

Owatonna City Council Minutes

The Owatonna City Council met in regular session on Tuesday, January 5, 2021 at 7:00 p.m. in Council Chambers. Council President Schultz called the meeting to order and welcomed everyone in attendance. Attending were Council Members Dotson, Burbank, Raney, Svenby, Voss, Okerberg and Schultz. Also attending were Mayor Kuntz, City Attorney Walbran; Community Development Director/Interim Parks and Recreation Director Klecker; Public Works Director Skov; IT System Administrator O'Connor; City Administrator Busse and Administrative Specialist Clawson.

Following the Pledge of Allegiance, Council President Schultz welcomed everyone to the meeting and read a meeting statement advising of option to participate virtually and COVID-19 compliance requirements. Officials re-elected during the 2020 General Election to serve 4-year terms were administered the Oath of Office:

Thomas A. Kuntz – Mayor
Doug Voss – Council Member-at-Large
Greg Schultz - Council Member – Ward 2
Kevin Raney – Council Member – Ward 4

Council Member Svenby made a motion to approve the Agenda as presented; Council Member Dotson seconded the motion and all members voted aye in approval.

Council President Schultz advised two public hearings are planned during this meeting and reviewed the meeting process. Community Development Director Klecker explained the first public hearing is for comments on modification to Development District 10 and establishment of TIF District 10-2. Property Developer Mac Hamilton has requested tax increment financing (TIF) to assist with the costs associated with the construction of a 106-unit hotel and redevelopment of the east side of the 200 block of North Cedar Avenue. This project includes renovation of the buildings south of the alley that contain Old Town Bagels and the former Jerry's building; the Flooring Frenzy building, former Bishman Insurance building and the triplex on Pearl Street would be demolished. A new restaurant will be added to the renovated space and a new 106 room hotel will be constructed. The TIF Plan calls for \$7,225,088 in TIF dollars to assist with eligible TIF expenditures on the project. The City will be reimbursed \$500,000 from the TIF for purchase of the old theater lot and the public parking lot on Pearl Street and well as streetscape improvements. This would be a redevelopment TIF district so it can go for up to 25 years. For the City to be reimbursed from the TIF for the land and streetscape improvements, an Interfund Loan Resolution will be presented after the public hearing for consideration. This hearing notice also included modification to TIF District 10-1, the apartment building planned in the 100 block of E Pearl Street: but. building plans have changed and the public hearing will be rescheduled.

Klecker introduced Mac Hamilton, Developer of both projects with project updates. Mr. Hamilton said they have acquired all the property needed for the hotel project; the last closing will occur late March and they plan to break ground in June. Construction should take about one year; they hope to open during June 2022. The hotel will be four stories with 106 units with only a few units on the first floor. Parking will be available for each room; the west 65' of the apartment property across the street will provide double row parking for the hotel. The apartment building has been changed to an L-shaped structure to accommodate these additional parking spaces. Tom Lander is

his Development Partner and Wischerman Partners will manage the hotel; today they meet virtually regarding the hotel facade and he anticipates every detail will be fully covered during this project. He thanked the City for working with him on these projects and appreciates assistance received from Community Development Director Klecker and Community Development Manager Kruschke as the community has pulled together to finalize this hotel project which may create approximately 600 jobs within the next 12 months.

At 7:17 p.m., Council President Schultz opened a public hearing for comments regarding the proposed modification to Development District 10 or establishment of Tax Increment Financing District 10-2. With no comments heard, at 7:18 p.m., Council member Raney made a motion to close the public hearing, Council Member Dotson seconded the motion and all members voted aye in approval.

Council Member Dotson made a motion to approve Resolution 1-21, approving modifications to Development District 10. Council Member Okerberg seconded the motion; all members voted aye in approval.

Council Member Raney made a motion to approve Resolution 2-21, Establishing TIF District 10-2 and use of tax increment financing for the N Cedar Avenue Redevelopment Project. Council member Voss seconded the motion, all members voted aye in approval.

Council Member Voss made a motion to approve Resolution 3-21, setting the terms of the Interfund Loans for TIF District 10-2. Council Member Okerberg seconded the motion all members voted aye in approval.

Community Development Director Klecker presented Resolution 4-21, setting the date for a public hearing to modify TIF District 10-2. Tax Increment Financing is being requested for the redevelopment of the north side of the 100 block of East Pearl Street into a 43-unit market rate apartment building. TIF will be used to assist in the costs associated with demolition, renovation, and site improvements. TIF funds will also be used to reimburse the City for expenses incurred for acquisition of the property and demolition of buildings on the site. Council Member Burbank Made a motion to approve Resolution 4-21 setting the date for this public hearing on Tuesday, February 16, 2021. Council Member Dotson seconded the motion. Council Member Raney thanked Mr. Hamilton for his continued support of the Owatonna community and bring much needed development to the downtown area. With no additional comments, all members voted aye in approval.

Public Works Director Skov advised four properties owe for snow removal costs incurred last winter. At 7:24 p.m., a public hearing was opened for comments on these costs currently proposed as assessments. With no comments heard, at 7:25 p.m., Council Member Okerberg made a motion to close the public hearing. Council Member Dotson seconded the motion and all members voted aye in approval. Council Member Voss commented he was contacted by one of the property owners saying he hires a commercial company to clear his sidewalks. Public Works Director Skov explained notices of non-compliance were sent and photos taken showing a large amount of snow on this property and service was completed to clear the sidewalk. Council Member Svenby made a motion to approve Resolution 5-21 adopting the Proposed Assessments for Unpaid Snow Removal

Costs. The assessments will be paid over a 1-year period at an interest rate of 3%. Council Member Burbank seconded the motion; all members voted aye in approval.

City Administrator Busse presented Resolution 6-21, designating depositories and persons authorized to sign order thereon. The Office of the State Auditor recommends the City annually designate depositories for the upcoming year and formally appoint individuals authorized to disperse funds. This resolution authorizes disbursements via check, electronic funds transfer, wire or ACH.

Designated as depositories for the deposits and safekeeping during 2021:

- US Bank
- Wells Fargo Bank
- Vining Sparks
- Profinium, Inc.
- Bremer Bank
- United Prairie Bank
- Community Bank Owatonna
- RBC Wealth Management
- Wells Fargo Advisors
- Municipal Money Market Fund (LMC 4M Fund), hereinafter called "Financial Institutions and/or Brokers,"

Authorized signatories will be Thomas A. Kuntz, Mayor; Kris M. Busse, City Administrator and Rhonda L. Moen, Finance Director.

Authorization to the depositories to honor transfer of funds through wire, ACH, and electronic funds transfer by Thomas A. Kuntz, Mayor; Kris M. Busse, City Administrator; Rhonda L. Moen, Finance Director; JoAnn Matejcek, Accounting Technician or Holli Loken, Senior Accountant.

Council Member Dotson made a motion to approve Resolution 6-21, Council Member Burbank seconded the motion; all members voted aye for approval.

City Administrator Busse presented Resolution 7-21, to reappoint City Administrator Busse as the Responsible Authority for Data Practices Compliance during 2021. Council Member Raney made a motion to approve Resolution 7-21, Council Member Voss seconded the motion; all members voted aye for approval.

City Administrator Busse requested the Owatonna Peoples Press be reappointed as the City's Official Paper for Publication for 2021. The City's Charter requires a newspaper of general circulation in the city be designated as the official paper for publication of all matters required. Council Member Raney made a motion to designate the Owatonna Peoples Press as the 2021 Official Paper, Council Member Svenby seconded the motion; all members voted aye for approval.

City Administrator Busse requested reappointment of Fire Chief Michael Johnson as the City's Weed Inspector during 2021. Fire Chief Michael Johnson has served in this position which works well by offering a good point of contact for residents with concerns regarding weed and nuisance

vegetation. Council Member Okerberg made a motion to reappoint Fire Chief Michael Johnson as the City Weed Inspector, Council Member Dotson seconded the motion; all members voted aye for approval.

Council reviewed their current assignments to various boards and commissions. Council Member Svenby made motion members serve on the following boards during 2021:

Economic Development Authority (EDA) - Kevin P. Raney, Jeff Okerberg & Doug Voss

Owatonna Area Business Development Center (The Center) - Brent Svenby & Doug Voss

Law Enforcement Center (LEC) Committee - Dave Burbank & Greg Schultz

Highway 14 Partnership - Kevin P. Raney

Joint Powers Board (911 Board) - Jeff Okerberg & Dave Burbank

Joint County/City Transportation Committee – Greg Schultz and Kevin Raney

Housing Rural Authority (HRA) – Nate Dotson

Council Member Dotson seconded the motion; all members voted aye for approval.

Council President Schultz explained council members review the Consent Agenda items prior to the meeting for approval in one motion. Current Consent Agenda items for approval include:

Minutes - Council Meeting – December 15, 2020

Minutes – Park Board Meeting – December 12, 2020

Minutes – OPU Commission Meeting – November 24, 2020

Minutes – Library Board Meeting – November 17, 2020

Exempt Permit – February 14, 2021 – Owatonna Area Chamber of Commerce Raffle

T-Hanger Agreement – M Noland

Set Date for Local Board of Appeal and Equalization (LBAE) Meeting – April 20, 2021

Accept Resignation – Park Board Member Nick Elsner

Memorandum of Understanding – Naming of Nass Woods

Contract for Electrical Services – Four Seasons Electric

Council Member Dotson made a motion to approve these Consent Agenda items; Council Member Voss seconded the motion, all members voting, voted aye in approval.

Vice President Raney recapped expenses for the period. Bills presented for payment totaled \$1,876,463.56. Council Member Dotson made a motion to approve payment of these bills, Council Member Voss seconded the motion and all members voted aye in approval.

City Administrator Busse presented the application received for a Tobacco Permit from Maher Safi, President of Owatonna Smoke Shop, Inc. to do business as OT Smoke Shop Plus at 1100 Frontage Road W Suite 110. This license will become effective February 1, 2021 to expire at the end of the current licensing period, December 31, 2021. Council Member Dotson made a motion to approve this new Tobacco Permit, Council Member Okerberg seconded the motion; all members voted aye in approval.

Community Development Director Klecker requested approval of Resolution 21-8, confirming no significant environmental impacts with the new Owatonna High School Project and determination there is no need for further environmental study or Environmental Impact Statement (EIS). ISD #761 wishes to construct a new high school in Owatonna as approved by Bond Referendum during 2019. Minnesota State Rules 4410.4300 subpart 36 requires an Environmental Assessment Worksheet (EAW) be completed to permanently convert 80 acres of agricultural land. A EAW prepared by Alison Harwood with WSB was out for public comments from November 16, 2020 – December 16, 2020; six comments received were included for review. The Planning Commission held a Public Hearing on December 8th with no comments received on the EAW. Council Member Dotson made a motion to approve Resolution 8-21, Council Member Burbank seconded the motion; all members voted aye in approval.

Vice President Raney took over the meeting as Council President stepped aside; Schultz Development, Inc. is one of the property owners requesting the next agenda item.

Community Development Director Klecker requested approval of Resolution 9-21, a joint resolution with Owatonna Township for annexation of the Schultz/Rypka Property. The property is located south of 18th Street SE and north of US Highway 14. Owatonna Township will meet on January 12th to act on this joint resolution. The City will reimburse the township \$197.98; this is 2.5 years of property taxes as required in the current Annexation Agreement. The property is proposed to be zoned R-1, Single Family Residential District. Water and sewer are available to the site. Council Member Dotson made a motion to approve Resolution 9-21, Council Member Voss seconded the motion, members voting all voted aye for approval; Council Member Schultz abstained from voting.

Council President Schultz returned to his seat to conduct the meeting.

Public Works Director Skov requested approval of Resolution 10-21 approving the proposal from Nero Engineering for Preliminary Engineering of the Wastewater Treatment Plant (WWTP) Expansion Project. The City has requested approval necessary to expand WWTP from 5.0 MGD to 9.1 MGD. With the permit almost complete, Staff recommends starting the preliminary engineering for this project. Preliminary engineering will design the project to 30% plan completion. At the 30% stage, the design team will step back and complete Value engineering. Value engineering is a process for outside experts to evaluate the project for process feasibility, constructability, and cost. Once the preliminary engineering is complete, the consultant will be in a better position to provide a cost for final design. The cost for preliminary engineering is not to exceed \$1,181,366.00. Preliminary opinion of cost for the final design phase is \$2.3 million. Council Member Svenby made a motion to approve Resolution 10-21, Council Member Voss seconded the motion, all members voted aye in approval.

Public Works Director Skov requested approval of Resolution 11-21 to accept the Feasibility Report and set the date for a Public Hearing regarding the 2021 Truman Avenue Project. The project involves reconstruction of Truman Avenue from Havana Road to Main Street. The existing street improvements have exceeded their useful life. A Public Hearing was held February 18, 2020 and the project was postponed to the 2021 construction season. Staff feels it is in the City's best interest to reopen the public hearing for comments before proceeding with this project.

This Improvement Hearing will be held January 19, 2021. Council Member Raney made a motion to approve Resolution 11-21, Council Member Dotson seconded the motion, all members voted aye in approval.

Public Works Director Skov requested approval of Resolution 12-21 to approve plans and specifications and authorize advertisement for bids for the 2021 Bridge Street Project. The proposed bid date will be February 10th, 2021 with approval of bids by Council on February 16, 2021. Bridge Street has been designated for reconstruction from I-35 to 24th Avenue. Construction includes stormwater improvements and a new concrete street. The signal at Park Drive will be replaced and a roundabout will be constructed at 24th Avenue. The work is expected to be completed in 2021. Council Member Dotson made a motion to approve Resolution 12-21, Council Member Burbank seconded the motion, all members voted aye in approval.

Public Works Director Skov presented Resolution 13-21 declaring costs for the Carriage Lane Storm Sewer Improvements at \$40,610.00. This was a petitioned project so 100% of these costs are proposed as assessments. Council Member Dotson made a motion to approve Resolution 13-21, Council Member Voss seconded the motion; all members voted aye in approval.

Public Works Director Skov presented Resolution 14-21 setting a public hearing on Tuesday, January 19th to receive comments on the proposed assessments for the Carriage Lane Storm Sewer Improvements. Council Member Voss made a motion to approve Resolution 14-21, Council Member Okerberg seconded the motion; all members voted aye in approval.

City Attorney Walbran presented Resolution 15-21 authorize Council to sign an Agreement with Lee Foundation which is purchasing the West Hills Lodge. The agreement will release certain deed restrictions in a 1976 deed from the City to Steele County which granted the City a right to repurchase the property if the County ever chose to sell it and which also required any changes to the exterior of the property be approved by the West Hills Commission. The Resolution also releases the property from deed restrictions in a 1981 deed from The City to West Hills Lodge, Inc. which included the above restrictions and which further provided that if the property were no longer used for a halfway house the property would then revert to Steele County. The Lee Foundation (Anna and Lawrence Lee) has asked that these restrictions be deleted. In their place, the Lees have agreed that (1) any changes to the exterior of the building will be submitted to the City for its approval before undertaking such exterior changes. In addition, the Lees have agreed that if they should ever decide to sell the property, they would give the City the first right to purchase the property. When West Hills Lodge vacated the building, Steele County decided that it did not want to take back ownership of the building as provided in the 1981 deed. The Lee Foundation signed a Purchase Agreement to acquire the West Hills Lodge site from Azule Opportunities, LLC, the successor to West Hills Lodge, Inc. Lee Foundation plans to put the property to its former use of a rehabilitation halfway house. The restrictions in the 1976 deed and the 1981 deed constitute "clouds on title." The Lees have asked the City to release the restrictions in the old deed and have agreed that (1) any exterior changes to the building will be referred to the West Hills Commission and to the City for approval; and (2) in the event Lees ever decide to sell the building they would provide the City with the Right of First Offer. Council Member Dotson made a motion to approve Resolution 15-21, Council Member Burbank Second the motion, all members voted aye in approval.

City Administrator Busse explained each year when the city renews its property and liability insurance policy with the League of Minnesota Cities Insurance Trust (LMCIT), it must decide on whether or not to waive the statutory tort liability limits to the extent of the coverage purchased. Currently Minnesota Statute limits a city's tort liability to a maximum of \$500,000 per claimant and \$1.5 million per occurrence. The limits apply whether the claim is against the city, against an individual officer or employee, or against both. These limits only apply to claims in which the statutory tort limits apply. The LMCIT gives cities options for structuring their liability coverage. The city can choose either to waive or not to waive the monetary limits that Minnesota Statutes 466.04 provides. If the city does not waive the statutory tort limits, an individual claimant would be able to recover no more than \$500,000 on any claim to which the statutory tort limit applies. If the city waives the statutory tort limits, a single claimant could potentially recover up to \$2.0 million. It is in the best interest of the city not to waive the statutory tort liability limits. Council Member Dotson made a motion to not waive the statutory tort liability limits, Council Member Svenby seconded the motion, all members voted aye in approval.

City Administrator requested Council approval wage increase for Paid On-Call and Resident Firefighters; a 2% increase effective on January 1, 2021 and a 1% increase effective June 20, 2021. Council Member Raney made a motion for approval, Council Member Voss seconded the motion, all members voted aye in approval.

Community Development Director Klecker requested Council approve a Purchase Agreement to sell property to Cedar Valley Services, Inc. to build a new SMART Bus Facility. The property is located at 140 32nd Ave NW, the northwest corner of the Bridge Street and 32nd Avenue NW intersection. There is currently a vacant house on the property which the City will be responsible to remove. The Fire Department has agreed to burn the house during a training exercise within the next few weeks and then the foundation will be removed from the site. Closing on the property will take place once the house is cleared from the site. The agreed purchase price is \$35,000 per acre, which would be \$56,458, plus actual costs to remove the house up to \$85,000 total for the property. Proceeds will go to the EDA Land Fund as the EDA purchased the property. Council Member Voss made a motion to approve this Purchase Agreement, Council Member Dotson seconded the motion, all members voted aye in approval.

During Staff Comments, Community Development Klecker gave a brief summary of Building Permits issued during 2020: 1841 permits issued for valuation totaling \$104,274,349 (this was approximately double the valuation of permits issued during 2019); 35 single family home permits were issued compared to 29 during 2019. Public Works Director Skov complimented staff for clearing streets from the December 23rd snowfall; staff worked staggered 12-hour shifts to clear most streets prior to the holiday weekend, fortunate to get through December with little or no snow incidents. Mayor Kuntz asked how sidewalk compliance is done; Skov responded inspections are completed when a complaint is received and courtesy letters sent advising of the City's policy to clear the sidewalks within 48 hours of snowfall, if the sidewalk is not cleared, service is requested and billed to the property owner.

There were no comments heard during Public Comment.

During Council Comments, Council Member Raney commented it was nice all Council Members were present in person during this meeting; several members have participated virtually over the last several months because of COVID-19 concerns and this is the first meeting all are present in chambers. Council Member Burbank commented it was nice to be back around people. Council Member Voss agreed it was nice to have all members present and hopeful that Governor Walz will release some current restrictions on restaurants during a planned speech tomorrow. Council Member Dotson wished everyone a Happy New Year. Council Member Schultz also commented it was great to see all members in attendance.

At 8:11 p.m., Council Member Raney made a motion to adjourn the meeting, Council Member Dotson seconded the motion, all members voted aye in approval.

Dated: January 14, 2021

Respectfully Submitted,
Jeanette Clawson, Administrative Specialist