity. The hearing was closed at 5:45 pm. Mayor Schierer expressed his support for the project and thanked the developer for his vision to

improve the downtown area. Kvamme also was supportive of the project and felt this was a good use of financial incentives to spark more development downtown. Fish offered **Resolution #232-2021** approving the establishment of Tax Increment Financing (Redevelopment) District 4-15 within Development District No. 4 and approving the Tax Increment Financing Plan therefor and authorizing an interfund loan, which was seconded by Rufer and was adopted.

Public Hearing: Dental Specialties Tax Abatement Request

Dental Specialists is a collaboration of orthodontia, pediatric dentistry and oral/maxillofacial surgery services. The developer is proposing the redevelopment of the vacant former Hedahl's building into a multi-tenant facility that would house all of their services in the same location. The project would be completed in early 2022. Redevelopment of the site would require environmental remediation and solid waste hazardous mitigation by eliminating the current onsite septic system and connecting into city utility services. Doug Green of Baker Tilly explained the abatement qualifications, financing costs and next steps for the project. The taxable market value is \$1.4 million and the developer would incur all costs associated with the redevelopment of the project site. Tax abatement when used for economic development purposes are eligible if the city finds there is public interest that would increase or preserve the tax base, provide employment opportunities, redevelop or renew blighted area and provide access to services. Taxing jurisdictions have the choice to participate in the abatement. The City of Fergus Falls and Otter Tail County would both participate in the abatement, while the school district would not. If two or fewer entities participate, the maximum duration of the abatement is 20 years. The current abatement request for the city's participation is \$110,612 collected over 9.5 years where as the county's abatement request is for \$79,857 for the same time period. This would be a pay as you go note where the developer pays for the public improvements, is reimbursed by tax abatement which is limited to the amount of abatement collected and the city has no obligation in the event of TIF revenue shortfall. Tonight the council is being asked to consider approving a resolution to create the tax abatement. A development agreement would come before the council at a later date. The public hearing was opened at 5:53 pm.

NeTia Bauman of Greater Fergus Falls said the incentives for this project will drive development. The tax base will quadruple with a medical facility filling in this vacant former auto parts store. She spoke about the positive impact the dental services will have on the community, the addition of ten higher paying jobs, the increased tax base and private investment of \$2.6 million into the property. After showing this building to numerous prospective buyers, the lack of city utilities has been the main concern and this project would upgrade the infrastructure needs. Tara Kempfer spoke as a business owner and member of Greater Fergus Falls in support of the request as well. She said the expansion of these dental services will not only improve the local services Fergus Falls can provide, but it will bring in people from other towns, which will have a ripple effect on other businesses within the community. Lee Rogness spoke as a County Commissioner, Greater Fergus Falls Board member and on behalf of the Community Development Agency. The county board approved the abatement request as it is a good use of redeveloping an existing building that has stood vacant since 2017. He urged the city to be patient as it will require nine and a half years to see the increased tax base, but said the value of the renovation will be four times the property's current value. The project will retain jobs, add additional high paying jobs, and help complete our community by providing local dental services to our residents. Dr. Jason Swelstad spoke from the patient's perspective who said Fergus Falls is desperate for pediatric and oral surgery care. This proposed project would increase the size and capacity of the community's dental services. Each practice in the proposal facility is unique and won't compete with other dental providers. They are able to participate with insurance many other

providers cannot offer. The orthodontia, pediatric dentistry and oral surgery services that will be now housed under one roof will offer medical services that local residents are currently driving to Fargo, St. Cloud or Brainerd to receive. He said the tax abatement is not a grant, but a way to cover the costs for water and sewer to the building as well as an expansion to their parking lot. The hearing closed at 6:08 pm. Thompson offered [Resolution #233-2021](#) approving the use of tax abatement to incentivize the redevelopment of an existing vacant building by Dental Specialists of Fergus Falls, which was seconded by Arneson and was adopted.

Public Hearing: Housing Rebate Program Tax Abatement

Two applications have been received for the new construction housing tax rebate. A new home will be built at 538 Ann Street next year and construction is underway for the new home at 1765 Shoreview Drive. The housing tax rebate is a rebate of \$5,000 in real estate taxes or up to five years, whichever is met first. A public hearing opened at 6:12 pm. As no one appeared, the hearing was closed. Gustafson offered [Resolution #234-2021](#) approving a tax abatement for the property located at 1765 Shoreview Drive as requested by Kevyn B Heck and Angela Bowman, which was seconded by Hagberg and was adopted. Fish offered [Resolution #235-2021](#) approving a tax abatement for the property located at 538 Ann Street as requested by NCS Homes Inc., which was seconded by Gustafson and was adopted.

Consent Agenda

The following items were approved under [Resolution #236-2021](#) by Hagberg: Motion approving the minutes from the October 18, 2021 City Council meeting, October 18, 2021 work session and the October 27, 2021 Committee of the Whole meeting. Motion approving the following licenses: Excavator (2021) Mark Bergerud; Wine and 3.2% Malt Liquor with Strong Beer Authorization (2022) Northern Aire Lanes; Mechanical (2021) JS Service Inc., Cool Sys Light Commercial Solutions (2022); Demo/Hauler of Building Waste (2022) Big Red Boxes. [Resolution #237-2021](#) initiating PI 9504 and accepting a professional services proposal in the amount of \$10,300. [Resolution #238-2021](#) approving budget adjustments. Motion directing the City Attorney to amend the zoning map from R-1 to R-A for Lots 1 and 2 in Block 2 of Timber Ridge Estates as requested by Otter Tail Power Company. [Resolution #239-2021](#) approving the final plat for Timber Cove Addition as requested by the Fergus Falls Housing and Redevelopment Authority. [Resolution #240-2021](#) accepting Interstate Engineering's professional services proposal for design on PI 5958, Campus View Estates Development in the amount of \$75,000 and ordering the preliminary engineering report. The resolution was seconded by Rufer and was adopted.

Ordinance 19

Ordinance 19, Eighth Series, Vacation of Campus Addition and Outlot B was introduced by Arneson and was declared to have its first reading.

Ordinance 15

After a discussion about fences and boundary lines at last week's Committee of the Whole meeting, staff presented two options for code revisions to City Code Chapter 154. Both options remove the 2 feet setback requirement for fences and states the 50% opacity is the maximum (not minimum) for a front yard fence. Option B requires a verbal agreement between neighbors if a fence is placed on a property line as suggested by the Planning Commission. After answering questions, the council was in consensus to use Option B in the proposed code language. Ordinance 15, Eighth Series, Amending City Code Chapter 154, Yard Regulations and Accessory Buildings was adopted by a roll call vote.

Ordinance 18

Ordinance 18, Eighth Series, Amending the Zoning Map for Shoreview Drive was adopted by a roll call vote.

Resolution of Accounts

Fish offered a resolution authorizing the payments and claims in the amount of \$1,580,035.20, which was seconded by Hagberg and was adopted.

The council adjourned to a closed meeting at 6:21 pm for threatened litigation as allowed by Minnesota Statutes Section 13D.05, subd. 3(b).

Lynne Olson