MINUTES

Mankato City Council
Regular Meeting
October 15, 2024 - 6 p.m.
IGC - Mankato Room

1. **Call Meeting to Order**

Roll Call

Members Present: Dennis Dieken, Michael McLaughlin, Jenn Melby-Kelley, Kevin Mettler, Mike Laven, and Mayor Najwa Massad.

Members Excused: Jessica Hatanpa.

Staff Present: City Manager Susan Arntz, Community Development Director Mark Konz, Interim Public Works Director Karl Keel, Interim City Engineer Alec Pietz, Economic Development Coordinator Courtney Kramlinger, and City Clerk Renae Kopischke.

Pledge of Allegiance

2. **Approval of Agenda**

Ms. Melby-Kelley moved and Mr. Laven seconded a motion to approve the agenda as written. The motion carried unanimously.

3. **Approval of Minutes**

Mr. Dieken moved and Mr. Mettler seconded a motion to approve the minutes of the Regular Meeting of September 23, 2024 as written. The motion carried unanimously.

4. **Public Open Forum (15 Minutes)**

No one spoke.

5. **Consent Calendar**

NOTE: All items listed under the Consent Calendar will be enacted by one motion. There will be no separate discussion of these items. If a Council Member wishes to discuss any of these items, they may ask that the item be removed from the Consent Calendar. Removed item(s) will be discussed and acted upon by separate motion.

Mr. Dieken moved and Mr. Mettler seconded a motion to approve the Consent Calendar as written. With all members voting in favor, the motion carried.

A. Resolution approving application for Eagles Aerie 269 Mankato to conduct lawful gambling at The Square Deal, 521 South Front Street.

B. Resolution approving abatement agreement and authorizing the abatement of code violations and public nuisances at 312 Hubbell Avenue.

C. Resolution accepting donation from the Twilight Garden Club for the Hubbard House gardens and park.

D. Report on project and motion approving Change Orders for All Seasons Arena.

E. Resolution amending the rental density map established in Mankato City Code Section 5.42, Subd. 20, for Blocks 2-5, Groh Farm Subdivision; by request of Michael Drummer.

F. Resolution approving a Certificate of Design Compliance for the construction of a new, approximately 5,500 square foot structure in the Highway Gateway Overlay District (1511 Adams Street); by request of Ophthalmology Associates.

G. Resolution approving purchase of Automatic Voice Announcement System.

H. Motion awarding quote for flood damage repairs on Cross Street.

I. Resolution authorizing the City Manager to enter into a Professional Services Agreement with ISG for design and construction engineering services for flood damage repairs at the Sibley Park ballfields.

J. Resolution authorizing the City Manager to enter into a Professional Services Agreement with HR Green for design and construction engineering services for the 2026 Minnesota River Trail Project.

K. Resolution accepting project feasibility report and ordering improvements on City Project 11064; Cree Court outfall.

L. Resolution authorizing the City Manager to enter into FAA Memorandum of Agreement 697DCM-25-L-00006 for NAVAIDS at the Mankato Regional Airport (MKT).

6. **Public Hearings**

A. Ms. Kramlinger reported that on August 12, 2024, the Economic Development Authority (EDA) reviewed a development proposal from Hotel Mankato, LLC and adopted a motion directing staff to prepare tax increment documents and to set a date for a public hearing. She explained that the proposal involves demolishing two vacant buildings and constructing two adjoining hotels totaling approximately 250,000 square feet with a total of 282 hotel guest rooms, a rooftop restaurant including an outdoor patio, a 168-stall underground parking garage and nine surface parking stalls. She noted that the estimated total project cost is $92,710,000 and construction is expected to begin in late 2024 or early 2025 and be completed in 2026.

Mr. Kramlinger mentioned the previous redevelopment plans for 121 East Main Street and how a tax increment financing district (43-1) encompassing 121 East Main Street and 118 South 2nd Street was established on March 14, 2022, with a development agreement being executed for the mixed-use project; however, the costs significantly increased, which delayed redevelopment and led to redesigning and expanding the plans. She added that while new plans were underway, a portion of the Landmark building's roof collapsed in February 2023, which caused the redevelopment plans to again evolve as the condition of the building significantly worsened. She indicated that due to the substandard condition of the building, the proposal changed and included demolishing the building and constructing a new building on the site while also expanding the boundaries to include the former City Center Hotel at 101 East Main Street, which has been vacant since June 2023. She explained that the existing tax increment district 43-1 will need to be decertified before a new tax increment district can be established, and the existing development agreement from 2022 that was associated with the mixed-use proposal will also need to be terminated.

Ms. Kramlinger commented that the developer is requesting pay-as-you-go tax increment financing (TIF) from the City through the creation of a redevelopment TIF district. She summarized the proposed uses of TIF assistance for the project and stated that the developer would be eligible to receive an increment annually on a pay-as-you-go basis, from the remaining increment that is not retained for the City's 5% admin retainage. She stated that the anticipated principal value of the pay-as-you-go note for the developer project costs is $5,152,848, plus 5% carrying interest costs. She added that the TIF projections assume the developer will receive TIF reimbursement in the amount of $171,916 in year 2027 and $390,884 annually in years 2028-2052.

Ms. Kramlinger explained that the City would not upfront the funds as that would require either internal City debt financing or bond issuance; instead, the developer would receive two payments per year after the property taxes are paid for a term of 26 years or less, depending on if the reimbursable costs are repaid earlier. She touched on the extraordinary costs that would make the project unfeasible without some level of assistance.

Ms. Kramlinger reported that on October 1, 2024, the Minnesota Department of Employment and Economic Development (DEED) notified the City of a redevelopment grant award for the project in the amount of $1,114,071. She noted that the City is currently waiting to receive the grant agreement which will outline the approved grant activities which will be brought to the City Council at a future meeting. She indicated that the City also intends to submit an application to DEED for a contamination cleanup grant on November 1, 2024.

Ms. Kramlinger noted that if the project doesn't proceed, property taxes will likely remain around $74,062 per year for the site (based on 2024 property taxes); however, if the TIF district is approved, the base property tax will remain as is and be collected and distributed to the taxing jurisdictions (state, county, city, and school district) throughout the duration of the TIF district and the increment generated by the new buildings, which is projected to be $640,800 per year, will be captured and reimbursed to the City and developer for eligible costs and up to a maximum amount as approved by the Council. She added that the City would receive a 5% fee to cover administrative costs of the district and noted that at the end of the 26-year term, the full property taxes go onto the ad valorem tax rolls and become part of the City's general fund.

Ms. Kramlinger summarized the development agreement that contemplates pay-as-you-go reimbursement. She mentioned that the repayment of the tax increment is contingent on the available tax increment generated by the project, which means that if there is a "shortfall" or the tax increment is not generated as contemplated, the City is not financially responsible for the difference or the "shortfall."

Mr. Laven asked if there would be any liability if the project did not move forward. Ms. Arntz responded that there would not be a liability on behalf of the city. She commented on the property remaining vacant if the development does not occur and how it would likely continue to deteriorate. She noted how the redevelopment benefits the community.

Mayor Massad opened the public hearing. There being no one wishing to speak, Mayor Massad closed the public hearing.

Mr. Laven moved and Ms. Melby-Kelley seconded the motion to approve the Resolutions Terminating Development Agreement, Decertifying Tax Increment District No. 43-1, and Establishing Development District No. 50 and Tax Increment District No. 50-1 – Hotel Mankato LLC (101 East Main Street, 121 East Main Street, 118 South 2nd Street). The motion carried unanimously.

B. Mr. Konz stated that the applicant is requesting that the property located at 1918 South Riverfront Drive be rezoned to R-T, Residential Transition. He noted that the property currently has a zoning designation of B-1, Community Business District, and is a single-family residence, which is legally nonconforming in the B-1, Community Business District. He indicated that the property owner is seeking a rezoning of the property from the current B-1, Community Business District, to R-T, Residential-Transition, in order to construct a garage. He mentioned that the R-T district is intended for these situations and the district lists existing single- and two-family dwellings as permitted and conforming uses.

Mr. Konz commented that the rezoning does not affect the Land Use Plan. He added that the long-term development plan for the area will remain commercial, and, if the property is acquired for commercial purposes, rezoning back to commercial will be necessary.

Mayor Massad opened the public hearing. There being no one wishing to speak, Mayor Massad closed the public hearing.

Mr. Dieken moved and Mr. Mettler seconded the motion to approve the Ordinance rezoning property to R-T, Residential Transition, from B-1, Community Business District (1918 South Riverfront Drive). The motion carried unanimously.

C. Mr. Pietz stated that this is an Improvement Hearing on Capital Improvement Project 11084; Victory Drive and Hazeltine Road intersection and lighting improvements. He indicated that on October 1, 2024, letters were sent to properties abutting this project notifying the property owners of the October 15 improvement hearing and, to date, staff have received no objections to the proposed project. He reviewed the resultant costs and funding sources for the project.

Mr. Laven mentioned comments he had received regarding the timing of the signals along Victory. Mr. Pietz replied that a survey would be done with a recommendation being made regarding the signals and synchronization.

Mayor Massad opened the public hearing.

Tony Steffensmeier, 130 and 140 St. Andrews Drive, stated he contacted staff and some of his concerns were addressed. He mentioned the 67 acres and the development being the cause of the intersection improvements and touched on the eventual continuation of the road from Casey's to their building location and how there would be another assessment.

Brief discussion on the development agreement that was recorded previously on the property.

Mayor Massad closed the public hearing.

Mr. Dieken moved and Mr. Laven seconded the motion to approve the Resolution receiving feasibility report, ordering improvement, preparation of plans, specifications, and ordering advertisement of bids, and the Resolution declaring cost be assessed and ordering preparation of proposed assessment on Improvement 11084 (with petition). The motion carried unanimously.

7. **City Manager's Report**

A. Ms. Arntz stated that as part of the Public Works Facility Project for Blue Earth County, the County has made a request for utility services for their facility to be provided by the City of Mankato. She indicated that the County desires to attach the property to municipal services as an environmental benefit, versus constructing a well and septic system for the facility.

Ms. Arntz noted that the City Code contemplates that the City may entertain service agreements for such services to parties outside the community. She provided an overview of the draft agreement.

Ms. Arntz explained that included in the City Code is language that indicates that service providers outside the City Limits would be charged 200% the rate of users in the City Limits. She stated that the County has asked that the City consider making an exemption for public entities given that the fees for the utility services would be paid by taxpayers, and a majority of them are from Mankato. She suggested that this item be further discussed in 2025.

Mr. McLaughlin moved and Mr. Mettler seconded a motion to approve the Resolution authorizing the City Manager to enter into a Sanitary Sewer and Water Service Agreement with Blue Earth County for the Blue Earth County Public Works Facility. The motion carried unanimously.

Mr. Arntz congratulated new Public Safety Director Jeremy Clifton and noted that Karl Keel would be serving as the Interim Public Works Director and Alec Pietz would be serving as the Interim City Engineer.

It was noted that leaf pickup begins on Monday, October 28 and goes until November 22.

8. **Reports of City Council Members**

None.

9. **Miscellaneous Business**

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Regular Council Meeting, October 28, 2024, 6 p.m., Mankato Room (with Work Session to follow)

Work Session, November 4, 2024, 6 p.m., Minnesota River Room

Regular Council Meeting, November 12, 2024, 6 p.m., Mankato Room (with EDA to follow if needed)

10. **Adjournment**

There being no further business before the Council, Mr. Laven moved and Mr. McLaughlin seconded a motion to adjourn. With all members voting in favor, the meeting adjourned at 6:49 p.m.

Minutes Approved.

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Mayor Massad

ATTEST:

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Renae Kopischke
City Clerk