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December 13, 2023

Spring Lake Township  
Attn: Melissa Hanson  
20381 Fairlawn Avenue  
Prior Lake, MN 55372

Re: Orderly Annexation Agreement Considerations

Dear Ms. Hanson:

Per our discussion at the work group meeting held on December 11<sup>th</sup>, below are the major components for a new Orderly Annexation Agreement. As you are aware, the timing for getting a new agreement in place is very tight. We would therefore ask for a written response from the Township by December 20<sup>th</sup> to keep this moving forward.

1. **Annexation Eligibility**. All property within the OAA is eligible for annexation at any time by property owner, City, or Township initiation as described below.
    - 1.1 **Property Owner Initiated Annexation**. Each parcel within the OAA shall become eligible for annexation by property owner petition:
      - If the parcel is within 150 feet of City sewer and water and the City's system has the capacity to serve the parcel;
      - If the parcel abuts the City and the City's system has capacity to serve the parcel.
    - 1.2 **City Initiated Annexation**. At any time, City may initiate annexation of a parcel or parcels within the OAA for the purpose of extending public infrastructure (streets, curb and gutter, sanitary sewer, water, storm sewer, etc.).
      - City initiated annexation shall make public infrastructure available within 150 feet to all annexed parcels within two (2) years of the date the annexation is approved by MBAU.
    - 1.3 **Township Initiated Island Annexation**. The City and Township acknowledge there are existing pockets of the Township which are completely surrounded by the City (hereinafter referred to as "Islands") and additional Islands of the Township may be created in the future due to annexation. The Township may determine that it is either undesirable or a financial burden to provide service to specific Islands. To alleviate potential negative effects of Islands, the Township may at any time require the City to annex Island properties within the OAA that are completely surrounded by the City. Annexation of Islands requested by the Township is subject to the following:
      - The Township shall notify the City of this request by certified mail identifying all properties requested to be annexed.
      - The City shall have a period of one (1) year from the date of notification to initiate the annexation of the properties associated with the request.
      - No reimbursement of property taxes, as detailed in paragraph XX below, shall be required from the City to the Township for Township requested annexation of property.
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- 1.4 Resolution of City to Annex Areas. To annex any area as set forth above, whether by property owner, City, or Township petition, the City shall pass a resolution. The resolution adopted by the City Council pertaining to the annexation shall state:
- No action by Spring Lake Township or consideration by the chief administrative law judge or its successor is required to effectuate the annexation; and
  - The chief administrative law judge or its successor may review and comment, but shall, within 30 days, order the annexation in accordance with the terms of the resolution.

2. **Phasing of Annexation.** It is recognized that neither the City nor Township can control progress of development and therefore cannot determine the dates in which an area may be annexed. The attached Exhibit C is intended to provide the anticipated phasing of annexation in the OAA based on an assumption of how municipal utilities may be extended in the OAA over time; this exhibit is only intended to be a reference.

- 2.1 Parcels may be annexed one parcel at a time or multiple parcels at a time up to the entire OAA.
- 2.2 Each annexation shall be initiated either by the City, the Township, or by property owner petition as detailed in paragraph 5 above.
- 2.3 Other than annexation of Township Islands, the City shall have sole discretion in whether or not to proceed with each annexation request.

3. **Annexation Outside of the OAA.** The City and Township acknowledge property owners have a right to request annexation of property abutting the City. The City agrees it will not initiate the annexation of property located outside the OAA. Nothing in this section shall prohibit a property owner or Township from requesting the City annex parcels located outside the OAA. The City shall have sole discretion in whether or not to proceed with a request to annex property outside the OAA.

(We reviewed your proposed language related to 'Development within MUSA'. More discussion is probably needed on this section so we are all on the same page. We believe the paragraph above captures the desired intent, but we can discuss further.)

4. **Payment by the City to the Township for Property Annexed.** The City shall make a cash payment to the Township for land annexed. The amount of the payment shall be two (2) times the amount in taxes that Spring Lake Township levied against the annexed property in the year preceding annexation, exclusive of debt service and special levies. The payment is being made in consideration of tax revenues lost by the Township as a consequence of the annexation. The amount payable to the Township applies only to the areas annexed within a given year. The City shall remit payment in two (2) equal payments, the first payment is due by December 15<sup>th</sup> in the year the Area is annexed, and the second payment is due by December 15<sup>th</sup> in the year following annexation.

- 4.1 Publicly Owned or Exempt Property. When a property is annexed that is publicly owned or is currently exempt from local property taxes, the exemption shall be maintained, and no reimbursement shall be required from the City to the Township.
- 4.2 Township Requested Island Annexation. Whether initiated by property owners or the Township, no reimbursement shall be made from the City to the Township for annexation of residentially developed island neighborhoods as detailed in Paragraph XX above.

5. **Utility Rates for Township Parcels.** Certain areas of the Township, generally referred to as the South Shore Drive and Vergus Avenue neighborhoods, are unique because the City allowed municipal sewer and water services to be extended to these areas without requiring annexation. The City allowed the extension based on agreements entered into in 1998 and 2003 and the understanding that once the improvements had been paid for, the property would be annexed into the City. Understanding the City will not pursue annexation of these parcels and acknowledging these Township properties are receiving a unique and special benefit and the city does not collect its standard stormwater fee that is charged to all other municipal parcels, the Township and City agree that an increased utility rate is appropriate. The City reserves the right to charge an increased utility cost for the parcels within the Township receiving municipal sewer and water service; however, in no event shall the increased utility cost exceed 20 percent.
6. **Township Responsibility for Future Replacement Costs.** The Township acknowledges that they, or the residents benefitting from City sewer and water service in the South Shore Drive and Vergus Avenue neighborhoods, shall be solely responsible for the replacement costs of City sewer and water infrastructure located within the Township and the related street replacement costs when replacement becomes necessary in the future.
7. **City Owned and Maintained Parks.** Within six months of approval of this Agreement, the City shall transfer ownership to the Township the following parcels:
  - South Shore Park. Located at 2968 South Shore Drive, Prior Lake, MN 55372 (PID 119090270).
  - Raymond Avenue Park. No Address. Located on the South Shore of Spring Lake consisting of thirteen (13) parcels (PIDs 110110140, 110110120, 110110110, 110110100, 110110090, 110110080, 110110070, 110110060, 110110050, 110110040, 110110030, 110110020, and 110110010).
  - Raymond Avenue Natural Area. No Address. Located on the South Shore of Spring Lake consisting of two (2) parcels (PIDs 110110190 and 110110200).
  - Stormwater Pond Parcel. 2255 Raymond Avenue, Jordan, MN 55352 (PID 110110220).
  - Natural Area located south of Raymond Avenue. No Address. (PID 110110240).

(The intent is to transfer all parcels but we will need to continue to evaluate as there may be a need for the city to retain ownership – or at least an easement – on the non-park parcel(s) to maintain the lift station)

The Township agrees to accept the parcels, including improvements, in their existing condition as of the date of property transfer. As of the date of the property transfer, the Township shall assume ownership and maintenance responsibilities for the property and improvements and the City shall no longer have any maintenance responsibilities.

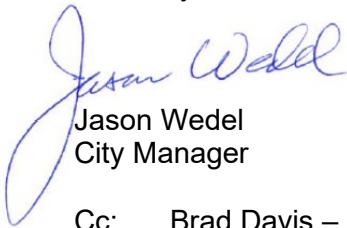
8. **Planning and Land Use Control Within the Orderly Annexation Area.** Pursuant to Minnesota Statutes Section 414.0325, subd. 5 (a) and (b), this Joint Resolution delegates planning and land use authority to the City to accomplish planning and land use control of the OAA. Planning and land use authority shall include, but is not limited to, annexation, comprehensive land use plan amendments, conditional use permits, variances, zoning map amendments, zoning ordinance text amendments, building permits (including structures, decks, finishes, accessory structures, retaining walls, signs, solar, siding, fences, excavation/grading, additions/alterations, windows, doors, etc.), code enforcement, preliminary and final plats, planned unit developments, registered land surveys, administrative land combinations, administrative land subdivisions and regulatory authority, permitting, inspections and enforcement of wetlands pursuant to the Minnesota Wetlands Conservation Act.

- 8.1 Subsurface Sewage Treatment Systems (SSTS). All jurisdiction and regulatory authority, including permits, inspection, and enforcement for subsurface sewage treatment systems within the OAA shall continue to remain with Scott County.
- 8.2 Accessory Buildings and Structures. The City acknowledges several larger acreage parcels exist within the OAA and several property owners have, or may desire to build, accessory structures that are larger than permitted by Prior Lake City Code. Prior to annexation of any parcels within the OAA, the City shall amend its zoning ordinance related to accessory structures to be more in line with Scott County's standards for residential accessory buildings. In addition, the City agrees to work with the Township to address any additional discrepancies that may exist between Scott County and the City of Prior Lake so as to not negatively impact property owners within the OAA that may wish to maintain the more rural character of their property.

Another item to be discussed further is the street maintenance and reconstruction within the OAA. We've reviewed your proposed language and understand the intent, but the city cannot agree to the language proposed. We want the roads to continue to be maintained but cannot agree to assume all costs without any say or control in how the streets are financed. We previously discussed establishing an anticipated lifetime for the improvements and applying a depreciating scale; maybe that would be a better way to go on this one.

As you are aware, the timing for getting a new agreement in place is very tight. We would therefore request a written response from the Township by December 20<sup>th</sup> to keep this moving forward.

Sincerely,



Jason Wedel  
City Manager

Cc: Brad Davis – Scott County  
Lisa Freese – Scott County  
Barry Stock – Scott County CDA  
Jo Foust – Scott County CDA  
Matt Stordahl – Township Engineer