CITY OF FOREST LAKE
WASHINGTON COUNTY, MINNESOTA

ORDINANCE NO. 750

AN ORDINANCE ENACTING FOREST LAKE CITY CODE TITLE XI, CHAPTER 121, VIRTUAL CURRENCY KIOSKS

The City Council of the City of Forest Lake does ordain:

SECTION 1. ENACTMENT. Forest Lake City Code Chapter 121 is hereby enacted as follows:

§121.01 Purpose, Intent, and Authority

(A) Purpose.

The City recognizes that:

(1) Virtual currency kiosks ("Kiosks") are a significant instrument in fraud and scams. In 2023, the Federal Bureau of Investigation ("FBI") reported over $189 billion in losses due to fraud via Kiosks. While some legitimate transactions may take place via the Kiosks, the machines have quickly become a preferred payment method for scammers.

(2) Criminals manipulate, intimidate and/or threaten their victims into using the Kiosks to send funds. According to the FBI's Internet Crime Complaint Center, criminals give detailed instructions to individuals, including how to withdraw cash from their bank, how to locate a kiosk, and how to deposit and send funds using the kiosk. Criminals instill a sense of urgency and isolation in their victims. In some of the scams, criminals falsely represent themselves as government officials or law enforcement officers.

(3) The elderly are particularly susceptible to the frauds perpetrated via the Kiosks. Per FBI statistics, these scams overwhelmingly affect adults over age 60, with the losses reported for those over age 60 representing $124 million of the $189 million losses reported in 2023.

(4) In the City of Forest Lake alone, the Forest Lake Police Department ("FLPD") reports losses of approximately $300,000 from Kiosk related fraud from 2023 through 2024.

(5) The scams often require that the victim deposit large sums of cash into the Kiosk, meaning that in addition to the Kiosk scam, there is a greater general risk to public safety due to individuals carrying large amounts of cash to the Kiosks.

(6) The State passed legislation attempting some regulations in 2024, found in Minn. Stat. Ch. 53B. However, the State has acknowledged that criminals have already found work-arounds to the statute. The burden of Kiosk fraud exists on all levels of government—federal, state, and local. The City's purpose in passing this ordinance is to address our share of that burden.

(B) Intent.

This chapter is intended to regulate Kiosks located within the City to protect the general welfare of the public, especially elderly and vulnerable adults.

(C) Authority.

Pursuant to Minn. Stat. §412.221 subd. 32, the City has the authority to provide for the prevention of crime, the protection of property, and the promotion of general welfare by ordinances consistent with state and federal law.

§121.02 Definitions

The definitions provided in Minn. Stat. §53B.69 are incorporated here by reference. For the purposes of this chapter the following definitions shall apply, unless the context clearly indicates or requires a different meaning:

Hosting Business: The real property owner that is providing or leasing space or utilities to a virtual currency kiosk operator for the purpose of operating a virtual currency kiosk.

Virtual Currency: See Minn. Stat. §53B.69 subd. 6.

Virtual Currency Kiosk ("Kiosk"): See Minn. Stat. §53B.69 subd. 10.

Virtual Currency Kiosk Operator ("Kiosk Operator"): See Minn. Stat. §53B.69 subd. 11.

§121.03 Registration Required.

No Hosting Business shall host a Kiosk without first having registered that Kiosk with the City.

(A) *Applications.* An application for registration of a Kiosk shall be made on a form provided by the City. The application shall include:

(1) The full name of the Hosting Business;

(2) The Hosting Business's address, telephone number and email;

(3) The name, business address, and valid registered agent of the Virtual Currency Kiosk Operator;

(4) The proposed location of the Kiosk;

(5) A copy of Kiosk Operator's valid state license;

(6) A copy of the lease/rental agreement between the Hosting Business and the Kiosk Operator;

(7) All information provided to the State pursuant to Minn. Stat. §53B.74.

(8) Written confirmation from the FLPD that the Kiosk Operator has no more than two (2) instances of substantiated fraud, as determined by the FLPD, involving any Kiosk owned or operated by that Kiosk Operator located within the City in the last six (6) months;

(9) Written confirmation that the Kiosk Operator and the Hosting Business have been found to be in compliance with the requirements of this ordinance at a preliminary compliance check performed by the FLPD or its designee; and

(10) Any additional information the City deems necessary.

(B) *Action.* Upon receipt of a completed application and the applicable registration fee as designated by the City's fee schedule, the City Clerk shall approve or deny the registration as necessary.

(1) Registrations shall be good for one (1) calendar year, provided they are not revoked or suspended pursuant to §121.06.

(C) *Moveable Place of Business.* No registration shall be issued to a moveable place of business. Only fixed location businesses shall be eligible to be registered under this section.

(D) *Renewals.* At least 60 days before registration expires, an application for renewal shall be filed with the City Clerk, containing all the information required in §121.03(A). No person or business has a right to have their registration renewed.

(E) *Changes in Ownership.* Registration is non-transferable. If there is a change in ownership of the retail establishment, a new registration is required, and the new owner shall be required to submit a new application. Registration shall only be valid for the premises for which it is issued, and any change in location of the premises shall require reapplication by the applicant for registration of the new premises.

§121.04 Registration Restrictions

Registration shall be issued subject to the following restrictions:

(A) Hosting Business and Kiosk Operator shall comply with all applicable regulations of the State of Minnesota relating to Kiosks.

(B) Hosting Business shall prominently display a sign provided by the City which shall contain warning information regarding the risk of Kiosk scams. The sign shall be located within two (2) feet of the Kiosk and shall be clearly visible to individuals using the Kiosk.

(C) Hosting Business shall have a dedicated, closed-circuit camera for the Kiosk and shall position said camera as requested by FLPD. Hosting Business agrees to provide camera footage to the FLPD within 48 hours of a request and shall maintain the video footage for a minimum of 30 days.

(D) A Hosting Business who has had a previous registration suspended or revoked shall not be eligible for a new registration for 24 months.

§121.05 Compliance Checks and Inspections

Prior to issuing the registration, all Hosting Business shall be subject to an initial compliance check to ensure compliance with the provisions of this chapter. Pre-registration compliance checks shall be conducted by the FLPD or other delegated law enforcement officers or agencies during regular business hours.

All retail establishments shall be open to inspection by the FLPD or other delegated law enforcement officers or agencies during regular business hours. From time to time, a law enforcement officer shall conduct inspections to ensure compliance with the provisions of this chapter. Nothing in this chapter shall prohibit other compliance checks or inspections authorized by state or federal laws for educational, research, or training purposes, or required for the enforcement of a particular state or federal law.

§121.06 Basis for Denial, Suspension, or Revocation of a Registration

(A) The following shall be grounds for denying the issuance or renewal of a registration or suspending or revoking a registration issued under this chapter:

(1) The application is incomplete or the registration fee has not been paid.

(2) The Kiosk does not comply with City Code or State law.

(3) The Hosting Business or Kiosk Operator has made fraudulent statements, misrepresentations, or false statements in the application or related documents.

(4) The hosting of the Kiosk is conducted in such a manner as to constitute a breach of the peace, a menace to the health, safety, and welfare of the public, or a disturbance

of the peace or comfort of the residents of the City, upon recommendation of the Police Chief, City Administrator, or City Council.

(5) The Hosting Business or Kiosk Operator has acted in an unauthorized manner or beyond the scope of the registration granted.

(6) Failure to allow inspections of the registered premises, for the purpose of ensuring compliance with the law, at any time it is occupied or open for business.

(7) Failure to continuously comply with all conditions required as precedent to the approval of the registration, including but not limited to the number of substantiated fraud events, all requirements of this chapter, and all state or federal regulations related to Kiosks.

(8) Real estate taxes, personal property taxes, or special assessments on the business premises or the real property where the Hosting Business is located have become delinquent or are unpaid.

(9) The Kiosk has been conducted without registration after enactment of this ordinance. A sixty-day grace period will be permitted from the date of this ordinance enactment to allow for any existing Hosting Businesses to obtain registration.

(10) The Kiosk Operator has had their state license revoke, denied or suspended.

(11) Other good cause shown as determined by the City Council.

§121.07 Hearings

(A) Revocation, suspension, or denial of a registration shall be preceded by a hearing before the City Council. Notice of the hearing shall be sent to the Hosting Business listed on the application via certified mail at least 10 days prior to the hearing. The notice shall include the time and place of the hearing and shall state the nature of the charge. A hearing for consideration of issuing, suspending, or revoking a registration will be conducted before the City Council. At the hearing, the Hosting Business has the right to be represented by counsel, the right to respond to the charges or information provided to the Council, and the right to present evidence through witnesses under oath. It is not necessary that criminal charges be brought in order to support a determination of a registration violation, nor does the dismissal or acquittal of such a criminal charge operate as a bar to adverse registration actions under this section.

(B) Following the hearing, the Council may deny, revoke, suspend, or not renew the registration or may grant or continue the registration upon such terms and conditions as

it deems reasonable and necessary to accomplish the purpose of this chapter. The decision by the City Council following a hearing is final.

(C) Enforcement actions provided in this section are not exclusive and the Council may take any action with respect to a registration, employee, or retail establishment as is authorized by City Code, state, or federal law.

§121.08 Violations

Any person or business found to be in violation of this chapter shall be guilty of a misdemeanor and, upon conviction thereof, shall be punished according to law. The City may choose to issue an administrative citation in addition to other legal or equitable remedies, pursuant to City Code Chapter 36. Violations of this chapter shall be exceptions to the issuance of a compliance letter under Chapter 36. Each day of failure to comply with the requirements of this chapter shall be an additional violation subject to fine, charges and other penalties.

SECTION 2. AMENDMENT. Forest Lake City Code 35.01 is hereby amended as follows:

Licenses and Permits

Virtual Currency Kiosk Registration $2,000/year

SECTION 3. EFFECTIVE DATE. This ordinance shall become effective upon publication.

Passed by the City Council on the 14 day of April, 2025.

CITY OF FOREST LAKE

By: _____
Blake Roberts
Its Mayor

Attest: _____
Jolleen Chaika
Its City Clerk

(Published in the *Forest Lake Times* on April 17, 2025)