



City of Grand Forks
Staff Report

APPROVED & ACCEPTED
by City Council

09/05/2023

Maureen Storstad
Maureen Storstad
City Auditor

Committee of the Whole – August 28, 2023
City Council – September 5, 2023

Agenda Item: Grand Forks Health and Wellness Multi-Use Facilities 3/4% Gross Retail Sales Tax Extension

Submitted by: Todd Feland, City Administrator
Dan Gaustad, City Attorney
Maureen Storstad, City Finance Director

Staff Recommended Action:

Review and approve the following regarding the Grand Forks Health and Wellness Multi-Use Facilities 3/4% Gross Retail Sales Tax and Related Special Election on November 14, 2023:

- (a) **City of Grand Forks Home Rule Charter Amendment Ballot.**
 - (b) **Resolution of the City Council of the City of Grand Forks Approving Special Election and Proposal to Amend Home Rule Charter.**
 - (c) **Notice of Special Election and Proposal to Amend Home Rule Charter.**
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August 28, 2023 – Committee Recommended Action:

Moved by Weber and seconded by Osowski to move to city council with a recommendation to adopt the Resolution; approve Notice of Special Election, including setting election date of November 14 with polling hours of 7am-7pm; and approve Ballot Language. Motion carried unanimously.

September 5, 2023 – Council Action:

Motion by Kvamme, second by Weber to approve recommendation. Motion carried unanimously.

BACKGROUND:

The City of Grand Forks (City) is a key driver of community and economic development in Grand Forks and the region through strategic infrastructure and workforce investments. The City's renewed strategic planning direction has a specific emphasis on workforce development and quality of life initiatives that are bold, needed, and aggressive. Quality of life investments are a center piece strategy for workforce development recruitment and retention.

The Grand Forks Health and Wellness Multi-Use Facilities and the related extension of the 3/4% Gross Retail Sales Tax meets the City's strategic workforce development and quality of life initiative in a bold, needed, and aggressive manner. Further the quality-of-life investment strategy is locally and regionally driven and focused.

Importantly, the Grand Forks Health and Wellness Multi-Use Facilities and the sales tax funding will drive the expansion of the local and regional economy and sales tax growth as youth adult sports are major industries.

Over the last several months, the City with the Grand Forks Park District has been conducting a Grand Forks Indoor Sports Facility and Indoor Aquatic Facility Feasibility Study. In addition, City staff has been working with the Alerus Center staff and Commission regarding the long-term capital and renewal needs of the Alerus Center.

Based on community engagement, market analysis, and amenity prioritization, the Grand Forks Indoor Sports Facility and Indoor Aquatic Facility Feasibility Study provided the following conclusions and demonstrated need.

- Turf needs had the highest priority score, followed by aquatics, and courts.
- Overall need for both an indoor multi-sports facility and indoor aquatic facility.
- More than half of survey respondents feel it is either very important or extremely important to develop a community center with either an indoor turf, courts, or an indoor competitive swimming pool.
- Approximately 79% of survey respondents responded they will probably or definitely support an Alerus Center sales tax extension in order to support the complex.

The Grand Forks Indoor Sports Facility and Indoor Aquatic Facility are planned as an integrated facility south of the Alerus Center and as a value added and integrated amenity with the Alerus Center and Hugo's Raceway. The location and addition the Grand Forks Sports Facility and Indoor Aquatic Facility further enhances the Grand Forks 42nd Street destination corridor with the future additions of the Career Impact Academy and the 42nd Street/Demers Avenue Underpass Projects. The integrated facility will necessitate the strategic purchase of the remaining land of approximately 6.28 acres south the Alerus Center for approximately \$2.1 million and contingent on a voter approval of the 3/4% Gross Retail Sales Tax Extension.

The Grand Forks Indoor Sports Facility initially will integrate the following community needs and replace and enhance current community uses at the Hyslop sports center that is scheduled for demolition in 2025.

- Turf facility to accommodate football, soccer, baseball, softball, baseball, lacrosse, and training needs.
- 300-meter track.
- Eight pickle ball courts.
- Indoor adventure park.
- Spectator seating.

The Grand Forks Indoor Aquatic Facility will serve as the community replacement for the Hyslop pool that is scheduled for demolition in 2025 and will include the following.

- 50-meter pool provides for simultaneous activities and allows user groups to have more desirable time slots to include swimming lessons, recreational swimming, water polo, Grand Forks Public Schools' swimming team practice and competitions, and Wahoo's Swimming Club practice and competitions.
- Warm water pool for youth swimming lessons.
- USA Swimming Competitions.
- Spectator seating.

The estimated operating cost losses for the Grand Forks Sports Facility and Indoor Aquatics Facility are \$268,090 and \$224,168 respectively for a total estimating operating loss of \$492,258. The Grand Forks Park District is willing and able to operate the facilities on behalf of the Grand Forks local government and community.

The Alerus Center's long term capital renewal and improvement is incorporated into the long-term funding plan to include the following:

- Continues funding debt service as required through 2029.
- Current capital improvement plan through 2029 fully funded.

- Post 2029 capital improvement plan includes an annual allocation of \$3.75 million on average, which is \$1.5 million added annually to existed capital improvement plan with a 2.5% annual inflation.

ANALYSIS AND FINDINGS OF FACT:

- The City is a key driver of community and economic development in Grand Forks and the region through strategic infrastructure and workforce investments. The City's renewed strategic planning direction has a specific emphasis on workforce development and quality of life initiatives that are bold, needed, and aggressive. Quality of life investments are a center piece strategy for workforce development recruitment and retention and further serve to grow the economy and sales tax revenue.
- The City partnered with the Grand Forks Parks District on a Grand Forks Indoor Sports Facility and Indoor Aquatic Facility Feasibility Study and noted study demonstrated the priority, need, and community support for the facilities and funding.

Over the last year as the feasibility study was proceeding, there were two Joint Grand Forks City Council/Park Board Meetings on January 11, 2023, and May 30, 2023, to receive updates on the noted study and to provide feedback.

At the August 14, 2023, Committee of the Whole meeting, the City administration provided an update on the quality-of-life facilities to include an updated integrated quality of life facilities concept, capital cost estimates, long term funding strategy, and voting timeline.

Since the August 14, 2023, Committee of the Whole meeting, City administrative staff followed up with the health and wellness multi-use facilities stakeholders and users via meetings on August 18 and August 21, 2023, and these meetings confirmed the need, prioritization, and support for the project. Further, City administrative staff further followed up with the feasibility study consultant regarding construction estimates and City financial advisors and bond counsel on funding and sales tax analysis.

- The ballot measure, if approved, would modify Subsection (p)(2) of Article III of the City's Home Rule Charter relating to the previously approved and existing 3/4% gross retail sales tax to provide for the following:
 - To add financing, design, acquisition, construction, reconstruction, and/or leasing of health and wellness multi-use facilities and related land, fixtures, and infrastructure improvements as authorized uses of the proceeds from the 3/4% gross sales tax.
 - Describe the health and wellness multi-use facilities are to be used as centers for health, wellness, exercise, athletic, aquatic, and/or recreational activities, functions, and events.
 - The Alerus Center as the center for conventions, conferences, civic events, exhibitions, cultural functions, and athletic events will continue to have funding dedicated to the construction, acquisition and/or leasing as a multi-use facility, and related infrastructure improvements.
 - Eliminate the expiration of the 3/4% gross retail sales tax, that will occur upon the retirement of the existing bonds for the Alerus Center. Without an early call on these existing bonds, the expiration would occur in 2029.
- The extension of the 3/4% gross retail sales tax will generally fund the following.
 - \$90-100 million in bonding capacity at an estimated interest rate of 6% and 30 years for health and wellness multi-use facilities and related land, fixtures, and infrastructure improvements.
 - \$1.5 million annually allocated for new heath and wellness multi-use facilities long term capital renewal needs with a 2.5% annual inflationary increase.
 - Alerus Center existing debt service is funded.
 - Alerus Center capital improvement plan fully funded through 2029.
 - \$3.75 million annually allocated to the Alerus Center for its long-term capital renewal

needs with a 2.5% annual inflationary increase.

- The City administration is recommending City Council approval at the City Council meeting on September 5, 2023, for a special election on November 14, 2023 on the 3/4% Gross Retail Sales Tax to include the following.
 - City of Grand Forks Home Rule Charter Amendment.
 - Resolution of the City Council of the City of Grand Forks Approving Special Election and Proposal to Amend Home Rule Charter.
 - Notice of Special Election and Proposal to Amend Home Rule Charter.
- The City remains competitive with the extension of the 3/4% gross retail sales tax among regional benchmark cities as follows.
 - Grand Forks – 2.25%
 - Bismarck – 2%
 - Fargo – 2.5%
 - West Fargo – 2.5%
 - Minot – 2.5%
- The City sales tax of 2.25% was implemented and effective as follows over the years.
 - 1985 – 1.00% (Property Tax Reduction/Infrastructure/Economic Development Funding)
 - 1996 – 0.75% (Alerus Center Capital Funding)
 - 2018 – 0.50% (Street/Water Capital Funding)
- The health and wellness facilities will be owned by the City, which will be responsible for the capital debt service and capital renewal of the facilities. The Grand Forks Park District has committed to the operation of the health and wellness facilities and net operating deficit of approximately \$500,000.
- If approved by City Council and Special Election voters, timeline for the health and wellness facilities estimated completion is as follows:
 - City Council approval for Special Election – September 5, 2023.
 - Special Election – November 14, 2023.
 - Final Design and Bidding – 2024-2025.
 - Construction – 2025-2027.
 - Facilities Completion – 2027.

SUPPORT MATERIALS:

- City of Grand Forks Home Rule Charter Amendment Ballot.
- Resolution of the City Council of the City of Grand Forks Approving Special Election and Proposal to Amend Home Rule Charter.
- Notice of Special Election and Proposal to Amend Home Rule Charter.
- Grand Forks Indoor Sports Facility & Indoor Aquatic Facility Concept and Construction Estimate Update.
- 3/4% Gross Retail Sales Tax Funding Analysis Update.
- Existing Regional Sales Tax Comparisons.
- Indoor Sports Facility, Aquatic Center, and Alerus Center Capital Plan and Funding Strategy Update and Feedback Presentation – 8/14/23 Committee of the Whole Meeting.
- Combined Indoor Sports Facility Concept Plan and Cost Estimate – 8/14/23 Committee of the Whole Meeting.
- 50 Meter and Stretch 25 Pool Comparison. – 8/14/23 Committee of the Whole Meeting.
- Danks Land Appraisal Report - 8/14/23 Committee of the Whole Meeting.
- Cost Comparison Matrix Summary - 8/14/23 Committee of the Whole Meeting.
- Grand Forks Indoor Sports Facility & Indoor Aquatic Facility Feasibility Study Update – 5/30/23
- Grand Forks Indoor Sports Facility and Indoor Aquatic Facility Feasibility Study.