

February 6th 2021

To whom it may concern,

I will start by thanking you for your time and consideration of the following information, I truly appreciate the opportunity. I am writing with strong opposition to the recent request from the City of Hermantown for authorization to impose a local sales and use tax increase for the Community Recreation Initiative. Please let it be known that this is not a "Community" initiative rather a clever way to fund an expensive hockey arena specifically for a small portion of our city's population that has struggled to get a majority support from the community. I believe the decision you are being asked to make will require an extensive review of the information you were supplied with by the City of Hermantown and the wealth of information the city neglected to include from the arena proposal. I would like to speak to the proposal so that you can view it with full transparency which I do not believe the Hermantown City Council has done.

A focus group for the arena started a while back and after being awarded \$25,000 in grant money they were able to extensively research the possibility of bringing a new arena to the city of Hermantown. Since the creation of this group they have worked hand in hand with the city council with little public awareness and they have managed to seemingly avoid involvement from many residents that have the potential to be negatively affected. Unfortunately the city council appears to have multiple councilors too invested in the hockey arena project to ask critical questions or require accountability for the misinformation that has been presented. I find the lack of advocacy for the larger public interest over the joy of a new shiny building to be so concerning.

Hermantown is at such an exciting cross road. We have really become a desirable city to call home for so many. Historically a "country city" we have a unique opportunity to offer country living with close proximity to the amenities of the much larger city of Duluth. With the current issues that the City of Duluth is experiencing, along with their school district, I would venture to say we are one of the most sought places to live. This makes the need for wise expansion so important because citizens who have lived here for years are seeing significant changes to their city and their taxes. As the popularity of the city has grown so has the prices of homes. As of Friday 1/30/20, [www.realtor.com](http://www.realtor.com) has the median home cost at \$350,000. Now in 2021 the median house listing is \$525,000 - 592,400 according to [coldwellbankers.com](http://coldwellbankers.com) and [movoto.com](http://movoto.com). The sites with lower median home values appear to include raw land in their calculations which does not accurately reflect the existing home market. Some residents have seen their property taxes nearly double in the last 5 years. My property taxes have gone from \$3431.28 when I purchased our home for \$268,000 in 2015 to proposed taxes next year of just under \$5200 and an appraised value of \$340,000 with no value adding improvements done. These increases are from a combination of factors including higher appraised values which unproportionately affect Hermantown taxpayers since the MN homestead credit phases out with increased appraised value, school referendums, non-voter approved levy increases and voter approved levies. I always assumed that as the number of tax paying properties increased in our developing city then the tax burden would be lessened on individual homeowners because it would be shared

by more property owners especially when one considers the increase in commercial properties that have been added. This unfortunately has not come to fruition. There is very little affordable housing in Hermantown and what has been affordable is becoming less affordable while the city appears to have nothing in place to fix that problem rather exacerbate it.

Here are specific concerns that need to be asked of the hockey arena proposal.

- Why does the impact study that the council accepted for justification of a sales tax increase include neighboring taxing districts? If we are justifying a sales and use tax increase to fund a city project by saying the arena will attract “X” amount of economic gain, shouldn't the taxpayers know what the actual impact is for Hermantown specifically? I believe when the hockey group contracted the UMD class to conduct this assessment they created bias results given that the goal was to help justify the arena and to do that they included the surrounding towns.
- There was no mention except from one councilor that the burden beyond what the sales tax increase can cover will have to be placed on the property tax payers. I think taxpayers should have an impact study that gives them this information. Highs and lows. We neighbor Duluth and have a significantly smaller number of the businesses that will benefit from the projected increased arena use. We can not ask voters to approve a plan by using the impact study that shows Duluth benefits more than our very own community. Information that includes what happens when the sales tax revenue does not meet the plan needs should be openly discussed before residents are asked to vote. I think it should get the same consideration as the optimistic economic impact of increased tax revenue.
- Walmart, Sam's Club, Fleet Farm and Menards are in our city limits and an increased sales tax may unintendedly become a tax on the poor to fund an expensive sport for many with privilege. These are stores that people in far rural communities travel miles to use because they need to stretch their dollar and there are not other alternatives that are similar.
- “Multi-sport” facility. This is another way that they are trying to get public support. There is no real use agreement with the arena and other sports to be able to count on the facility yet they add it to the title in throughout the presentation. When asked in a public meeting the first time the plan was presented what would be cut if the arena construction was over budget they replied the indoor turf would be put on hold. This shows their commitment to the “multi sport” facility is really only to make the claim and attempt to persuade others since the area has no real LaCrosse facilities this has excited some but they may be left out. When asked about summer camps, spring baseball, etc. it was obvious that hockey use if the hockey association deemed it necessary would supersede other activities.
- Disproportionate allocation of funds. How can the community pay \$11-16 million for such an expensive facility that is built for a small portion of the citizens. There are

currently about 470 kids enrolled in the hockey program. If you take  $470 \times 2.5$  to estimate parents since many hockey families include siblings and others are open enrolled, the total only comes to just under 1200. That is about 10% of our population and an even smaller proportion when you do it per household as 5 family members may use the arena but they dwell in a single property that can be taxed for the burden of the arena.

- When sales tax dollars are committed to such projects as the arena what is the next source of revenue to fix or take care of the expenses that the city is responsible for? We have roads that need much attention and more concerning a foreseeable need for a paid fire department. Currently we are fortunate enough to have an amazing volunteer fire department but as our city grows, which appears to be the goal, the need for us to realize the cost of a fire department is crucial. Estimates discussed for a new department structure would require 3 shifts of firefighters per day and a minimum of 4 per shift and that is without substitutes or extra hands. That is at least 12 firefighters at an approximate expense of \$100,000 a piece for wage, benefits and employment expenses. This does not include a chief which could be assumed to have a greater expense but we can use \$100,000 for that position as well. So it is only responsible for Hermantown to start planning for an expense of \$1.3 million a year, not including the reality of overtime use, that number is likely to be even higher especially as the city and the department grows. Where will this come from once we allow the city to funnel a sales and use tax increase into unnecessary projects over real obligations? There is now a large apartment complex being built and a new development in the works which will have a senior care complex. Both these things add to the fire department demand along with the expansions of housing developments and new commercial investments that are happening. The city council has not openly discussed this when talking about an initiative that may already raise people's taxes both at the check-out and on their property taxes.
- Our schools are full.... We have a great school district and it has attracted many from the surrounding areas to move into our district or open enroll. We passed a school referendum to fund much needed school expansions a few years back and we are already at or near capacity so much so that open enrollment has closed for many grade levels. The elementary and high school received some modifying but the bulk of the funding went to relocate the middle school as the old one was demolished and the site became the new tax payer funded Wellness center. The school projects were funded in 2014 and won't be paid off until 2035. Taxpayers have agreed to fund a large project for utilities to be placed in an area that a developer plans to place many new mixed residential structures and other developments continue to be in the works. At what point are we going to need to expand the schools again? This burden will fall directly on the property tax owners but mind you plenty of open enrolled hockey families will not be affected despite fighting for Hermantown taxpayers to fund the arena for their use. It is very reasonable to start talking about when the schools would need modifying again and if we continue to grow rapidly it will be well before the current referendum is even paid off.

- After tax payers supported the school referendum in 2014 and the construction was completed, it was realized that the non-voter approved levy for school maintenance needed to increase. Although this seemed like it could have been an expected expense it wasn't shared with taxpayers and the same thing is happening with the arena as there is no discussion about ongoing expenses and responsibilities for maintenance. Currently the school district is responsible for maintenance in the existing arena. It seems the most responsible thing for the city council to do would be to proactively foresee these expenses and advocate for the tax payers in terms of requiring their acknowledgement. The new complex will even require additional staff.
- The hockey group worked with an architectural firm that created the recently built neighboring Proctor Arena and they used the same techniques to sell the plan. These include an unfounded estimation of income potential from being able to use the facility as a venue for other purposes. Proctor has not been able to capitalize on these opportunities as hoped and their new arena was built for with that in mind, can hold double the capacity and is not awkwardly retrofitted to the site like Hermantown's will be. I do not believe Hermantown will be able to host a "home and garden show" as the presenter mentioned given the availability of better venues and the well established Duluth Entertainment Convention Center close by.
- The YMCA wellness center was passed by voter approval but if one looks into the proposed funding that the voters made their decisions on they will see that much of it never came to be. Not only did the project end up being over budget by a significant amount, the funding plan which included a private donor group never actually happened along with the contributions voters were told would come from the county and state as far as I have been able to tell. This is scary for tax payers because although the Y saw awesome support and membership in the beginning they saw that all plummet through the pandemic and we have yet to see how it will be able to be self sustaining. Another burden that will fall on the taxpayers that is too late to reverse.

More concerning than the issues mentioned above was a conversation with the former Hermantown School District Superintendent Kerry Juntunen that was held on January 29th 2020. Through this conversation it was realized that the arena planning committee has rushed through the plans without any solid commitments from the school district. Despite not having the commitments or negotiated details the hockey arena planning committee used values and projected contributions that if not materialized would equate to millions left for the taxpayers to cover. I reached out to the new superintendent Mr. Whitwam and he confirmed that many unknowns still exist and unfortunately he will discuss these in front of the council on Feb. 22nd which may be after the tax division considers this increase request. I will outline the concerns with the school district that the city council never cared to address prior to rushing this through.

- LTFM (long term facilities maintenance) plan - At this point because of little focus on the reality of maintaining the new projects, there has been no conclusion from the arena group as to what the expenses will be and how the school district role is defined with the arena changes.

- In the arena project proposal they mention the school district's contribution to the project yet NONE of the things mentioned have been approved by the school board or more importantly the State of Minnesota which would undoubtedly need to be involved. These things include a "Land donation" that the arena would require. Kerry Juntunen clearly said the school district will not be able to simply donate the land. A land swap is a potential but the details would need to be better known and the reality is the arrangement is not guaranteed or anywhere near completion to present to the public.
- The school district currently has the Hermantown Amateur Hockey Association manage the district owned arena. For the use of the facility for school activities the district currently pays about \$44,000/yr through a levy. The arena group included the school district paying \$100-200,000 per year when they unveiled the funding considerations for their plan. This has not been presented or confirmed by the school district and if in fact it ever came to fruition it would be an expected burden being placed on property tax payers. If the arena proposal includes funds that do not currently exist but will be forced on the taxpayers it is only appropriate to acknowledge that.
- Who would own the buildings? Mr. Juntunen was very clear that the current proposal presents many real issues in terms of ownership of the buildings. The school district owns the current structure but once the expansion is completed then the city would likely own the new portion despite them being connected. Now we have ownership issues and no defined maintenance arrangements.
- The ice plant - In the arena proposal they claim that the school district will provide the \$1.3 million dollar ice plant which would service both the old arena and new arena ice and thus save the community the expense. Mr Juntunen clearly stated that as it stands the school district has a responsibility to replace the current ice plant but since that would require LTFM money it needs to be replaced "like for like". The current system is outdated and uses refrigerant that is no longer available which presents an issue that needs an approval from the state. Mr Juntunen said that he has discussed this issue with the state of Minnesota and there has not been a decision made on how the ice plant will be replaced not to mention the state will have to approve the use of their funded ice plant for the newly adjoined city owned arena. If they replace the ice plant to take care of the existing single sheet of ice, then it's likely there will be a need for expensive compressors and modification that the school district will not cover in order for the new ice plant to function for both proposed arenas. If the state does not approve the use of the ice plant or the modifications are required it should be fully disclosed to the public that it will be a significant expense added to the project.
- The arena committee discusses the possibilities that the school district will tear down their existing offices on site and partially fund the new arena expansion because they would relocate into a portion of the new structure. Mr. Juntunen's response to this when asked was "that would probably never work." The school district moving their offices and committing to not only replacing them but funding a portion of the new city owned structure would require extensive discussion and ultimately is yet another displacement of costs to the taxpayers not acknowledged in the arena plans.

- The arena committee has not only assumed that the school district would just donate land but also bear the burden of the nearly \$800,000 surrounding parking lot. This without a confirmed agreement. No acknowledgement for any additional need for money in the arena proposal if it is not funded by the school district and no long term understanding for parking lot maintenance including snow removal or repair.
- “Multi-Sport” facility. The school district has not committed or made any changes to their school programs to utilize the proposed space for new sports and as mentioned above this would require an agreement on compensation for building use.
- When we discussed the baseball portion of the proposed recreational project Mr. Juntunen was very frank that baseball enrollment has declined in recent years with the rise of sports like soccer and lacrosse. As a school district we don't have a lacrosse team or any facilities to host one. Currently there is a community league that includes the surrounding area. Is it wise to invest in 2 turf ballfields?

In closing I feel that the above concerns point towards a rushed plan without advocacy to the taxpayers. I am saddened that the elected officials of the city council who voted to move this through appear to have no regard for the glaring inconsistencies and misinformation in the proposed arena plan. Without due diligence it appears the city council has asked the state of Minnesota to approve a sales and use tax increase for a very short sighted project and one that arguably should never be prioritized over the community obligations the city has. It is now February and the city is hoping to have this issue on the ballot without having any plans to give the community concrete numbers for the construction of the arena. The city council has not asked for accountability from those proposing the plan and instead has just accepted it as presented without appropriate scrutiny. If there are this many unanswered or unaddressed issues in the plan how many more will we uncover once the plan is critically reviewed by expert parties if it was ever called for. This plan was put together by hockey family members and lacked the representation of anyone with other interests which is exactly why it is so poorly prepared with only one goal in mind.... A rushed approval of a new arena paid for by whatever means available without transparency or acknowledgment of actual costs and who would bear them. Because the proposal was placed on hold last year one can assume the numbers in the plan are much lower than what it will actually cost given the increase in the materials and labor markets.