

## Lagoon Strategy

The City of West Fargo now buys water and sewer services from the City of Fargo allowing West Fargo's municipal lagoons near the intersection of 12th Avenue NW and 14th Street NW to be decommissioned and redeveloped. The lagoons consist of approximately 600 acres, some of which may be reserved for emergency overflow, leaving 400 to 500 acres of developable land. This represents the largest City-owned development opportunity in a generation.

### Lagoon Property



(Esri et al., 2022)

The south side is almost decommissioned and scheduled to be tested for phosphorus and remediated, if necessary, in 2023. The decommissioning of cells five and six is scheduled for 2023 and two more cells in 2024. A significant amount of land is expected to be ready in the next two years. In the interim, to answer the questions of how much fill, water, sewer, streets, and servicing are necessary requires determining, at least in part, how the land will be used next. A feedback loop of financing is required, in order to develop a master plan for development, and a financing structure to pay for the new development.

West Fargo 2.0 envisions the lagoons site as a good location for mixed-use development considering the demand for more industrial space within city limits. Given the time that has passed since the adoption of the plan in 2018, a market study would need to affirm if the lagoon sites are a viable location for the extended industrial village the plan envisions. Should that be affirmed, the West Fargo 2.0 plan presents an alternative to the conventional industrial park, imagining the area as a self-sustaining center for industry and “making” in the region.

People who currently work in West Fargo’s existing industrial area must drive to meet all of their daily needs. The industrial village could accommodate a variety of manufacturing, office, housing, and the services and recreational opportunities needed to support workers and reduce the number of car trips on local roads. Designed around a network of interconnected streets, the Lagoons Industrial Village would provide a healthy and convenient place for workers. (People of West Fargo et al., 2018, 142)

#### Lagoons Illustrative Plan



(People of West Fargo et al., 2018, 143)

## ACTIONS

1. Determine the administrative process for the disposition of the lagoon lands in a strategic and comprehensive manner that implements West Fargo 2.0. The administrative process should include a division of labor to determine which city departments will be responsible for which portion of the actions below. The final step in the initial administrative process is for the City Commission to provide direction and approval to move forward with the Request for Expressions of Interest (REOI), as outlined below.
2. Determine required programming and pre-development criteria for the project before developing the REOI, including:
  - a. The City needs to preserve some level of emergency storage capacity (i.e., a dry pond/lagoon bed). Consider possibilities on how this could potentially be naturalized with green infrastructure including reed beds and floating wetlands so that the perimeter of the lagoon bed could potentially still be used for active transportation, such as perimeter walking trails.
  - b. Public Works has interest in preserving part of Cell 8 (the southeastern lagoon) for an inert landfill and/or other future Public Works facilities. Discuss the pros and cons of the location to ensure contiguous redevelopment and access to downtown. Consider similar naturalization from point a.) above.
  - c. The City is interested in exploring if it would be advantageous to start bringing in fill and/or utility services. Consider the cost / benefit analysis of early installation for both fill and utilities, as well as the required capacity that is anticipated. The diversion will allow more flexibility on how much fill is required, and where roads and retention ponds occur. How much fill and where it goes is somewhat dependent on the type of development that occurs. Which option between options 3a.), 3b.) and 3c.) will determine the preferred approach. Option 3a.) would suggest adding fill and perhaps utilities in the near term, while options 3b.) and 3c.) would suggest that the master plan would help direct fill and utilities at a later date. Slab on grade would require engineered fill; engineered fill in the near term may make the property more marketable, but more expensive. A dump-and-spread approach to fill improves the perception to make it more attractive, but the final developer will likely dig down to the original ground plane anyway, so it becomes more expensive in the long term.
  - d. Clarity on how the REOI would fit with the need for infrastructure/area master planning for the City's future growth area/ETJ (see Growth Areas Master Plan section).
  - e. Potential sources of funds for the financial structures contemplated in point 3.) below.
  - f. If staff recommends the Request for Expressions of Interest (REOI) process as detailed in point 3.) below, determine if some type of stipend is required for the project to be persuasive enough to attract responses.
3. Issue a Request for Expressions of Interest (REOI) within the next year to national and regional developers asking for their level of interest in the redevelopment of the lagoon property.



Consider pros and cons of various financial structures to be further refined during the drafting of the REOI, including:

- a. SELL THE LAND TO A PRIVATE DEVELOPER. This approach is the least financial risk to the city, and requires the least amount of staff capacity. For most investment choices, lower risks garner lower returns. For the three financial structures considered here, this is the lowest potential risk and return. However, the wisest investment strategy is based on matching risk tolerance and staff capacity in order to make financial choices, so this may well be the best option. In all three options, the developer would need to comply with West Fargo 2.0, and the Title IV Zoning Text Amendments project would need to be complete to enable the sort of market-responsive development patterns that West Fargo 2.0 envisions. The city could further require the developer to comply with the forthcoming Growth Area Master Plan/Lagoon Master Plan.
  - b. ENTER INTO A PUBLIC-PRIVATE PARTNERSHIP (P3). This option has the city retain a partial equity stake in the property, in partnership with a private developer. In this case, the city may enter into a range of financial commitments, including some combination of land and construction of utility infrastructure, streets and/or civic space. The upside of this approach includes another entity taking a portion of the risk as well as bringing successful development experience to the table. The city contributes the land and a combination of the types of city infrastructure that it is well able to deliver, while leaving the construction of buildings to the developer. The downside of this approach includes a significant time commitment to ensure that the developer is willing and able to implement the city's vision in developing the land, as well as sharing the profits from the development by giving up a portion of the equity in the land and new developments.
  - c. BECOME THE MASTER DEVELOPER OF THE PROPERTY. This consists of hiring a planning consultant to work with the community and creating a builders' guild of committed regional builders to phase and construct the property in line with the city's land development plan and architectural design guidelines. The benefits of this structure is that the city has complete control over the development patterns of the new developments as well as reaping the full financial benefits of owning and managing the property. Many cities across the U.S. are getting into similar land management structures for a variety of reasons, including to ensure affordable housing. (Berg, 2021) The downside of this approach is that the city would be taking on the full fiscal risk of the property. Because of the extra time to manage the builders' guild, this strategy would likely see a slower build out of the property, and subsequently a slower growth in the tax base than if either of the other two financial structures were chosen.
4. Develop Lagoon Master Plan RFP to hire a planning consultant to work with the community and private developer or builder guild (depending on the option selected above) to build out the West Fargo 2.0 industrial village plan, updated to reflect current market demands and community input. If 3b.) or 3c.) above are selected, this action would need to be a stand-alone project. If 3a.) above is selected, this action could be rolled into the Growth Area Master Plan.

## RESOURCES AND ANTICIPATED FUNDING SOURCES

Since this project begins with policy it requires collaboration with the City Commission in the first phase. The disposal process will not require funding and will be developed with Administration, the Commission, Public Works, and Planning. The developer REOI will require staff time to draft, but until a strategy is selected, it is unknown if municipal funds will be required to partner with the successful respondent.

The master planning process will require funds for a consultant, which will likely be City funded. Federal funding may also be applicable for project development, particularly if the industrial facilities within the new neighborhood produce goods and services that support the green economy. The bipartisan Infrastructure Investment and Jobs Act (IIJA) invests \$47 billion in resilience funding to prepare communities for extreme weather. (Flavelle & Davenport, 2021) Review federal grants during the design process to ensure alignment ([www.grants.gov](http://www.grants.gov)).

The sorts of walkable, complete streets detailed in West Fargo 2.0 are also excellent candidates for another portion of The Bipartisan Infrastructure Law (BIL), which establishes the new Safe Streets and Roads for All (SS4A) discretionary program with \$5 billion in appropriated funds over the next 5 years. The SS4A program funds regional, local, and Tribal initiatives through grants to prevent roadway deaths and serious injuries. (U.S. Department of Transportation, 2022) This could help increase West Fargo's Walk Score of 29. (Walk Score, n.d.)

Depending on the scope and whether the Lagoon Strategy includes the market studies detailed in the Economic Development Strategy or completed separately, and also depending on how in-depth the strategy is, if the Lagoon Strategy includes the Lagoon Master Plan, the budget range is likely to be \$125,000-\$200,000, with the upper range including a portion of:

- Level 1 Retail Market Analysis (\$6,000-\$10,000) and
- Hotel/Hospitality Market Analysis (\$15,000-\$25,000) and/or
- Office Market Analysis (\$15,000-\$25,000) and/or
- Residential Market Analysis (\$25,000)

The city budget for the development of the lagoons property will be based on the design elements of the Lagoon Master Plan as well as ownership structure. This budget will vary widely, depending on the ownership structure selected from page 13, items 3a, 3b, or 3c. The largest cash outlay required is option 3c, with the City of West Fargo as the master developer for these 400 to 500 acres of developable land. In this case, a rough estimate for infrastructure costs can range from \$10,000 to \$100,000 per acre in today's dollars, depending on the design of the property, which cannot be estimated at this time. To estimate rough development costs for site preparation, streets, sidewalks, water, sewer, power, data, and civic spaces, the Lagoon Master Plan's initial site design would need to be in draft form and consultation with local contractors, engineers, and developers would be required, or a professional study and feasibility report commissioned. The cost of this report would depend on several factors such as the scope of the project, the complexity of the infrastructure requirements, and the qualifications and experience of the consultants or organizations commissioned to perform the study. On average, the cost of a professional study and feasibility report can range anywhere from \$50,000 to \$500,000, and should be completed as a feedback loop to the draft master plan. The actual cost would depend on the specific requirements of the project and the degree of the modeling.

## TIMELINE, MILESTONES, ROLES AND RESPONSIBILITIES

These actions seek to ensure a clear directive from the Commission to pursue, so that the decommissioning and operations process is informed. The timeline for the Lagoon Strategy should begin soon but may require approximately 36 months to complete these actions. The estimated timeline and milestones are illustrated below, which potentially could finish two months earlier if the planning process of action 4.) above began before the developer was selected. However, this misses the opportunity of having the developer participate in the design process. Either method is acceptable.

Critical milestones for the process are defining a land disposal process first to assure future growth at the lagoon site is in alignment with West Fargo 2.0 and the best economic and environmental option for the city. After that, selecting a developer is the next milestone, followed by executing a contract for a planning consultant, and culminating with the adoption of the master plan.

This project is one that impacts most departments within the city. Administration and the City Commission will take the lead in determining the process while all departments and residents of West Fargo will participate in the planning process. An informal internal City of West Fargo City Staff Lagoon Working Group may develop strategic options and then engage the community for lagoon strategy visioning. Consultant teams may be required to assist with market analysis, strategic planning, financial planning, and physical planning. A developer may take the form of a private regional or national developer, a public private partnership (P3) or a regional builders' guild with the city as the master developer. The responsible departments and entities listed under resources are identified as follows and are applicable to all projects.

Abbreviation	Entity	Abbreviation	Entity
CC	City Commission	FI	Finance
PC	Planning Commission	FD	Fire Department
AD	Administrator	PD	Park District
COM	Communications	PZ	Planning and Zoning
ED	Economic Development	POL	Police Department
ENG	Engineering	LIB	Public Library
		PW	Public Works

### West Fargo Action Plan

Task	Resource	Start	Finish	1QTR 2023			2QTR 2023			3QTR 2023		
				JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
<b>Lagoon Strategy</b>		2/6/23	6/25/24									
Land Disposal Process	AD, CC, PW, PZ	2/6/23	3/17/23		Disposal Process							
Draft & Issue REOI	AD, PZ, PW	3/20/23	4/28/23			Draft & Issue REOI						
Response Time	PZ	5/1/23	6/30/23				Response Time					
Review REOI Responses & Select Winner	CC, PC, AD, ED, PZ, PW	7/3/23	9/1/23					Review & Select Winner				
Developer Selected		9/4/23	9/4/23									
Draft & Issue Master Plan RFQ	PZ, PW, ENG, AD	3/20/23	4/14/23			Draft & Issue RFQ						
Response Time	PZ	4/17/23	5/26/23				Response Time					
Review RFQ Responses & Select Winner	PC, AD, PZ, ENG, PW, ED	5/29/23	7/7/23					Review & Select Winner				
Contract Complete		7/10/23	7/10/23									
Planning Process	PZ, PC, AD, COM, ENG, FD, PD, LIB, POL, PW	9/5/23	5/13/24									Planning
Adoption Process	PZ, PC, CC	5/14/24	6/24/24									
Master Plan Adopted		6/25/24	6/25/24									

### West Fargo Action Plan

Task	Resource	Start	Finish	3QTR 2023		4QTR 2023			1QTR 2024			2QTR 2024
				Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<b>Lagoon Strategy</b>		12/5/22	5/21/24									
Land Disposal Process	AD, CC, PW, PZ	12/5/22	1/13/23									
Draft & Issue REOI	FI, AD, PZ, PW	1/16/23	2/24/23									
Response Time	FI	2/27/23	4/28/23									
Review REOI Responses & Select Winner	CC, PC, AD, ED, FI, PZ, PW	5/1/23	6/30/23									
Developer Selected		7/3/23	7/3/23									
Draft & Issue Master Plan RFQ	FI, PZ, PW, ENG, AD	1/16/23	2/10/23									
Response Time	FI	2/13/23	3/24/23									
Review RFQ Responses & Select Winner	FI, PC, AD, PZ, ENG, PW, ED	3/27/23	5/5/23									
Contract Complete		5/8/23	5/8/23									
Planning Process	PZ, PC, AD, COM, ENG, FD, PD, LIB, POL, PW	7/4/23	3/11/24	Planning Process								
Adoption Process	PZ, PC, CC	3/12/24	4/22/24								Adoption Process	
Master Plan Adopted		4/23/24	4/23/24									

An alternative to this schedule is to issue the Master Plan RFQ after the Developer REOI is received and awarded. The benefits of this approach is that the developer is engaged in the master plan from the beginning and may be more likely to comply with all the design elements. The drawbacks of this approach is that the developer may sway the City of West Fargo away from its vision.