

**CITY OF MILACA  
COUNCIL MINUTES**

December 14, 2022

**Call to Order Roll Call**

Acting Mayor Dillan called the meeting of the Milaca City Council to order at 6:30 p.m.

Upon roll call, the following council members were present: Acting Mayor Dave Dillan; Councilors: Lindsee Larsen, Norris Johnson, and Ken Muller. Councilors Absent:

**Staff Present:** City Manager Tammy Pfaff, Assistant City Clerk Deloris Katke, Police Chief Quinn Rasmussen, Administrative Communications Specialist Mary Mickelson, and Fire Chief Jesse Gerads

**Others Present:** Dan Hollenkamp, Chloe Smith, Matt Haugen, Denise Miller, Angela and Micheal Garret, Matt and Brenda Follmuth, Eric and Jill Hardy, Jarod Worth, Ken Danielson, Mary Anderson, Phil Carlson, Brad and Jillian Weitgenant, Don Hereau, Randy Nelson, Griffin Nelson, Jan Cavalier, Jerry Robison, Regan Englund, Rachel Melberg

**Approval of the Agenda**

Acting Mayor Dillan called for a motion to approve the agenda. Johnson introduced a motion for approval. Muller seconded the motion. No further discussion. All in favor, motion carried.

**Approval of Consent Agenda**

Acting Mayor Dillan called for a motion to approve the Consent Agenda of the following items:

- a. Approval of the Minutes – November 17, 2022
- b. Approval of Bills
- c. Resolution #22-53 Liquor/Tobacco/THC License Renewals for 2023
- d. Resolution #22-54 Donations
- e. Resolution #22-55 Write Off Invoices
- f. Ordinance #506 Amending Chapter 31 Planning Commission-2<sup>nd</sup> Reading

Larsen introduced a motion for approval. Johnson seconded the motion. There was no further discussion. All in favor; motion carried.

**Citizen Open Forum**

Acting Mayor Dillan asked if anybody present wanted to address anything not on the agenda. No one came forward.

**Public Hearing** – Truth in Taxation. Acting Mayor Dillan opened the Public Hearing for the Truth and Taxation at 6:32 p.m. Acting Mayor Dillan commented that the tax levy was at a negative 1.71. No one came forward. Public Hearing closed at 6:33p.m.

**Requests and Communications - Nothing**

**Ordinances and Resolutions**

**Ordinance #507 Chapter 34: Fees, Charges and Rates (Zoning)-First Reading.** Acting Mayor Dillan called for a motion for approval. Motion by Johnson, seconded by Muller. Johnson questioned that some of the fees had an escrow account added. City Manager Pfaff explained that the city has always had that per our Zoning code but just was not listed on the fee schedule. Johnson questioned what the escrow deposit was for and City Manager Pfaff stated that if a Planned Unit Development was established, then our engineers would get involved and city attorney would get involved and it would cover those costs.

Acting Mayor Dillan asked if the second reading wanted to be waived. Muller made a motion to waive the second reading. Seconded by Johnson. No further discussion. All in Favor. Motion passed.

**Ordinance #508 Chapter 34; Fees, Charges and Rates (Shelter Fees)-First Reading** – Acting Mayor Dillan called for a motion for approval. Johnson made a motion for approval, seconded by Larsen. Johnson questioned the Parks Grounds Rental (All Parks) of the \$500 deposit from the Special Event Applicant. City Manager Pfaff stated that has always been in the fees and can be for all parks. No further discussion. All in favor. Motion passes.

**Ordinance #509 Rezone Request from Eric and Jill Hardy-First Reading** – Acting Mayor Dillan called for a motion for approval. Johnson made a motion for approval. Seconded by Muller. Phil Carlson from Stantec stated this is a request for 420 10<sup>th</sup> St NE. This rezone request was heard by the Planning Commission on December 5, 2022. Phil continued to say this parcel sits between existing single family neighborhood on 4<sup>th</sup> Ave and other streets and Industrial land that touches 6<sup>th</sup> Ave right across from Heggies. This property is kind of a unique situation in that it is zoned R2 – One and Two Family Low Density Residential but it is guided on in our Comprehensive Plan as Industrial and the request is to make it Multi Family.

Phil continued to say there were two-three options: keep it as is – single family, approve this request as recommended by the Planning Commission (with one vote against), or rezone to Industrial, per the Comprehensive Plan. Should the council approve this request from the Planning Commission, there are suggested findings of fact. There is a site plan included, but you are not acting on the site plan. The only request is to rezone from R2 to R3.

Acting Mayor Dillan questioned that the front two acres of this lot was suggested split zone to make Industrial but he was not in favor of that and asked if it could be single homes or could be twin homes, etc. Phil Carlson stated yes but Phil stated that the request is to rezone this whole property R3.

Acting Mayor Dillan then called on Denise Miller to speak. Denise Miller, 1135 4<sup>th</sup> Ave NE. She stated that no matter what you build back there, there is going to be a lot of ground covered and she already has water problems on her property as the neighbor changed the elevation of their property. So, she gets all the run off – snow melt. Acting Mayor Dillan suggested on a drainage ditch of some sort to the storm sewer.

Angela Garrett – 1075 4<sup>th</sup> Ave NE spoke on behalf of other neighbors that were not able to make it and they were all standing against the rezone. Residents at the Planning Commission felt as though they were not heard and that a decision was made already. Ms. Garrett stated there were some concerns under these 5 categories:

1. Need for affordable housing
2. Character of surrounding area – maintain small town rural feel
3. Area depreciation-home values go down and property taxes go up
4. Geography – drainage- clay. Traffic on 6<sup>th</sup> Ave NE
5. Keep in-line with Comprehensive Plan

City Manager Pfaff stated that in the Land Use Goal – under current comprehensive plan it states *Objective 1: Sustainable Growth. Grow by investing in established areas, carefully planning new neighborhoods.*

Johnson stated that the land to the east is not in city limits so that kind of rules that out because any development needs city sewer and water. Secondly, the market is generally the best indicator as to where the demand is. And this land has been for sale for private home development or industrial and nobody stepped forward to do that.

Don Hereau – 1310 3<sup>rd</sup> Ave NE – questioned why 90 some units were going in when there are only 8 units by you (meaning the new apartments going in on Hwy 23 by Norris Johnson’s property). He stated that was more manageable.

Acting Mayor Dillan stated it was a phase thing. Don Hereau continued saying that more apartment buildings went up where he was from (Apple Valley) and crime increased, more transient people and schools got kids from other areas that shouldn’t have been there. Too many people for that section of property.

Acting Mayor Dillon stated that this is by no means a final plan. There could be some apartments and maybe some twin homes.

Mary Anderson – 1125 4<sup>th</sup> Ave NE – I would be directly behind these apartments to the west. The pond Denise Miller is talking about she didn’t mention mosquitos. And I am the house to the south that she is talking about – landscaping. This problem was done before I bought the house. The letter you sent out stating it was going to change from R2 to R3. I thought it was just going from a single family to three houses on a property. Very deceiving. Didn’t say it was for apartment buildings.

Acting Mayor Dillan stated that when you approve a re-zone, you don’t necessarily approve a plan. You just approve the re-zoning issue.

Phil Carlson stated the request is just to change the designation on the zoning map.

Acting Mayor Dillan reiterated that it doesn’t mean that that’s the plan that’s being voted on tonight.

Mary Anderson questioned why the apartments couldn’t go to the south end by 10<sup>th</sup> St. You have drainage out to 10<sup>th</sup> Street with storm drains. Would you need a pond if they drain right into the 10<sup>th</sup> Street?

Johnson stated when you get to a certain size, catch basins are required.

Jarod Worth stated that what he proposed is just that – a proposal basically for the highest density possible on the land. It could go down to twin homes. It could be four-plex. We still have to work with zoning process and get approved before we can work with architects and civil engineers. I hope that there is a respect there that we were trying to be forthright with what we were proposing. Buildings could move to 10<sup>th</sup> Street. Our whole design could change and obviously like Phil said we have to go through our due diligence, go through the council and do the proper measures so everyone is on the same page. Right now, we are just here to talk about rezoning.

Acting Mayor Dillan stated that there is no good answer to this. If we go with Industrial, people are going to be mad because they have a factory in their backyard. If we stay single housing, now we lost an opportunity to bring housing that is much needed in our town. If we go apartments, people are going to be mad because there’s apartments. There is no good answer for everybody. It just isn’t. So, what we need to try and do is look at what is the best answer for the City of Milaca. As far as a housing need, yes there was discussion information down at the school. We never have housing for new teachers who come to town. We are talking market rate. We are not talking low income. We do have a housing need survey conducted by East Central Regional Housing Collaborative. Maxfield Research did it. It’s 442 pages and there are pages on the housing needs analysis. It does show projected out multiple years and I know those projections may be off but we have to use data. Right now, the industry problem is workers. I know a couple people that have businesses in town in the Industrial Park and would love to expand but can’t

because we do not have people that will go work there. Hopefully this would bring more workers to town that have the ability to work.

The other part is home value. I don't know how that would work as far as an apartment being in the same block as your house but I can tell you it would not create your taxes going up. The tax revenue to the city would be substantial.

Johnson stated that he would suspect that each of these apartment buildings could bring \$30,000 a year in property taxes and there really is no additional costs to the city. The street is already there, the street is already maintained, water and sewer are there. We got the capacity.

Brenda Follmuth stated she is rather confused right now because a lot of the responses you are giving us is that we shouldn't focus on there being big apartment buildings there but then other responses are that there are going to be big apartments that are going to bring in a lot of tax revenue.

Acting Mayor Dillan stated that they are not saying there aren't going to be big apartment buildings there. There very well might be. We've talked about market rate, we've talked about maybe elderly on the first floor, you've talked about 2 bedroom market rate. This is just a sketch to look at zoning. Along with the taxes was the water and sewer which would benefit the city. That would create income which would also help with the taxes.

Acting Mayor Dillan continued that as far as the Comprehensive Plan, those are pretty flexible. I agree with you that you try to use that as a guide but you have to be flexible because needs change as years go on.

Acting Mayor Dillan continued to say that sometimes we look at renting as a bad thing. We need rentals. Right now houses are extremely expensive. House rates just keep going up, interest rates just went up again. Houses just are not affordable right now. We have some beautiful apartments. They are not full of police calls. We ran the police reports on them and the vast majority of them were medical or locked out of the apartment or things like that. As far as single homes, we sent out well over 40 for nuisance letters. So, you don't need to be in an apartment to have those issues.

Johnson stated that he believes the trend in the future will be more rental demand. As real estate prices go up, there will be fewer people that would be able to afford a home. The demand is growing in the rental market.

Brenda Follmuth 400 10<sup>th</sup> St NE - some of the things that I had concerns about have already been discussed. Some of her concerns is that the responses they are getting tonight are different than what was given at the Planning Commission meeting. Wondering why the housing data was not made available for the Planning Commission meeting. Also wondering why the zoning of this property needs to be changed when there is a property down the road already zoned R3 and already have all the city hook ups. Also wondering what plans the city has for creating more one or two family lots. Also addressed her concern of her question at the Planning Commission about high density population area would come with increased crime and if so, how would the city handle that. City's response was that the city will just have to deal with it. Wondering why the city wouldn't have a plan in place.

Chief Rasmussen commented that he compared police calls to the Tapestry Square apartments (two buildings) and he stated since 2007, they have had an average of 12.5 calls per year to both buildings. Lots of those calls were medicals, suspicious activity. For our community, higher crime is not necessarily the case. Chief Rasmussen stated there are single residences that they respond to more.

Brenda Follmuth continued that she felt the city should have been more prepared for these questions. She questioned if the city was looking at what our residents want in our town or is this a money making thing for the city. She continued to say that she feels the city should finish developing the property that is zoned and already there and then if the city needs more after that, then the city can look at rezoning other properties.

Johnson questioned if the buyer had looked at other locations and other possibilities. Acting Mayor Dillan stated that he knows that location (to the east of the Hardy property) has been for sale for years and there were concerns with the usability of it compared to this property.

Jarod Worth stated that he has not looked into that property but stated that Jill and Eric did propose to Heggies back in April to purchase this property. When they declined, that's when himself and his real estate partner came out and started talking about options and possibilities. The biggest concern for developers right now is the cost of turning dirt. If it were to be kept at single family, mathematically it would not be feasible to develop it because the cost to develop it due to curb and gutter, sewer, water and utilities – not sure what people's house property values are on like 4<sup>th</sup> Street but let's say we start a house at \$350,000 to \$400,000 per house and increasing quickly. Now you take on the rising cost of interest rates and other things – cost of building materials, it makes it unfeasible. That is why the council should consider this otherwise that land will sit vacant until Milaca can raise its annual salaries to accommodate \$500,000 houses.

More discussion between residents concerned about why apartment buildings. Jarod Worth stated that we are here tonight to rezone and see what happens after that.

Angela Garrett requested the council to address how the process goes after this. If this is rezoned, how many times do we come back here to make sure we have some privacy, to make sure our concerns are being met. Acting Mayor asked if Phil Carlson could address this. Phil stated that if this is rezoned to R3, there are standards in place height, density, size of units, number of units, setbacks, screening, landscaping, etc. If plans are presented to city hall, they would be reviewed by city staff, city engineer, building official, etc. If it meets all the city's standards, then there would be no other official decision of the planning commission or city council. It could simply go through the building process. If something needs a variance, set back or something that doesn't meet the standards, then they would come back to the planning commission, city council and then you would be notified.

Johnson asked if this proposal was within those criteria and Phil stated yes. Phil continued to say that there are other approvals that may be needed. This particular plan needs access to different properties so something has to be figured out for streets and subdividing it with a new plat, but the actual building and what it would look like, etc., could probably be built under the city's standards for R3.

Brenda Follmuth then questioned if the property was listed for sale as is and for how long and how much. Other discussion and questions arose in regard to this and Acting Mayor Dillan stated that it is up to the owners, not the city's choice.

Acting Mayor Dillan commented on the number of new homes being built and the fact that there is an additional 123 acres behind him and at some point, that could become residential but again, you can't speak for other people's property. There isn't a whole lot of land available unless you get land and that's been the problem with Industrial.

Johnson stated the developers look at the market very closely as they have a lot on the line. If the market were there, a developer would be there trying to purchase that property but they just aren't out there

looking for property right now. He continued saying there are a couple hundred acres available within the city that is not developed.

Acting Mayor Dillan commented on the information concern and he stated that the council may have access to information that the planning commission members don't. They are volunteers so sometimes they don't have the information we have.

Brenda Follmuth stated that she had hoped City Manager would have had more answers as to the fact that it was coming from a person that is well versed on a project of this size and magnitude.

Larsen stated that she did call Tammy and wanted to make sure that we have a lot of inquiries on rentals, people needing rentals so I wanted clarification. She wanted to make sure there was accurate information. There about 100 homes that are rental properties. Larsen stated there are concerns and she would have the exact same concerns. I did confirm with Tammy if there was a need.

Acting Mayor Dillan stated we have a known, established developer and that is a big part of it. He's done work in our community. He does good work. It's not just someone coming to put something up and leave. That is not the case here and that is a good thing.

Phil Carlson stated that the discussion of the need for more housing has come up. At the planning commission meeting Tammy mentioned that there was a housing study that supported the need for housing in Milaca and this study done by Maxfield group is a well-respected organization. A very well-done study that documented the need. The need for housing is just a given in communities.

Acting Mayor Dillan called for a motion to approve Ordinance #509 Rezone Request from Eric and Jill Hardy-First Reading. Motion by Johnson to approve Ordinance #509, seconded by Muller. No further discussion. All in favor. Motion passed.

**Resolution #22-56 Authorizing an Alternate Interest Rate Index for Conduit Revenue Obligation (Country Meadows of Milaca)** –Larsen moved for approval, seconded by Johnson. City Manager Pfaff explained that they had an interest change on their loan. No further discussion. All in favor. Motion passed.

**Resolution #22-57 Finalize Budget and Tax Levy**- Motion by Johnson for approval. Seconded by Larsen. Acting Mayor Dillan stated he was glad to see a negative number. No further discussion. All in favor. Motion passed.

### **Reports of Departments, Boards and Commissions**

*City Manager* – Nothing

*Police* – Chief Rasmussen commented that he had been approached by Conservation Officer Dan Star in regard to complaints that came in in regard to the city dump and the smell when it burns. Officer Star went out there and noticed there were quite a few trash bags out there. Residents are to bring leaves to Jim's Mille Lacs but not leave them in bags. Jesse Gerads stated there really hasn't been any bags dumped out there lately since the city clean up's. We didn't do that last spring so it hasn't been done for two years. The last time was May of 2021 and Gary did not burn the dump last year.

*Parks* – Gorecki Center Rental Policy for Non-Profit and Chamber Members – Acting Mayor Dillan wanted some clarification on the first sentence under General Rules. A non-profit doesn't lose their

reservation by a paid one if they had reserved first. Administrative Communications Specialist Mary Mickelson stated that was correct and added that it is on a case-by-case basis. The city wouldn't expect an organization using the Gorecki Community Center every weekend for free. Acting Mayor Dillan stated that it was more based toward reoccurring non-profits. Johnson commented that a paid reservation would have to be prior to or the non-profit can pay the \$10 and then it's reserved. Motion by Johnson, seconded by Larsen. Muller commented that if the prepaid reserves it first, they have it. No further discussion. All in favor. Motion passed.

*Public Works* – Nothing

*Liquor Store* – Nothing

*Fire Department* – Fire Chief Gerads commented that they had 162 calls for 2022. In the process of hiring a couple more fire fighters and hopefully first of the year be on.

*Planning and Zoning* – Nothing

*Airport* – Nothing

#### **Committees**

Personnel – Discussion in the closed meeting

Budget – Passed – nothing further

EDC – No meeting in December

#### **Unfinished Business**

**Agreement between Mid-MN Inspections and City of Milaca-Renewal:** Johnson made a motion for approval. Seconded by Muller. Muller confirmed it was at the 65%. No further discussion. All in favor. Motion passed.

**Revised Developers Agreement with Milaca Mini Storage-Matt Haugen** stated they were able to hash this out with the city attorney and they are all in agreement. Motion to approve Revised Developers Agreement with Milaca Mini Storage made by Johnson. Seconded by Muller. No further discussion. All in favor. Motion passed.

**Rec Fest Memo of Understanding with a Private 501c -** Acting Mayor Dillan stated they were able to work out the MOU for them to be a 501c. This should give them the ability to move forward with their plans in the 501c. Motion made by Muller to approve Memo of Understanding for Rec Fest. Seconded by Larsen. No further discussion. All in favor. Motion passed.


**Closed Meeting – Contract Amendment & Performance Evaluation – City Manager – Acting Mayor Dillan** read the closed meeting script. Motion made by Johnson to close the meeting. Seconded by Muller. All in favor. Motion passed. Meeting closed at 7:50 p.m.

Johnson made a motion to reconvene meeting. Seconded by Larsen. Meeting reconvened at 8:03 p.m. Muller made a motion in open session to approve Contract Amendment and Performance Evaluation for City Manager Pfaff. Seconded by Johnson. No further discussion. All in favor. Motion passed.

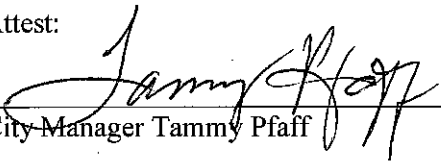
**Council Comments**

**Adjourn:**

Motion made by Johnson to adjourn. Seconded by Muller. No further discussion. All in favor. Motion passed. Meeting adjourned at 8:05 p.m.

  
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Acting Mayor Dave Dillan

Attest:

  
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City Manager Tammy Pfaff