

**CITY OF DETROIT LAKES,
MINNESOTA
RESOLUTION 2023-0126A**

RESOLUTION TO SUPPORTING THE AUTHORITY TO IMPOSE A LOCAL SALES TAX TO FUND SPECIFIC CAPITAL IMPROVEMENTS PROVIDING REGIONAL BENEFIT, TO ESTABLISH THE DURATION OF THE TAX AND THE REVENUE TO BE RAISED BY THE TAX, AND TO AUTHORIZE THE CITY TO ISSUE BONDS SUPPORTED BY THE SALES TAX REVENUE.

WHEREAS, the City has engaged community residents and businesses and identified the following capital project (the “Project”):

Pavilion: The current Detroit Lakes Pavilion was built in 1915 to replace the original pavilion built in 1897. It lies on the shoreline of Little Detroit Lake and is connected to the City’s mile-long public beach and City Park. It’s a landmark in the downtown lakefront area of Detroit Lakes and has been the host of many public and private gatherings, concerts, dances, and events over the years. The building itself is in deteriorating condition and is in desperate need of help. The most recent remodel was done in 2006, but those improvements have now outlived their useful life. The local option sales tax would fund construction of a new year-round facility that would continue the legacy of public and private events while expanding the availability of the facility and its amenities. Along with the new pavilion building there would be new parking, green space/ice rink, shelter/bath house, playground, and splash pad added to this area. Out of the pavilion rentals during 2022, half of were rentals by people who were not Detroit Lakes residents, and certainly many of the guests that visit the various events are non-residents as well.

WHEREAS, the project will result in benefits to both the residents and businesses of the City of Detroit Lakes and to non-resident visitors and businesses; and,

WHEREAS, funding the project with a local sales tax will more closely distribute the cost of the project to the users of the facilities; and,

WHEREAS, the project is estimated to cost approximately \$17,300,000, plus an amount equal to interest on and the cost of issuance of any bonds; and,

WHEREAS, the City estimates that a local sales tax of one-half of one percent (0.50%) would generate \$17,300,000 over 12 years; and,

WHEREAS, the City has provided documentation of the regional significance of the project, including the share of the economic benefit to or use of each project by persons residing, or businesses located, outside of the jurisdiction, including but not limited to the materials attached hereto as Exhibit A; and,

WHEREAS, the estimated local sales tax revenue and estimated time needed to raise that amount of revenue for the project and a proportional amount for the estimated interest on and the costs of issuing bonds to finance each the Project is as follows:

Pavilion: The City will collect approximately \$17,300,000 over 12 years.

WHEREAS, Minn. Stat. § 297A.99 authorizes the imposition of a general sales tax if permitted by special law of the Minnesota Legislature; and,

WHEREAS, Minn. Stat. § 297A.99 requires the City to pass a resolution authorizing such a local tax


and to obtain Legislative approval prior to approval by the local voters to enact the local tax;

THEREFORE, BE IT RESOLVED the following:

1. The city council supports the authority to impose a general local sales tax of one-half of one percent (0.50%) for a period of 12 years to fund the aforementioned Project.
2. Upon approval of this resolution, the City will submit the adopted resolution and documentation of regional significance to the chairs and ranking minority members of the House and Senate Taxes committees for approval and passage of a special law authorizing the tax, by January 31 of the year that it is seeking the special law.
3. Upon Legislative approval and passage of the special law authorizing the tax, the City will adopt a resolution accepting the new law, which will be filed with a local approval certificate to the Office of the Secretary of State before the following Legislative session.
4. The City will put one or more detailed ballot questions, which includes separate questions for each project, on a general election ballot for local voter approval of the imposition of the sales tax within two years of receiving legislative authority.
5. If one or more ballot questions pass, the City will also pass an ordinance imposing the tax and notify the commissioner of Revenue at least 90 days before the first day of the calendar quarter that the tax will be imposed.
6. Upon completion of the aforementioned requirements, the local sales tax will commence and run 12 years or until a sum sufficient to fund the voter approved project plus amounts sufficient to pay interest on and the costs of issuing any bonds, is raised, whichever comes first.

Passed and adopted this 26th day of January 2023.

Approved this 26th day of January 2023.


Glori French, City Clerk

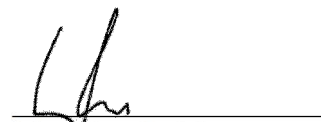

Matt Brenk, Mayor

EXHIBIT A

DOCUMENTATION OF REGIONAL SIGNIFICANCE

Regional Significance of Detroit Lakes, MN

Detroit Lakes is a regional hub for west central Minnesota, and the county seat of Becker County. Detroit Lakes also serves as district headquarters for the Minnesota Department of Transportation and the Minnesota State Highway Patrol.

The population was at 9,869 at the 2020 census, however, the unofficial population during the summer months is significantly higher due to the many seasonal residents and tourists that frequent the area. U.S. Highways 10, 34, and 59 all run through the City and bringing populations east from the Fargo-Moorhead metropolitan area, north from the Fergus Falls area, south from the Thief River Falls and Grand Forks areas, and west from the Park Rapids and Wadena areas. Detroit Lakes is also home to the Detroit Lakes campus of Minnesota State Community and Technical College which enrolls a number of higher education students from all over the state and country.

Summer tourism lends much to the economy of the City by bringing in dollars from hotel and motel stays, shopping, and dining from visitors to Detroit Lakes. Guests frequent the area for the many recreational opportunities such as fishing, boating, swimming, mountain biking, and sailing. The City's annual Independence Day celebration and fireworks are an iconic event and draw thousands of spectators annually. Since 1935, the Northwest Water Carnival has drawn tens of thousands to Detroit Lakes each summer to partake in various activities and events. In more recent years a greater focus has been placed on promoting and celebrating winter in the Detroit Lakes area through the Polar Fest Ice Castle, winter fireworks, and a host of outdoor recreational opportunities including cross country skiing, downhill skiing, snowboarding, snowmobiling, ice fishing, and snowshoeing.

Arts and culture play an important role in the Detroit Lakes area as well with the Historic Holmes Theatre located in Detroit Lakes and Soo Pass Ranch being located just outside the city limits. The Holmes Theatre hosts a variety of live music and theatre performances throughout the year that draws crowds from all over the region. Each summer, the Soo Pass Ranch hosts the annual We Fest country music festival which has drawn up to 80,000 attendees to the area.

Detroit Lakes has several significant employers that draw workers into Detroit Lakes from the region. Major employers include Essentia Health/St. Mary's Hospital (962 employees), Lakeshirts Screen Printing (500 employees), BTD Manufacturing (470 employees), Ecumen Nursing Home and Assisted Living (202 employees), SJ Electro Systems (196 employees), and Dynamic Homes (110 employees). Other major employers include government employers Detroit Lakes School District (525 employees), Becker County (321 employees), Minnesota Department of Transportation (270 employees), and retail employers Walmart (369 employees), Menards (167 employees), and Central Market (154 employees).

All of these factors demonstrate that the City of Detroit Lakes is a major hub serving and supporting a much larger footprint than the city limits of Detroit Lakes, therefore it is reasonable that a local option sales tax be put in place to support the services that are provided to all of those enjoying everything that Detroit Lakes has to offer.

Regional Significance of the Detroit Lakes Pavilion

The original Detroit Lakes pavilion was a 36' x 60' building built in 1897, the year that City Park, the City's crown jewel 39-acre park, was created. The current pavilion is a replacement structure that was built in 1915. Since the original pavilion was constructed, it has housed dances, concerts, and other large gatherings. The pavilion also once contained a concession stand open in the summer to serve the swimming beach. Even in 1915 when the current pavilion held its first event, more than 2,000 people attended its grand opening. The pavilion was the spot for all the area gatherings from community dinners to pageants to charity balls to religious services.

Today, the Detroit Lakes pavilion continues to house a variety of public and private events during the warmer months. In 2022, the pavilion was rented out for 26 different events, half of which were rented by people or groups from outside of Detroit Lakes. While half of the renters were from outside city limits, it's unknown how many of each event's attendees were from out of town. Of the events, there were eight weddings, six quinceaneras, five family reunions/picnics/graduations, and seven other larger public events including a film festival, heart walk, and Water Carnival events. One of the Water Carnival events is Bash on the Beach, a two-night concert featuring two different bands. In 2022, over the two nights attendance was about 5,500 people.

The current pavilion is a seasonal structure in deteriorating condition. There is no effective temperature control in the building which makes the facility difficult to utilize outside of the summer months, and even then, uncomfortable when the temperature is either really warm or cold. The floors of the building shift up and down seasonally as the building isn't seated upon proper base material with sturdy foundations. The windows in the facility are old and leaky and provide little envelope for the building itself. A new facility would be constructed as a year-round facility, immediately expanding the use beyond the current June-October timeframe. The new facility would include a large main hall with lobby and catering space. A concession area would be incorporated along with additional meeting room space and rooftop patio space. It's important that the City continue to have this unique lakefront amenity to offer as a gathering space for anyone from this area of the state. Preserving the history of lakefront events while also tapping into today's technology to better serve those who rent the facility is the goal.

Along with the new pavilion building there would be parking improvements, an added courtyard area with green space in the summer and ice rink in the winter, an improved shelter/bath house, playground, and splash pad.

Since 1897 the Detroit Lakes pavilion and park amenities have drawn people from all over the region. The construction of all of these improvements would ensure this tradition lives on and would give the downtown lakefront area an attractive and useful space that continues to welcome residents and visitors alike for years into the future. Because the area is utilized so heavily by non-residents, the City is humbly requesting support to authorize a local option sales tax to pay for the costs of these improvements.