

Committee of the Whole Meeting  
January 11, 2023

The Fergus Falls City Council held a Committee of the Whole meeting on January 11, 2023 at 7:00 am in the City Council Chambers. Mayor Schierer called the meeting to order, and the following council members were in attendance: Kremeier, Rachels, Hicks, Fish, Job, Kvamme, and Rufer. Thompson was absent.

**TIF Analysis for FM Bank**

FM Bank entered into an agreement to purchase the former Shopko lot and would like to pursue the creation of a redevelopment Tax Increment Financing (TIF) district totaling \$143,000 over a 3.5-year period. Their project is estimated at \$9 million and would demolish the Shopko building and redevelop the site for a new bank and additional tenants. Their TIF request would offset the demolition costs and serve as a match for a MN DEED Redevelopment Grant. Prior to creating a TIF district a city must determine if a subsidized development would not occur *but for* the use of TIF. A financial analysis is required, and the city recommends using the services of Baker Tilly to study the TIF request. FM Bank would be responsible for the cost, and they understand it does not guarantee TIF is recommended for the applicant. A motion and second were made by Hicks and Fish to recommend the council authorize city staff to retain the services of Baker Tilly regarding an application for Tax Increment Financing for FM Bank and the motion carried.

**Housing Tax Rebate Program Overview**

Community Development Director Klara Beck provided an overview of the Housing Tax Rebate program. It was developed in conjunction with Otter Tail County's Big Build program to incentivize the construction of new single and two-family housing units and encourages the replacement of dilapidated housing structures within the city. Qualified participants receive a rebate of \$5,000 or 5 years, whichever is met first of the city's portion of property tax based on the increase to real estate taxes due to the building of a new home. Additionally, applicants may be eligible for \$10,000 in rebates from Otter Tail County. The program is restricted to primary residences, not rental properties, and can be transferred from a builder to the property owner. Since its inception in 2020, 47 units are in the program. 36 new homes were built in 2020, 5 in 2021 and 6 in 2022. The average projected value of the units is \$353,023.40 and includes 21 single family homes, 26 twin homes and no rehabs or additions. To date the City of Fergus Falls has approved \$235,000 in rebates for an estimated \$16,592,100 in housing value. The council has the ability to continue the program as if through December of 2024, discontinue the program or update the program to help meet city goals such as pushing for significant rehabs, or capping the estimated project value to encourage entry level housing.

Rufer feels the program is of value if it incentivizes building in Fergus Falls suggested amending the program to a tiered structure based on city priorities such as rehab projects. Kvamme asked if the city's match should be increased to match the county's level if a rehab project applies for the program. Fish proposed a cap be placed on the value citing a recent request for a home valued exceeding \$1 million. He suggested the newspaper write a story raising awareness of the program and available funding. Kremeier felt the existing housing stock would benefit from a program where funds could be used to update the older homes throughout the community and said his family accessed the This Old House program years ago to rehab an old house. To date the city has not had any applications for rehab funds and the county has two. Mayor Schierer agreed there would be great value in existing homes being able to access funding for their homes and it would subsequently increase the value of

the neighborhood. Hicks spoke in favor of capping the value of the program and proposed revising the program to aid first time homeowners for down payments or designated funds to fix up rental properties. The council agreed this is a complex issue that needs more discussion. Mayor Schierer suggested staff take today's feedback and come back to the council with a recommendation on modification to the program and clear definitions of what qualifies as a rehab project.

County Commission Lee Rogness said the intent of the program is increasing the amount of available housing to attract a workforce for jobs. He appreciated the discussion today but encouraged the council to continue the program as \$235,000 of the city's investment has provided over \$16 million in returns to date. The county wants new housing or large rehab projects such as additions of rooms, garages etc... Roof, window and siding replacement does not qualify as rehab projects. The new or improved housing increases the tax base, replaces properties going off the tax rolls and lowers property taxes. He believed programs to fund housing improvements would benefit the community but should not replace the housing tax rebate program.

### **Pebble Lake Golf Rates**

Kevin Swenson presented the 2023 rates for the Pebble Lake Golf Course. They are proposing a 10% increase to offset the rising costs of fertilizer, equipment, maintenance, and fuel. He reviewed the 2022 season in comparison to previous years and said their biggest growth has been youth and family participation. In addition to being voted Best Golf Course in Otter Tail County, there facility has become a destination for weddings and special events and the addition of Palmer's restaurant has driven up their business. After complimenting Swenson on the improved operations at the golf course, a motion and second were offered by Fish and Rufer to recommend the council approve the 2023 rates for the Pebble Lake Golf Course and the motion carried.

### **State Delegating Process Agreement**

Federal law, along with Minnesota Statute Sec 161.36, requires the city to adopt a resolution designating the Commissioner of Transportation as the appointed agent of the city to accept federal funds which may be available for eligible local transportation related projects. The agreements outline the roles and responsibilities associated with federal funds and allows MnDOT to act as the local agency's agent in accepting these funds for construction projects. A motion and second were made by Rachels and Hicks to recommend the council authorize staff to execute the State/Federal Delegating Contracting Process Agreement No. 1052055, and the motion carried.

### **PI 5314, Union and Lincoln Street Improvement Project**

City Engineer Brian Yavarow was provided authorization to rebid Public Improvement 5314, the Union and Lincoln Avenue street improvement project after bids last year came in nearly \$1 million over the estimate. In reviewing the bid contractors said the plan to protect and pave around the existing street pavers was too time consuming, high risk and expensive. The bid documents were revised to include an alternate to remove the deteriorated pavers and install a full bituminous street section at each intersection along Lincoln Avenue from Union to Cascade. The state has not consented to the alternate bid method as considers this a form of "shopping" rather than seeking the lowest possible bid. They require the submission of proper documentation as to why this method would be used and their approval. Staff have developed two options for the council to consider in the final bid documents. Option 1 would be the original plan to save and work around the existing pavers. Option 2 is continuing the resurfacing of Lincoln Avenue by replacing the full depth of bituminous and overlay. Option 2 is estimated to be \$25,000 less and would provide longer pavement longevity as a new full

pavement section would be constructed instead of only the top two inches being resurfaced in Option 1. This project would be solely funded with federal and state funds. The federal share is 80% (max rate) for construction and is subject to change based on bid prices. The state is responsible for 20% of the construction and 100% of the engineering design and contract administration.

The pavers are unique to the downtown area but have deteriorated significantly since their installation in 1989. They have created tripping hazards and problems for maintenance such as street sweeping and plowing. Yavarow recommended the council proceed with Option 2 to be included in the final bidding documents. He was asked if the street project would also address the repair or replacement of the paver bricks along the sidewalks in the downtown area. Staff is aware of the deterioration and need to replace the downtown sidewalk pavers, but there currently is not enough funding for their replacement. It was suggested the sidewalk replacement be put into the city's Capital Improvement Plan for further consideration and research on funding sources. A motion and second were made by Fish and Job to recommend the council authorize staff to pursue Option No. 2 in the final bidding documents for PI 5314, the Union Avenue: Fir to Lincoln; Lincoln Avenue: Union to Friberg resurfacing project and the motion carried.

#### **PI 5362 Fir and Friberg Roundabout Project**

In 2020 the City and Otter Tail County initiated a joint agency effort to study feasible roundabouts in the city. The primary intersection reviewed was the Fir/Friberg and later intersections on Union and Tower were added to the study. Funding applications through the Local Roads Improvement Project have been unsuccessful and the county plans to proceed with their share of the project through bonding. The county has provided an agreement for the city to consider. The city would be responsible for 1/3 of the cost of the street repair, sidewalk and lighting including the resurfaced area; 100% of the cost of the non-storm sewer municipal utilities that will be determined and quantified during the final design phase; 100% of the costs for permanent and/or temporary easements adjoining Friberg Avenue and a pro rata share of the total engineering costs in an amount representing the same ratio to the total engineering costs as the municipality's portion of the construction cost bears to the total construction contract cost. The estimated cost of the project is \$2.2 million of which the city's share would be \$730,000 plus municipal storm, sanitary sewer and/or watermain relocations or replacements if necessary. If approved, the project would be bid in 2023 with construction in 2024.

Hicks felt \$730,000 plus the cost of utility services was too much for a roundabout when so many streets throughout the community need more attention. Rachels agreed the city should use the funding for other street projects. Yavarow said the city would use their allocated Municipal State Aid for Streets (MSAS) funding and explained this funding is only allowed to be used on MSAS designated projects. The utility portions of the project being covered by the city's enterprise funds and once the full design work is completed, a better cost estimate can be established. Kvamme was supportive of the project if funding sources have been identified as this intersection poses safety hazards. Now that the county has identified the project as a priority, they will want to move forward and waiting will increase the city's portion. Fish agreed and noted the difficulty drivers have making left hand turns on Fir Avenue. Kremeier was opposed to using any of the available funding on this project when it could be used for other street projects. Rufer asked if infrastructure improvements needed in this area and felt this would be an opportune time to improve the intersection while doing any necessary underground utility work. Staff was asked to provide the council information on roadways that MSAS funds can be expended. A motion and second were made by Fish and Rachels to recommend the

council initiate PI 5362, the Fir Avenue and Friberg Avenue roundabout improvement project and the motion carried with Hicks and Kremeier voting in opposition.

### **PI 9504 Aquatics Center**

After voters approved the local option sales tax projects at the November 2022 General Election, the City Engineer obtained a professional services proposal from JLG Architects for the Aquatic Center project. If the proposal is approved, the Design Development phases would be initiated with staff and volunteers. After this phase is complete, final design and bidding documents could be developed. Advertising of bids would be taken in the summer of 2023, construction starting in the fall of 2023 and concluding in 2024. The project would be funded by the local option sales tax. The city currently has the legislative authority for a \$7.8 million project, but the latest total project estimate is \$9.5 million. The city requested additional funds from the legislature to cover the higher project cost in the 2023 legislative session. Because the outcome of the session is unknown, staff requested JLG to revise their professional services proposal to accommodate both the higher and lower price difference. If the city's request for additional funding is not successful with the legislature, bid alternates will be identified in the final design phase and incorporated into the bidding documents as deductions to align with the currently approved \$7.8 million budget. Mayor Schierer shared his confidence the legislative session will result in the city's request being granted. Hicks did not want the city to spend money on multiple scenarios and asked if there is a covenant prohibiting constructing the facility in Roosevelt Park. Staff will double check the parcel file, but the location cannot be changed as it was a part of the ballot question approved by the voters. A motion and second were made by Rufer and Rachels to recommend the council accept JLG Architect's professional services proposal for design development, final design and construction administration in the amount of \$681,820 and the motion carried.

### **Council Salaries**

Scott Kvamme asked the council to begin a discussion to increase the mayor and council salaries in conjunction with city employee wage increases. He understood it would be January of 2025 before the council could approve a salary increase to themselves as state law dictates a sitting council cannot set its own wages until after the next election period. He felt the automatic cost of living increases would encourage candidates to run for public office. Rufer was supportive of considering the idea and commented on the amount of time dedicated to the council affects their regular employment. Fish said 2007 was the last year the council and mayor's salaries were adjusted, and he supported discussing a pay increase. Kremeier said he was unaware of the amount the elected officials are paid and felt if people are running for office for the paycheck, they should reconsider their motives. The council discussed the current meeting schedule and demands on the time elected officials are asked to devote to this position. A motion and second were made by Kvamme and Fish to recommend the council direct staff to research the council and mayoral salaries with comparable cities and consult the City Charter to see if an increase is warranted and the motion carried.

The meeting adjourned at 8:16 am

*Lynne Olson*