### BEFORE THE MUNICIPAL BOARD

OF THE STATE OF MINNESOTA

John W. Carey	Chair
Kenneth F. Sette	Vice Chair
Shirley J. Mihelich	Commissioner
Carolyn Engebretson	Ex-Officio Member
Curt Ballard	Ex-Officio Member

IN THE MATTER OF THE PETITION FOR ) THE ANNEXATION OF CERTAIN LAND TO ) THE CITY OF DETROIT LAKES PURSUANT ) TO MINNESOTA STATUTES 414 ) <u>AND MEMORANDUM OPINION</u>

The above-entitled matter came on for hearing before the Minnesota Municipal Board pursuant to Minnesota Statutes 414, as amended on August 23, 1989 at Detroit Lakes, Minnesota, and was continued from time to time. The hearing was conducted by Terrence A. Merritt, Executive Director, pursuant to Minnesota Statutes 414.01, Subdivision 12. Also in attendance were John W. Carey, Chair, Kenneth F. Sette, Vice Chair, Shirley J. Mihelich, Commissioner, and County Commissioners Carolyn Engebretson and Curt Ballard, Ex-Officio Members of the Board. The petitioners appeared by and through spokespersons Sharon Josephson, Ginny Imholte, and Charles A. Krekelberg, Attorney at Law. The City of Detroit Lakes appeared by and through William Briggs, Attorney at Law, and the Town of Lakeview appeared by and through William Radzwill, Attorney at Law. The Town of Detroit made no formal appearance. Testimony was heard and records and exhibits were received.

After due and careful consideration of all evidence, together with all records, files and proceedings, the Minnesota Municipal Board hereby makes and files the following Findings of Fact, Conclusions of Law, and Order, and Memorandum Opinion.

#### FINDINGS OF FACT

1. On May 26, 1989, a petition by a majority of the property owners was received by the Municipal Board requesting annexation and a resolution supporting the annexation was received from the annexing municipality. The petition contained all the information required by statute, including a description of the territory subject to annexation, herein after referred to as subject area, which is as follows:

Beginning at the intersection of the east line of Section 35, T139N, R41W, and the centerline of the west bound main track of the Burlington Northern Railway, Inc. railroad. Said point currently the corporate limits line of the City of Detroit Lakes, Minnesota. Thence southeasterly along the said west bound track, 3,500 feet more or less to the south line of Gov't. Lot 3, Section 1, T138N, R41W; Thence west, along said south line, 68 feet more or less to the northeasterly right-of-way line of United States Trunk Highway No. 10; Thence southeasterly, along said right-of-way line, 8,050 feet more or less to the east line of Section 12, T138N, R41W; Thence south, along said east line, 2,135 feet more or less to the southeast corner of said Section 12; Thence continuing south, along the east line of Section 13, T138N, R41W, 1,320 feet more or less to the southeast corner of the northeast quarter of the northeast quarter; Thence west, along the south line of the northeast quarter and the northwest quarter of the northeast quarter and the south line of Gov't. Lot 1 of said Section 13, 3,980 feet more or less to the west line of said Gov't. Lot 1; Thence south, along the west line of the southeast quarter of the northwest quarter of said Section 13, 110 feet more or less to the northeasterly line of Lot 13 of Fitzgerald Subdivision, said plat being on file and of record at the Becker County Recorder's Office; Thence southeasterly along said northeast line, 40 feet more or less to the southeasterly corner of said Fitzgerald Subdivision; Thence southwesterly, along the southeasterly line of said Subdivision and its extension 1,455 feet more or less to the east line of Section 14, T138N, R41W; Thence south, along said east line 595 feet more or less to the East Quarter Corner of said Section 14; Thence west, along the east-west quarter line of said Section 14, 5,300 feet more or less to the East Quarter Corner of

Section 15, T138N, R41W; Thence north along the east line of said Section 15, 1,345 feet more or less to the southeast corner of Gov't. Lot 1 said Section 15; Thence west, along the south line of said Gov't. Lot 1 and Gov't. Lot 2 of said Section 15, 2,640 more or less to the southwest corner of said Gov't. Lot 2; Thence north, along the west line of said Gov't. Lot 2; 1,335 feet more or less to the southeast corner of Gov't. Lot 5, Section 10, T138N, R41W; Thence west, along the south line of said Gov't. Lot 5, 1,800 feet more or less to the original southwest meander corner of said Gov't. Lot 5 on Curfman Lake, also known as Dead Shot Bay; Thence northeasterly across Dead Shot Bay, 1,860 feet more or less to a point on the north shore of Dead Shot Bay in Gov't. Lot 3 of said Section 10 which is approximately 1,340 feet east from the west line of said Section 10, point also described as the southwesterly corner of a tract of land found in Book 254 of Deeds, Page 19; Thence northerly along the west line of said tract and its extension 415 feet more or less to the northwesterly line of an Existing Public Road; Thence northeasterly along said public road 340' more or less to the southwesterly right-of-way line of County Road 24, also known as Long Bridge Road; Thence northwesterly, along said right-of-way line, 435 feet more or less to the north line of said Gov't. Lot 3 and the intersection with the current corporate limits of the City of Detroit Lakes, thus ending this description which contains 864 more or less acres of land and has 36,723 feet more or less of continuous boundary line.

2. Due, timely and adequate legal notice of the hearing was published, served and filed.

3. The subject area is unincorporated, approximately 864 acres in size, located in the Town of Lakeview, hereinafter referred to as "Lakeview," and the Town of Detroit, hereinafter referred to as "Detroit," and abuts the City of Detroit Lakes, hereinafter referred to as "Detroit Lakes." The perimeter of the subject area is approximately 39% bordered by Detroit Lakes. Detroit Lakes has a total area of approximately 3,520 acres in size. Lakeview is approximately 15,570 acres in size, excluding the surface area of lakes within the town. The subject area represents approximately 5.5% of the total land area of Lakeview. Detroit is approximately 15,000 acres in size. Approximately 12 acres of the subject area is located in Detroit, representing approximately 0.08% of the total land area of Detroit.

4. The subject area is generally a narrow strip consisting of lots, many of which are narrow, abutting or on each side of County Road 24 and extending for about 5 miles around the east and south shores of Big Detroit Lake, except Deadshot Bay. The soils in the subject area are predominantly sand, gravel and sandy loams. There may also be organic and wet soils in the subject area, particularly adjacent to the wetlands. The terrain of the subject area varies from level to gently rolling hills with some areas with steep slopes. The subject area has some wetlands within it. There are some bluffs located in the subject area. The subject area is located within the Pelican River Watershed District.

Both Big and Little Detroit Lakes are in the Pelican River Watershed District. The subject area is adjacent to Big Detroit Lake and east of Little Detroit Lake, which is nearly separated from Big Detroit Lake by a sand bar. Big Detroit Lake has a maximum depth of approximately 82 feet and a mean depth of approximately 16 feet. Little Detroit Lake has a maximum of depth of approximately 22 feet and a mean depth of approximately 12 feet. The shoreline for Big Detroit and Little Detroit Lakes is used for seasonal and year-round residential development, primarily, with approximately one-half mile of the shoreline used for a street right-of-way and the other one-half mile of shoreline used for a public beach. Big Detroit Lake, which includes Dead Shot Bay

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and Sucker Creek, is the major surface water adjacent to the subject area.

5. The present condition of Big Detroit Lake is borderline mesotrophic moving to eutrophic. The quality of the lake is deteriorating. The lake's condition is at a critical juncture, where deterioration must be stopped and reversed or it may deteriorate beyond saving. Weed growth in the lake has been increasing, while the clarity of the lake has been decreasing.

Detroit Lake is a community resource which enhances Detroit Lakes, the surrounding area, and the residences on the lake.

6. Detroit Lakes had a population of approximately 5,797 in 1970, approximately 7,106 in 1980, and approximately 7,009 in 1988. It is projected that in 1995 it will have a population of approximately 8,865, based upon Detroit Lakes representing approximately 25% of the county's population estimates.

7. Lakeview had a population of approximately 1,856 in 1970, approximately 1,915 in 1980, and approximately 1,929 in 1988. It is projected that in 1995 it will have a population of approximately 2,480, based upon Lakeview representing approximately 7% of the county's population estimates.

8. Detroit had a population of approximately 2,340 in 1970, approximately 2,472 in 1980, and a current population of approximately 2,891.

9. The subject area had an estimated population of approximately 510 in 1988. This is based upon Assessor's records indicating 193 residential homestead properties with an average population of approximately 2.64, which is slightly less than Lakeview's average household population of 2.82. The estimated average population is less than Lakeview's overall average because the subject area is more residential in nature. That makes the subject area similar to Detroit Lakes, which experienced more of an average household-size decrease than did Lakeview. It is projected that in 1995 the subject area will have a population of approximately 525, based upon 210 year-round residences with an average population of approximately 2.5 per household.

10. That portion of the subject area in Detroit has approximately 90% of its land in institutional use, and approximately 10% in commercial use.

In Lakeview's portion of the subject area, there are approximately 210 residential units. Ninety-eight percent of the properties in the subject area are classified as residential by the county assessment records. Three parcels are designated commercial, and three are designated agricultural. Sixty-five percent of the parcels are designated as year-round residential and 33% are designated as seasonal. There are approximately 28 separate subdivisions located within the subject area.

The subject area, in 1988, had approximately 193 residential homestead properties, approximately 114 parcels classified as 1, 2, or 3-unit residential use, 1 classified as 4 or more unit residential, approximately 152 parcels classified as seasonal-recreational residential, 1 as a Ma and Pa resort, 2 as commercial-seasonal residential recreational, 1 as commercial, and 3 parcels as agricultural.

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11. Detroit Lakes has approximately 60% of its land in residential use, approximately 2% in institutional use, approximately 30% in commercial use, approximately 5% in industrial use, approximately 2% in agricultural use and approximately 1% in vacant lands.

12. Lakeview has land in commercial use, residential use, and agricultural use. There are over a dozen lakes in Lakeview.

13. Detroit Lakes has approximately 54 miles of state aid highways, streets and roads. There are approximately 5 miles of county roads in the city.

14. That portion of the subject area in Detroit has approximately 0.30 miles of state aid highways, streets and roads. That portion of the subject area in Lakeview has approximately 2.77 miles of township roads. The balance of 5.77 miles of public roads are maintained by Becker County.

The county anticipates reconstructing County Road 24 in the subject area. Annexation of the subject area and installation of municipal sewer and water prior to the reconstruction would be more cost efficient than annexation and installation after the completion of the upgrade.

15. Lakeview maintains approximately 48.84 miles of town roads. The subject area's town roads account for approximately 5.7% of the total Lakeview road mileage. If the subject area is annexed to Detroit Lakes, Lakeview is relieved of these maintenance costs.

16. Detroit Lakes has zoning, which includes shoreland and floodplain development standards, subdivision regulations, an

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official map, a uniform building code, fire code, shoreland ordinance, floodplain ordinance, sanitation ordinance, and a comprehensive plan approved in 1978.

17. Becker County has zoning, subdivision regulations, shoreland ordinance, floodplain ordinance, and a sanitation ordinance.

The county regulates zoning in the subject area. In the subject area, Detroit Lake is classified as a general development lake. Dead Shot Bay is classified as a recreational development water body. Sucker Creek is classified as natural environment, as well as a designated trout stream.

The subject area has approximately 90% of its land within the area designated under the shoreland zoning regulations.

Zoning for the subject area includes R-1, general residential, and A-2, general agricultural. The R-1 areas are located on the east and southeast shore of Detroit Lake.

18. The Becker County Zoning Ordinance requires lots sizes of five acres in A-2 zones, and one acre in R-1 zones for land with on-site water and sewer.

Becker County has granted conditional use permits for development of parcels within the subject area that do not meet the minimum lot size, or required width or depth. Approximately 205 parcels in the subject area do not meet the minimum lot width of 100 feet or minimum lot area requirements of 20,000 square feet for shoreland properties on general development lakes.

19. If the subject area becomes part of Detroit Lakes, it is anticipated that it will be zoned R-1, R-2 and R-A; those areas

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zoned R-1 and R-2 would receive municipal services while those areas that are not receiving immediate sewer and water would be zoned R-A, agricultural/residential.

If the subject area becomes part of Detroit Lakes, the city's R-1 and R-2 zoning districts within the shoreland development standards, would be guided by the more stringent shoreland development standards. In the areas zoned R-A, the more stringent R-A zoning requirements would be applied.

20. Current zoning for that portion of the subject area in Detroit is commercial.

If that portion of the subject area in Detroit is annexed, the anticipated zoning would be commercial.

21. Detroit Lakes provides its residents with water, sanitary sewer and waste water treatment, storm sewer, fire protection, police protection, street improvements and maintenance, administrative services, and recreational opportunities.

Detroit Lakes provides the subject area in Detroit with water, sanitary sewer, storm sewer, fire protection, recreational opportunities, and police protection through a mutual aid agreement with Becker County.

Detroit Lakes provides the subject area in Lakeview with fire protection through a contract, whereby 80% of the cost is paid by Lakeview and the remainder paid by Detroit Lakes.

Under a mutual aid agreement with the Becker County Sheriff's Department, Detroit Lakes' police officers assist the sheriff in the subject area when needed and called upon.

22. Lakeview provides its residents with administrative

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services, fire protection through a contract with Detroit Lakes, the contracted services of a limnologist, and street improvements and maintenance.

The town has no central sewer service or water service. In approximately 1984, after studying the possible construction of a centralized sewage collection system, the town determined not to construct the sanitary wastewater treatment facility.

23. Becker County did not strictly enforce its sanitary sewer ordinance in the subject area from 1977 to 1986 because it was anticipated that the subject area would be part of a general centralized sanitary sewer treatment plan being proposed by Lakeview.

24. Becker County does not monitor septic systems to determine if they are working properly, and it does not monitor all holding tanks. Lakeview does not have regulations for septic system maintenance.

Prior to installation, soil borings have not been required for at least some of the septic systems in the subject area.

25. The standards for a septic system are design standards in nature and are not end-product effluent standards.

To determine whether a septic system is properly functioning, it must almost always be totally unearthed.

26. In an on-site sanitary septic system, phosphorus and nitrogen are primarily removed through ionization with the soils and not by the septic system itself. Once the soils are ionized, the nitrogen and phosphorus travel by water through the soils to

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the lakes or other water sources. The longer the systems are not at maximum efficiency, the more inefficient the surrounding soils become resulting in potential increased phosphorus discharge.

The aquifer in the subject area and surrounding area is close to the surface.

The effluent from the existing septic systems is assumed to eventually drain into the ground water.

Septic systems have an average life expectancy of 20 years. The age of the septic systems in the subject area varies.

All of the holding tanks of the subject area septic systems have not been regularly pumped. Some of the subject area septic systems failed and had to be replaced.

27. It is projected that 20 to 50 septic systems are presently not functioning in compliance with the county ordinance.

Lakeview's limnologist indicated that a 55% treatment efficiency rate for the septic systems in the subject area was probable.

Presently, it is estimated that the existing development in the subject area releases approximately 1,420 pounds of phosphorus a year, after discounting the total phosphorus generated by 30% for that portion retained in the solids remaining in the septic tank. If the effluent from the subject area is treated by Detroit Lakes' sanitary sewer project, the amount of phosphorus released would be approximately 149 pounds per year.

28. Some of the wells in the subject area have experienced an increase in nitrates and coliform.

There is no county-wide or subject area policy requiring

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the monitoring of individual wells.

29. The Detroit Lakes water system has sufficient capacity to service the subject area. It has approximately 1,100,000 gallons of storage.

30. Detroit Lakes has capacity within its wastewater treatment plant to accommodate the existing development within the subject area.

Detroit Lakes may incur approximately \$1,600,000.00 of deferred assessments to extend municipal sewer and water to the subject area. The projected annual debt service costs to Detroit Lakes would be approximately \$158,840.00.

Detroit Lakes has completed a preliminary engineering report for future wastewater treatment facilities for Detroit Lakes. The proposed construction has been placed on the Minnesota Pollution Control Agency's Project List and was assigned a number 72 ranking. It is anticipated that it will take six to eight years to complete the construction of the new wastewater treatment facility.

31. The Detroit Lakes' wastewater treatment facility is a tertiary system that includes the extensive removal of phosphorus from the waste stream.

32. Lakeview does not anticipate the construction of either a centralized sanitary sewer system or water system.

33. Detroit Lakes is the only city adjacent to the subject area.

34. Detroit Lakes does not extend municipal services outside its corporate limits.

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35. The 1988 assessed valuation for Detroit Lakes was approximately \$34,388,193.00. The 1988 taxable valuation of Detroit Lakes was \$4,289,247.00.

36. The 1988 taxable valuation of Detroit was approximately \$1,433,005.00.

37. The 1988 taxable valuation of Lakeview was approximately \$14,332,796.00.

38. The 1989 taxable valuation of the subject area in Lakeview was approximately \$498,154.00. The 1988 taxable value of the subject area in Detroit was approximately \$36,692. It is projected that the subject area in Lakeview pays approximately 28.6% of Lakeview's taxes in 1989.

It is projected that if the subject area is annexed, existing taxes on homes with a market value between \$50,000.00 and \$100,000.00 in the remainder of Lakeview will increase between \$20.00 and \$60.00.

39. If the subject area is annexed to Detroit Lakes, Lakeview's cost for the fire contract will be reduced by approximately \$3,000.00, in addition to the savings from the necessary street maintenance for the subject area.

Lakeview increased its budget in 1988 and 1989 to accomplish a three year road project in two years. The increase to the budget was approximately \$20,000.00 per year. This is not an ongoing budget expense and need not be reflected in future budgets.

The projected tax increases for homes with a market value between \$50,000.00 and \$100,000.00 were computed with the

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\$20,000.00 remaining in the budget.

40. It is anticipated that the increase in tax revenues to Detroit Lakes from the subject area will cover increased services as well as the costs that will need to be borne by Detroit Lakes for the extension of municipal sanitary sewer and municipal water to the subject area.

41. For taxes payable in 1988, the tax capacity rate for Detroit Lakes is 19.95 and for Detroit is 7.96. The tax capacity rate for Lakeview in 1989 was 10.0889. The tax capacity rate for the County of Becker in 1988 is 29.46 for Detroit Lakes and Detroit. The tax capacity rate for the school district for 1988 is 47.98 for Detroit Lakes and Detroit. The 1988 special taxing district capacity rate is 0.69 in Detroit Lakes and Detroit.

42. Detroit Lakes had a total bonded indebtedness in 1988 of approximately \$7,612,800.

Detroit had a total bonded indebtedness in 1988 of \$0. Lakeview had a total bonded indebtedness in 1988 of \$0.

43. Detroit Lakes has a fire insurance rating of 5.Detroit has a fire insurance rating of 10.Lakeview has a fire insurance rating of 10.

44. The proposed annexation would not have any direct impact on the school district, since the same school district serves Detroit Lakes, Detroit and Lakeview.

45. All necessary governmental services can best be provided to the subject area by annexation to Detroit Lakes.

46. A majority of the property owners in the subject area have petitioned the Municipal Board requesting annexation.

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47. The remainder of Detroit and Lakeview can continue to function without the subject area.

48. Detroit Lakes is the only municipality adjacent to the subject area.

## CONCLUSIONS OF LAW

1. The Minnesota Municipal Board duly acquired and now has jurisdiction of the within proceeding.

2. The subject area is now or is about to become urban or suburban in nature, and the annexing municipality is capable of providing the services required by the area within a reasonable time.

3. Municipal government in the subject area is required to protect the public health, safety, and welfare.

4. The best interests of the subject area will be furthered by annexation.

5. The remainder of Detroit and Lakeview can carry out the functions of government without undue hardship.

6. There is a reasonable relationship between the increase in revenue for Detroit Lakes and the value of benefits conferred upon the subject area.

7. The annexation of all or part of the subject area to an adjacent municipality other than Detroit Lakes would not better serve the interests of the subject area, as there is no other adjacent municipality.

8. The annexation proceeding has been initiated by a petition of a majority of the property owners within the subject area and, therefore, this Minnesota Municipal Board Order is not

subject to an annexation election.

9. Three years will be required to effectively provide full municipal services to the annexed area.

10. An order should be issued by the Minnesota Municipal Board annexing the subject area described herein.

# ORDER

1. IT IS HEREBY ORDERED: That the property described in Findings of Fact 1 herein, be and the same is hereby annexed to the City of Detroit Lakes, Becker County, State of Minnesota, the same as if it had originally been made a part thereof.

2. IT IS FURTHER ORDERED: That the population of the City of Detroit Lakes is hereby increased by 510 persons.

3. IT IS FURTHER ORDERED: That the population of the Town of Lakeview is hereby decreased by 510 persons.

4. IT IS FURTHER ORDERED: That the tax rate of the City of Detroit Lakes on the property herein ordered annexed shall be increased in substantially equal proportions over a period of three years to equality with the tax rate of the property already within the city.

5. IT IS FURTHER ORDERED: That the effective date of this order is May 31, 1991.

Dated this 31st day of May, 1991.

MINNESOTA MUNICIPAL BOARD 165 Metro Square Building St. Paul, MN 55101 Terrence Merr

Executive Director

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#### MEMORANDUM

The Board now urges the parties to put the annexation contest behind them. In granting the annexation, the Board affirmatively addresses the issue that the area is urban or suburban or about to become so. There has been ongoing consensus that the area is urban or suburban.

There was significant testimony that pollution was a problem, and, depending on who was testifying, that the problem would or would not be solved by central sewer and or water. Additionally, the existence of lake pollution was agreed upon throughout the Board's deliberations. The Pelican River pollution must be addressed at a number of levels. Whether Big and Little Detroit lakes area being polluted more by surface water runoff or by ineffective on-site septic systems is not the issue. Minnesota Statutes 414 does not require that the parties that win have perfectly clean hands. In this instance, the issue was not whether one side was polluting the Pelican River Watershed more than the other. The issue, whether municipal government can best protect the public health, safety, and welfare of the area seeking annexation, was determined affirmatively by the Board. In allowing the septic systems to deteriorate, the Town of Lakeview and the County of Becker share equal blame, but will not be the entities that resolve and correct any pollution that the on-site septic systems are causing. In the past, testimony indicated that there is significant doubt that agents of the County saw that on-site septic systems were property installed or that they are properly

functioning. The reasons varied but the results are the same; systems are allowed to exist that don't function properly, are not properly located or may have outlived their effectiveness, thereby endangering a resource of every person in this state, the lake, as well as the ground water. Neither the County or the Town could present testimony to prove that their inaction has <u>not</u> resulted in the ground becoming totally ionized and no longer able to hold the particles of nitrogen or phosphorus resulting from the on-site systems.

Detroit Lakes is the only municipality adjacent to the urbanized and suburbanized area where a majority of the residents have requested municipal services. Some of those requests were generated by the need to correct polluted wells or failing septic systems.

The experts who testified seemed unimpressed with the discussion of studies to determine the effectiveness of each septic system to determine the exact extent of the pollution. At least one of the experts indicated that such an extensive study would cost as much as the sewer and water project that would be needed to service the subject area. Lakeview continually inquired of witnesses whether the money projected for the sewer and water project would be better spent on other areas, while also inquiring as to why no study of the functioning of each of the systems had been done. In these times of fiscal constraints for local units of government, it is important to remember that Minn. Stat. 414 does not require such a degree of testimony to meet the burden of proof.

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Lakeview will be able to survive with the loss of the subject area, since the loss of approximately 28% of the Town's tax base is balanced with the fact that the projected increase to Town residents would be only about \$30 to \$60 per year on the average tax bill. Nonetheless, the board suggests that the City and Town attempt to share the revenue from the subject area for a three year period of time with the amount decreasing over the years. This would afford the Town an opportunity to stabilize its budget process. While the evidence showed that the City will not reap a tax windfall from the annexation of an area which will require extensive services, the sharing of tax revenues may go a long way to bridge the gap between the two units of government.

One of the ongoing areas of concern voiced at the hearing is the pollution to the Pelican River Watershed from surface water runoff. The Board urges the City to look at its storm sewer diversion program, and provide for upgrade. Addressing pollution in the subject area does not relieve Detroit Lakes of addressing pollution from surface water runoff.

The Board urges the parties, Lakeview, Detroit, Detroit Lakes, the Lake Detroiters Association, CLEAR, the Pelican River Watershed District, and the County, to meet to deal with common problems, and where necessary bring in additional resource people or organizations. There will be times when all of the named parties may not be needed to address common problems, and that shouldn't stop parties from meeting. The consistent thread throughout the proceedings has been that there is concern for Detroit Lake and the rest of the Pelican River Watershed District,

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and that the parties have not worked as effectively together as they could have. The subject area is now in the City of Detroit Lakes. The Board charges the City to act and use its leadership to improve not only the subject area, but the overall community. Now is the time for all parties to work together. MM 5-3!-9!