

Owatonna City Council Minutes

The Owatonna City Council met in regular session on Tuesday, September 3, 2019 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 Svenby, Voss, Okerberg, Dotson, Burbank, Raney and Schultz. Also attending were Mayor Kuntz, City Attorney Walbran; City Administrator Busse; Community Development Director/Interim Parks and Recreation Director Klecker; and Administrative Specialist Clawson. Following the Pledge of Allegiance, Council Member Dotson made a motion to approve the agenda as presented, Council Member Svenby seconded the motion. All members voted aye in approval.

Council Member Schultz explained three separate public hearings are planned for consideration of modifications to existing development districts and establishment of tax increment financing districts. Following each hearing, there will be opportunity for council comments and discussion.

Community Development Director/Interim Parks and Recreation Director Klecker advised Tax Increment Financing is being requested by Costco to construct a 354,000 square foot distribution center in the northeast corner of 39th Avenue W and 19th Street SW. The project will result in the addition of 200 new jobs. The maximum amount of TIF for this project would be \$13,131,313. This would be a "Pay as You Go" TIF for up to 9 years. An estimated \$2,000,000 public improvements included in this project are: construction of 10th Street NW; improvements to 30th Avenue NW; reconstruction of 18th Street SW for the length of the property and installation of an emergency warning siren. Costs associated with establishing the TIF District will be paid by the EDA and be reimbursed throughout the life of the TIF. These values are conservative as it is difficult to assign a property value since there are no other distribution centers within Steele County.

Ed Tschida, Development Consultant was introduced and explained Costco is taking on all the costs to develop the area and offer jobs. This is not a production site, if the project stays as is, the TIF amount will be between eight to nine million dollars. If the company adds to the size of the building, it would add additional increment, the maximum amount of the tax increment available would be the thirteen million.

At 7:08 p.m., Council President Schultz opened the public hearing for comments regarding modification of Development District No. 3, establishment of Tax Increment District 3-12 and use of tax increment financing for Costco. With no comments heard, at 7:09 p.m., Council Member Raney made a motion to close the public hearing. Council Member Burbank seconded the motion; all members voted aye in approval.

Council Member Raney made a motion to approve Resolution 66-19 modifying Development District 3 and establishing TIF District 3-12, Council Member Okerberg seconded the motion. Council Member Svenby advised he would abstain from voting; six members voting, all voted aye for approval.

Council Member Burbank made a motion to approve Resolution 67-19 approving the Development Agreement with Costco Wholesale Corporation. Council Member Dotson seconded the motion, six members voted aye, Council Member Svenby abstained from voting, the motion was approved.

Community Development Director Klecker advised Daikin Applied America's Inc. plans to construct a 150,000 square foot distribution center at 1205 Park Drive. The project includes hiring a minimum of 50 new employees. This would also be a "Pay as You Go" TIF for the full term of the economic development district which is nine years. The maximum amount available for TIF would be \$1,548,439. The consulting costs for writing the TIF plan and development agreement will be paid for by the EDA. All costs incurred by the EDA would be reimbursed through tax increment financing over the 9-year life of the TIF District.

Ed Tschida, Development Consultant added this will be an expansion to an existing facility. Daikin will double their footprint and adding jobs.

At 7:13 p.m., Council President Schultz opened the public hearing for comments regarding modification of Development District No. 3, establishment of Tax Increment District 3-13 and use of tax increment financing for Daikin Applied Americas, Inc. With no comments heard, at 7:14 p.m., Council Member Raney made a motion to close the public hearing. Council Member Dotson seconded the motion; all members voted aye in approval.

Council Member Burbank asked Daikin has found difficulty in finding skilled workers. Craig Vatsaas, Director of Operations, Owatonna Manufacturing Operations of Daikin Applied was present and commented recruiting has been difficult but they have been able to find talent. Over the last five years, their labor force has doubled in size as they have brought skilled jobs to Owatonna. They have established a good relationship with the Chamber of Commerce and feel good about continued growth of their business in Owatonna.

Council Member Dotson made motion to approve Resolution 68-19 modifying Development District 3 and establishing TIF District 3-13, Council Member Voss seconded the motion. With no additional comments, all members voted aye for approval.

Council Member Svenby made a motion to approve Resolution 69-19 approving the Development Agreement with Daikin Applied Americas, Inc. Council Member Dotson seconded the motion and all members voted aye for approval.

Community Development Director Klecker advised tax increment financing has been requested for South Point 2 on the southeast corner of the intersection of 18th Street SW and 2nd Avenue SW. The project would consist of demolishing the vacant block building currently on the property and constructing a 28-unit apartment building. The new building would have garages on the first floor and two stories of apartments above. The total amount of TIF for this project would be \$381,586 and is estimated to last 12 years. Cost associated with establishing the TIF District will be paid for by the HRA and be reimbursed during the life of the TIF.

Ed Tschida added this will also be a “Pay as You Go” TIF, the simplest form of TIF for cities to participate in. Deadline dates and amounts are established in the agreements, a TIF could run a maximum of 26 years but this TIF has been set for a 12-year period with option to amend if needed. The agreement has been reviewed and agreed to by all parties.

At 7:19 p.m., Council President Schultz opened the public hearing for comments regarding establishment of Development District No. 8 and Tax Increment District 8-2 and the use of tax increment financing for South Point 2. With no comments heard, at 7:20 p.m., Council Member Raney made a motion to close the public hearing. Council Member Dotson seconded the motion; all members voted aye in approval.

Council Member Svenby asked if the proposed apartments would be Market Rate Units or Work Force Units.

Community Development Director Klecker responded these would be Market Rate Units like the previous South Point project. There is a waiting list for apartments within their existing building which confirms the current need for additional apartments in this area.

Council President requested a vote on the pending motion to close the public hearing. All members voted aye in approval.

Council Member Raney commented it was a great to hold public hearings for three development projects in the City. A new company, an existing company wanting to double their size, and this will be the third apartment project for Mac Hamilton in Owatonna.

Council Member Dotson made a motion to approve Resolution 70-19 approving Development District 8. Council Member Okerberg seconded the motion, all members voted aye for approval.

Council Member Svenby made a motion to approve Resolution 71-19 approving the establishment of Tax Increment District 8-2 and the use of tax increment financing for South Point 2. Council Member Okerberg seconded the motion, all members voted aye in approval.

Council Member Raney made a motion to approve Resolution 72-19 approving the Development Agreement with South Point 2. Council Member Okerberg seconded the motion and 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. Consent Agenda items for approval include:

Minutes - City Council Meeting – August 20, 2019.

Minutes - Library Board Meeting – August 20, 2019.

Event Permit – Eagles Parking Lot Dance with Exception to City’s Noise Ordinance – September 22, 2019

Event Permit – Walk to End Alzheimer’s – September 15, 2019.

Exempt Permit – Raffle – December 23, 2019 – Exchange Club of Owatonna.

Renew 4 T-Hangar Lease Agreements at the Owatonna Degner Regional Airport:

Jon Swenson, Golden Valley MN, Chris Mayer, Owatonna MN,

Mike Noland, Farmington MN and Eric Weichert, Janesville MN

Council Member Okerberg made a motion to approve these Consent Agenda items, Council Member Voss seconded the motion. All members voted aye in approval.

Vice President Raney recapped expenses for the period. Bills presented for payment totaled \$1,324,258.92. The payment to RAW Construction, the final installment for the 2018 Downtown Alley & Parking Lot Project will be held for completed punch-list items. Council Member Svenby made a motion to approve payment of these bills, Council Member Burbank seconded the motion. All members voted aye in approval.

City Administrator Busse requested approval of a Summary Publication for Ordinance 1594 to amend Chapter 120, Charitable Gambling of the City's 2015 Code of Ordinance. The Ordinance approved during the August 20, 2019 Meeting includes several lengthy updates which would be costly to publish. Council Member Okerberg made a motion to approve the Publication Summary, Council Member Burbank seconded the motion; With a roll call vote voting aye were Council Members Voss, Okerberg, Dotson, Burbank, Raney, Svenby and Schultz; voting nay were none, the motion was approved.

Community Development Director/Interim Parks and Recreation Director Klecker presented the second reading of proposed Ordinance 19-10 to amend Chapter 157, Zoning to add accessory dwelling units. The first reading of this proposed ordinance was approved during the August 20th Council Meeting and there have been no changes since. Council Member Raney made a motion to approve the second reading of Proposed Ordinance, Council Member Burbank seconded the motion. With a roll call vote, voting aye were Council Members Voss, Okerberg, Dotson, Burbank, Raney, Svenby and Schultz; voting nay were none, the motion was approved. This will be known as Ordinance 1596.

Community Development Director/Interim Parks and Recreation Director Klecker requested approval of the second reading of Proposed Ordinance 19-8, to vacate a portion of 33rd Avenue SW. Council approved the first reading of this proposed ordinance during the August 7th Council Meeting and there have been no changes since. Council Member Okerberg made a motion to approve the second reading of Proposed Ordinance, Council Member Burbank seconded the motion. With a roll call vote, voting aye were Council Members Voss, Okerberg, Dotson, Burbank, Raney, Svenby and Schultz; voting nay were none, the motion was approved. This will be known as Ordinance 1597.

Community Development Director/Interim Parks and Recreation Director Klecker presented Resolution 73-19 to approve the Final Plat of Costco Owatonna. The Planning Commission recommends approval with the following conditions:

1. The final plat shall be recorded within 60 days of this approval.
2. The title opinion shall be approved by the City Attorney prior to recording of the final plat.
3. Approval of the final plat shall be contingent on the approval of the vacation of the portion of 33rd Ave SW.
4. All stormwater requirements shall be met prior to issuing of a grading permit.

Council Member Burbank made a motion to approve Resolution 73-19 as recommended by the Planning Commission. Council Member Dotson seconded the motion, all members voted aye in approval.

Community Development Director/Interim Parks and Recreation Director Klecker requested approval of Resolution 74-19 authorizing the acceptance of a FAA Grant Agreement for funding participation of new snow removal equipment, a loader with blower attachment. The acquisition of a new loader with blower attachment is recommended by the City's Fleet Manager to replace existing depreciated equipment. The equipment is used for the removal of snow from paved surfaces at the airport, load trucks with snow and blow runway/taxiway edges. The FAA Grant Agreement is for 90% funding participation, \$333,608. The City's share will be 5% of the costs, \$18,534 and the remaining 5% (\$18,534) will be provided by a grant pending with the MnDOT Office of Aeronautics for Council acceptance at a future meeting. Council Member Svenby made a motion to Approve Resolution 74-19, Council Member Burbank seconded the motion, all members vote in approval.

City Administrator Busse requested approval of the application received for a Tobacco License from Manharbhai Patel for Shriana, LLC doing business as Best Budget Inn at 1120 West Frontage Road. This has been an established business for many years, they hold a current Off-Sale Liquor License and wish add sale of tobacco and tobacco products. Council Member Raney made a motion to approve this new Tobacco License, Council Member Dotson seconded the motion; all members voted aye in approval.

City Administrator Busse presented the Event Permit Application received from Annette Swanson for Fall Seasonz Markets. Ms. Swanson explained the current location of the Tuesday Markets is no longer available so she would like to rent the City's grassed lot on North Cedar in the downtown area. Council discussed the rental fee; this lot is not a City Park and no fee has been previously established. Ms. Swanson proposed a fee per vendor; however, Council preferred a flat fee be charged similar to rental of park pavilions. Council Member Raney made a motion to approve the Event Permit with a fee of \$50 each week for markets on Tuesdays during September and October from 3:30 pm to 6:30 pm. Council Member Svenby seconded the motion; all members voted aye in approval.

During Staff Comments Community Development Director/Interim Parks and Recreation Director Klecker said the three development projects heard during the public hearings tonight have been keeping the Community Development Staff busy.

During Council Comments, Council Member Voss encouraged everyone to remain patient as road improvements are being constructed; the Rose Street Project should be done soon. Council Member Dotson commented school is now open and asked everyone to watch out for children walking; and then said his children had fun at the Airport Fly-In Breakfast. Council Member Raney thanked Steele County Commissioners Jim Abbe and Rick Gnemi for attending tonight's Council Meeting and then also thanked the Community Development Staff for continued success stories. Council President Schultz also asked everyone to be mindful of children walking to school.

At 7:52 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: September 12, 2019

Respectfully Submitted,
Jeanette Clawson, Administrative Specialist