

**Special City Council Meeting  
Mountain Lake City Hall  
Tuesday, May 14, 2019  
6:30 p.m.**

Members Present: Darla Kruser, Mike Nelson, David Savage, Andrew Ysker

Members Absent: Dana Kass

City Staff Present: Michael Schulte, City Administrator/Clerk; Rob Anderson, EDA Director; Tabitha Garloff, EDA Assistant

Others Present: Tammy Omdal, Northland Securities; Gloria McKissick, Bill Freitag, Jerry Haberman, Betty Lou Ratzloff, Sharron Hanson, Mark Hanson, Julie Brugman, Jay Schied, Chad Eken, Kristine Hudson, Carol Lehman, Wade Nelson, Tom Appel, Sue Garloff, Diane Englin, Karen Stoesz, Corey Schroder, Riley Schroeder, Cyenna Hampel, Chad Pederson, Daintri Pederson, John McMenimen, Bryan Bargin, Travis Smith, Clara Johnson

**Call to Order**

The meeting was called to order by Mayor Nelson at 6:34 p.m.

**Approval of Agenda**

Motion by Kruser, seconded by Savage, to approve the agenda. Motion carried.

**Public Hearing on Proposed Property Tax Abatements for the Downtown Housing Project**

Motion by Savage, seconded by Ysker, to open the public hearing at 6:35 p.m. Motion carried.

Tammy Omdal, Northland Securities, provided handouts of a tax abatement and issuance of bonds presentation prepared by Northland Securities. Omdal discussed tax abatements, how tax abatement is calculated, statutory limitations for tax abatement, why tax abatement is being proposed for this project, tax abatement bonds, tax levy impact, other impacts of proposed bonding, Minnesota S&P bond ratings, the resolution approving tax abatement, and the resolution approving issuance of bonds. Tax abatement is authorized by MN Statutes, Sections 469.1812 to 469.1815. Tax abatement levy is spread on the city's entire tax base and is not spread solely over the parcels included in the tax abatement. The EDA is proposing to construct four twin homes in the downtown vacant lot and requires financing. With the proposed project, rental incomes from the units will cover the bond payments over the next 20 years. If rental incomes fall short, the city will need to levy a certain amount to cover the next year's bond payments. The bonds will be a general obligation to the city. The pro forma, the city's bond

rating, the flow of funds, and other items were discussed. Following the presentation, Mayor Nelson explained that each person may provide a public comment or question but to keep comments and questions concise, respectful, and no more than 2 minutes each.

*Councilmember Kruser asked Omdal questions about levying for the commercial park. Omdal explained that the 2016A Tax Abatement Bonds (\$366,000) were to fund land acquisition for commercial park. The annual debt service is approximately \$33,000. Land purchased for each lot covers the costs of the debt payments. If no lots are sold, the city will need to review annually to levy for the debt service amount. The 2017B Bonds, Improvement Portion (\$2,285,000), were to fund infrastructure improvements for the commercial park. The annual debt service of approximately \$150,000 is to be paid by the assessments paid by the sale of each lot. If no lots are sold or assessment amounts are adjusted, the city will need to review annually to levy for the debt service amount.*

*John McMeninger had a question about the timelines of levying. The Council would have to consider to levy each year during the budget process, depending on funds in the account.*

*Chad Eken stated concerns about commercial zoned lots and the lack of commercial lots in Mountain Lake. Eken also stated the tax base would be higher with commercial in the vacant lot.*

*Mark Hanson agreed with Eken and stated that the back side of houses along 10<sup>th</sup> Street would not be attractive.*

*Karen Stoesz stated she has wanted to support this project but cannot. Stoesz read newspaper ads of rental costs in the surrounding area. Stoesz stated housing for employees is needed and the costs of rent would be too high for these employees. Stoesz also had concerns over parking.*

*Sharron Hanson stated that during the Planning & Zoning Commission meeting (held the previous night) that the chairman encouraged to build in residential. Hanson stated concerns over parking and garages and encouraged the council to say 'no.'*

*Jerry Haberman provided background of the EDA's work on this project. The EDA has looked at commercial buildings, mixed-use buildings, and other options. Construction costs for many options were too high for commercial businesses or to cash-flow. The idea brought forward cash-flows with \$1,000 rent and is an option to pay back the city's \$300,000+ cost into this project. Haberman also stated that this is a thought-out plan and that people are willing to pay the amount. Haberman encouraged residents to come to the public EDA meetings to provide input and ideas.*

*Chad Pederson had concerns about the building being multi-level for senior citizens to access the units. Mayor Nelson informed Pederson that this project is only one-level. Pederson stated concerns over the \$1,000 rent and concerns about the commercial park having vacant lots.*

*Bryan Bargan stated he supports the project but does not agree on the space. Bargan stated he would want to see this project somewhere else in the city.*

*Julie Brugman agreed with Councilmember Kruser's previous comments and stated that the lot is commercial property. Brugman encouraged the council to get more commercial businesses first.*

No other comments or questions were stated. Motion by Savage, seconded by Ysker, to close the public hearing at 7:19 p.m. Motion carried.

### **Condition Use Permit – EDA Downtown Project**

The city administrator briefly reviewed the Planning & Zoning Commission meeting on May 13, the conditional use permit application, the draft findings of fact, the notice of the public hearing sent to residents within 350 feet of the proposed project, and the recommendation by the Planning & Zoning Commission. The Planning & Zoning Commission reviewed the standards of a conditional use according to city ordinance and did not find any restrictions or conditions to prevent the Commission from not approving the conditional use permit. By a vote of 4-1, the Planning & Zoning Commission voted to recommend to approve the conditional use permit. The council asked questions about voting for Resolution #14-19 Approving Conditional Use Permit. Since no conditions or restrictions were found during the review of the conditional use application, there would need to be new conditions or restrictions not mentioned at the Planning & Zoning meeting or legal justification to not approve the permit. If the resolution was approved, the EDA would have the authority to move ahead with the project listed in the conditional use permit application. However, in this situation the EDA also needs the financing approved by the council to move forward with the project. A new version of Resolution #14-19 was presented and handed out to the public with grammatical error changes and listing that no additional conditions or restrictions were tied to the permit. Motion by Ysker, seconded by Savage, to approve Resolution #14-19 Approving Conditional Use Permit. Voting aye: Ysker, Savage. Voting nay: Kruser. Abstain: Nelson. Motion carried on a 2-1-1 vote.

### **Resolution #12-19 Approving Tax Abatements**

Tammy Omdal explained the resolution. This resolution needs to be passed in order to take action on the next resolution, Resolution #13-19 Approving the Issuance of the Taxable General Obligation Tax Abatement Bonds, Series 2019A. The two resolutions approve the financing of the project and begins the financial process. Motion by Savage, seconded by Kruser, to not pass Resolution #12-19. Motion carried.

**Resolution #13-19 Approving the Issuance of the Taxable General Obligation Tax  
Abatement Bonds, Series 2019A**

The resolution was tabled indefinitely as Resolution #12-19 needed to be approved to act on Resolution #13-19.

**Adjourn**

The meeting was adjourned at 7:30 p.m.

**Approved June 3, 2019**

ATTEST:

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Michael Schulte, Administrator/Clerk