

**INVER GROVE HEIGHTS CITY COUNCIL WORK SESSION MEETING
MONDAY, MARCH 6, 2023 - 6:00 P.M. - 8150 BARBARA AVENUE**

1. CALL TO ORDER:

The City Council of Inver Grove Heights met in regular session on Monday, March 6, 2023, in person. Acting Mayor Murphy called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited.

2. ROLL CALL:

Present In-Person: Acting Mayor Murphy, Council Members: T'Kach, Scales; City Administrator Kris Wilson, City Attorney Bridget McCauley Nason, Deputy City Clerk Katie Malott, Community Development Director Heather Rand

Present via Zoom Video conferencing: Mayor Dietrich, Council Member Gliva

3. DISCUSSION ITEMS:

A. Business Licensing

City Administrator Kris Wilson provided an update on the City Code Business Regulations. This falls under the priorities for 2023 that were adopted by the Council.

Current Categories of Business Licenses:

- Alcoholic Beverage Sales - On and Off Sale
- Pawnbrokers & Precious Metal Dealers
- Bowling Alleys
- Motor Vehicle Sales
- Automobile Service Stations
- Automobile Junkyards
- Massage Businesses
- Body Art Establishments
- Peddlers & Solicitors
- Dog Daycare & Kennels
- Trash Haulers

Staff has discussed changes to the following four:

- Bowling Alleys
- Motor Vehicle Sales
- Automobile Service Stations
- Trash Haulers

Staff also discussed bringing in a new type of licensing for the following:

- Tobacco Sales

Why require a license:

- Most city licensing activities are tied to a public safety goal of the city:
 - Adult products such as alcohol and tobacco
 - Risk of criminal activity such as massage therapy and pawn shops
- In Minnesota, cities are generally not involved in public health/sanitation related inspections or consumer protection (restaurants and hotels) – those fall to the state

Bowling Alleys:

- In 2015 the city repealed a licensing requirement for dance halls and cabarets. Staff recommends bowling alleys also be repealed.
- Listed in the City Code; no licenses have been issued since at least 1988.
- If repealing the requirement to have a bowling alley license, any bowling alley that serves alcohol would still have to have a liquor license.

- South St. Paul is the only other city in Dakota County requiring a license for bowling alleys
- Uncommon for cities around the area to be licensing bowling alleys

Councilmember T’Kach referenced alcohol, tobacco, massage parlors, and pawn shop licensing and questioned if the city goes out and checks on things or if it is by complaint only.

City Administrator Wilson replied that compliance checks are done for those holding a liquor license in the city. Compliance checks are also done at massage therapist establishments. The city currently requires a license to be a pawn broker; there are none operating in the city. Tobacco sales are licensed by the County; the Sheriff’s office does compliance checks to ensure sales are there.

City Administrator Wilson discussed Motor Vehicle Related Businesses:

1. Motor Vehicle Sales (new and used)
2. Automobile Service Stations
3. Automobile Junkyards
 - Staff is proposing to repeal #1 and #2, and to keep #3
 - Motor vehicle sales are currently licensed by the state (Department of Public Safety Division of Driver and Vehicle Services). Staff questioned the value in continuing to license. No compliance checks are done.
 - Service/Gas Stations are regulated by the Department of Commerce. Staff questioned the value in continuing to license. No compliance checks are done.
 - There would be a modest loss of revenue. Current licenses bring in \$6,500 per year combined (Service/Gas and Motor Vehicle Sales). This also frees up staff time for other work.

Current licenses for these expire on April 30, 2023.

Two cities in Dakota County, South St. Paul, and West St. Paul, requires licensing of these types of businesses.

Councilmember T’Kach stated she was not aware of any junkyards in the city.

City Administrator Wilson replied there are none licensed. While in the process of writing up the agenda, someone mentioned a site to the City Clerk that staff would be following up with.

Councilmember T’Kach asked if the city does anything with a junkyard if noisy or if there were complaints. She questioned if those issues could be handled through other ordinances.

City Administrator Wilson responded that the Code Compliance Officer, Community Development Director, and City Attorney all agreed there were other sections of code that cover service stations. Staff recommends keeping #3, automobile junkyard, at this time because that type of business could create concerns for neighbors. It also has the potential to factor into crime similar to a pawn shop.

Councilmember Gliva referenced West St. Paul and South St. Paul’s licensing fees and questioned if it meant they are providing some kind of service the city is considering.

City Administrator Wilson replied she was unsure. She said staff could contact those cities for information.

City Administrator Wilson discussed Tobacco Sales stating this item is one staff is requesting the Council consider adding.

- Dakota County currently provides this type of licensing and enforcement
 - There are 40 currently licensed in the city

- Inver Grove Heights is the only large city in Dakota County not doing its own tobacco licensing.
- Through conversations with Dakota County staff, it is proposed the city put a tobacco licensing ordinance in place and be prepared to take on the renewal process.
- Brings in more than the \$6,500 from lost fee revenue and uses staff time.
 - The city clerk's office and the police department feel they can take on this function at current staffing levels.

Trash Hauling:

- Staff seek clarification as to what the city should regulate
- Currently requires any hauler wishing to provide service in the city have a license from the city
 - The number of licenses was capped
 - When the ordinance was adopted, the number was at 17
 - The ordinance stated as licenses were surrendered, those licenses would not be re-issued to a new company. This condenses the number of haulers in the city.
 - This was not done to limit competition but to reduce the wear and tear on city streets
 - All large cities in Dakota County either license haulers or have a closed system where the city picks a single hauler and requires all residents to use that hauler
 - This exists in only two cities in Dakota County, the rest license them
 - The City of Eagan has 7 haulers, Burnsville has 6, Inver Grove Heights has 15
- Does the Council want to regulate roll-off container businesses
 - Does not include ones delivered or emptied weekly (outside apartments or businesses)
 - Consists of remodeling projects or cleaning out a home. (One time dumpster/roll off container)
 - Code is unclear as to whether or not this needs to be a licensed hauler
 - Numerous unlicensed haulers provide this service

City Administrator Wilson asked if the Council would like the code to specifically exempt people who provide roll off services only. The license would only be required for those that have a regularly scheduled pickup, or if wanting this to be included in the licensing process.

Mayor Dietrich shared that the constituents she has spoken with seemed like this wasn't an issue right now. She said she would hate to be a solution looking for a problem. She would like to see it stay the way it is.

Acting Mayor Murphy asked if anybody could bring a roll off in the way it was currently stated.

City Administrator Wilson replied that was the way it is in practice. When staff knows of a company bringing in a roll off container they have not reached out to tell them to stop or that they do not have a license in the city. It has been allowed to take place without any enforcement.

Councilmember Scales said he didn't mind the idea of a license for the boxes/dumpsters. He was concerned about limiting the number of haulers. If the number of haulers continue to go down, he felt that was saying no one else can get in this business in the future. He believes the more competition the better. He does not like limiting trash haulers.

He said he was unsure how to contact those that provide boxes/dumpsters. He would like to know what the value would be to have a license. If the license was just to add a license and collect the fee, that doesn't add value to it. He questioned if there would be a mechanism to check on the boxes and what they would do. He requested information about the value.

City Administrator Wilson responded that staff doesn't have a strong value on roll off dumpsters. She said she spoke with Public Works Director Connolly while putting together this agenda item. There is a certain volume of demand for roll off containers throughout the city. Whether that be with five or ten providers, they tend to be single trips. Staff's purpose in licensing regular service providers is to consolidate and control the number of trips on city streets. From a public works perspective, Mr. Connolly did not see a strong argument for requiring roll off container providers have a city license.

She mentioned there were other provisions of Code such as weight restrictions and laws as to where they could park in a right of way. Those apply whether licensed or not.

Councilmember Scales said he understood the road issue. He didn't believe they would ever find a city that has one trash hauler that has been more economical than someone who has multiple. He felt there were more things to look at such as residents, instead of just wear and tear.

City Administrator Wilson said staff is not proposing to go to a single system set up.

Councilmember Scales mentioned as haulers drop, that number goes down in years to come.

Acting Mayor Murphy asked if the question was about staying at 15 haulers.

City Administrator Wilson replied the question was if expecting companies providing roll off containers to be licensed. Regardless of the answer provided, staff would work with the City Attorney to make sure the code is clear.

Acting Mayor Murphy referenced the list of providers and asked if the five checked off provide roll offs.

City Administrator Wilson replied yes.

Acting Mayor Murphy questioned if there was another company that was not checked off that provided a roll off if they were technically licensed or not licensed.

City Administrator Wilson replied it was her understanding those were licensed to provide a service in the city. The city questionnaire asks which of the listed services they provide. She did not believe they were specifically licensed for only those items.

Deputy City Clerk Katie Malott agreed that the questionnaire asks what other services are provided. There is a slight difference in fee by \$50.00 if having roll offs.

Acting Mayor Murphy mentioned companies that do not currently provide roll offs would still have the ability to have free market advantage. His opinion is with 15 options in the city, he would prefer to see roll off containers monitored somehow and make them a part of the licensing.

Councilmember T'Kach said to her, there is not a lot of value to licensing. She commented they were without a value and did not have the wear and tear on roads like there is with weekly garbage haulers. She said if there were issues, those could be dealt with accordingly. She agreed with businesses starting up and competing with others.

Councilmember Scales said he didn't see the value in having a license for roll offs when there wasn't any enforcement. If there was a mechanism for enforcement for being without a license, he may think there was value for it. He referenced the five listed who bought licenses and said those should be protected because they bought the license. Since enforcement isn't done with those five, he said he feels guilty going to them and telling them to pay the license and try to argue with them that they are getting a value for their license fee.

Acting Mayor Murphy said he understands what is being said. He questioned why they don't tell the 15 companies who already did what they were supposed to in the city. Then they could say no matter what size the garbage container is, they need to be licensed to bring it into this city.

Councilmember Scales said he felt there were more than the 15 listed bringing roll offs into the city.

Acting Mayor Murphy replied there probably were more than 15 and questioned if they want them driving around town.

Councilmember Gliva was concerned about creating more of a problem by licensing something, particularly on the roll offs. She was unsure how that could be dealt with when someone drops off something unless someone complains about it causing damage to a street. She questioned what the value was and if it mattered.

City Administrator Wilson asked if anyone had concerns with the city doing its own tobacco licensing. If not, staff would bring a first reading of an ordinance.

Acting Mayor Murphy said he agreed with all other recommendations by staff including tobacco.

City Administrator Wilson stated that staff would move forward with a resolution discontinuing bowling alleys, motor vehicle sales, and automobile service stations for the next regular City Council meeting. Tobacco sales would take longer and wouldn't need to be in place until September in order to communicate and educate those establishments.

B. Regulation of Short-Term/Vacation Rentals

City Administrator Wilson stated this topic has been discussed several times. Staff has received comments from property owners both for and against. Staff requests Council direction on this topic. Background:

- City Council adopted a rental licensing ordinance, Fall 2016
 - Regularly posted on the City Council meeting agendas for approval
- Current Code language does not speak specifically to short term/vacation rentals
- Current Code language has not been interpreted to apply to short terms rentals, only long-term rentals

Timeline of discussion so far:

- Last summer staff started to see an increase in calls/emails to the City Council with neighbors of some of the short-term rental properties expressing frustrations.
 - Frustrations included people operating a business in a residential district, people staying in these do not have an interest in knowing the neighbors or investing in the neighborhood, and traffic and noise concerns.
- August 1, 2022: City Council Work Session discussed this topic. Staff received direction, drafted it into an ordinance, and brought that ordinance back before the Council on:
- August 22, 2022: First Reading was approved
- September 26, 2022: Second Reading was scheduled and tabled. Several individuals attended this meeting and spoke out in opposition of where the city was heading with the First Reading to prohibit short term rentals by having a required minimum rental period of 30 days.
 - Staff was asked to meet with the individuals that gave testimony during the meeting to receive additional input.
 - Staff met with those individuals and came back before the Council at the:
- December 12, 2022 City Council meeting: Staff presented the original draft of the ordinance establishing a minimum rental period of 30 days and an alternative (secondary draft of the ordinance) creating a licensing structure for short term rentals. No Council action was taken.

Continuum of Options:

1. No regulation. Properties used as short-term rentals would be subject to the same ordinances as any other property in the city. For example: Noise ordinance, tall grass, and weeds.
2. Apply existing rental licensing ordinance to short term rentals.
3. Create a new section of code requiring a license specific to short term rentals.
4. Restrict short terms rentals to specific types of properties. (Can be done in conjunction with requiring or not requiring a license).
 - a. Some cities only allow short term rentals of homesteaded properties.
 - b. In order to homestead a property, the person themselves would have to live there a majority of the year. (Can be defined).
 - c. This prevents a property from primarily being used for short term rental.
5. Prohibit short term rentals via a minimum rental period of 30 days.

She stated when staff presented the options in August the Council directed staff to prepare the ordinance in line with #5. When staff returned with two options, one of which was prohibiting short term rentals, the other option was to create a new license specific to short term rentals.

Some arguments for short term rentals:

1. Small business opportunity
2. Offsets the cost of homeownership for some
3. Brings people in town who spend money at local businesses (restaurants)
4. A service for which there is a growing demand in the marketplace

Some arguments heard against short term rentals:

1. Allows a business to operate in a residentially zoned area bringing potentially undesirable impacts such as traffic, noise, and crime.
2. Currently does not pay lodging taxes putting them at a possible advantage over local hotels and motels.
 - a. Staff can fix this by clarifying the city ordinance
3. The buy up of homes to be used for this type of business reduces the amount of housing available for people to live in on an ongoing basis. (Either through home ownership or long-term rentals).

There are two versions of the Short-Term Rental Ordinance:

1. Set a minimum rental period
2. Establish a license specifically for short term rentals

The existing rental licensing ordinance does not "fit" for short term:

- There is a requirement in the existing rental license ordinance that landlords use a crime free lease addendum and background check every one of their tenants
 - Having to background everyone staying there does not seem logical
- Current rental licensing lacks any requirement to collect lodging taxes because longer term rentals are not considered to be lodging, they are considered to be homes
- Creating a short-term rental license creates opportunity to address the challenges of short-term rentals. For example, the hosting of events or parties

Questions for the Council:

- If the Council wishes to continue discussing this topic, should staff time be invested in further research, meetings, or ordinance drafting.
- If yes, what direction the Council is interested in going.
- If there was anything the Council would like to have in terms of additional information that would help make a decision.
- Council can determine not to take any action on the subject. If that is the case, it would be removed from the pending ordinances/ordinances under consideration section of the website. Staff would focus time and work on other things.

Mayor Dietrich said she spoke to some of the hotel/motel General Managers from the CVB, they were not as concerned about the lodging tax piece because it is a different client using their facilities compared to using short term rentals.

Councilmember Scales did not believe this was a topic that can be ignored. He said it needs to be addressed and has some ideas. He didn't like the idea of leaving it the way it is and felt it was short sided to limit and not allow in the city. He said the world changes, just like cities that were trying to limit Lyft and Uber, he believes they need to change with it but have some control. He said he has a lot of sympathy for those living next door to party houses. He suggested finding a way to limit/control those. He said he and his wife have stayed in short term rentals and received a list of things they needed to do such as having the car in the driveway, they couldn't have more than 3-4 unregistered guests. He said having control over them is important. He liked the idea of the lodging tax and commented that if they are in that line of work, they do what comes with that line of work. He suggested a compromise for those that do and those that do not want this.

Councilmember T'Kach stated she uses short term rentals when she travels. She said she is price sensitive, if looking at a city or area and have additional fees, some go on to the next place. If the city has lodging taxes and surrounding cities do not, it may limit who would come to the city. She mentioned to help her make a decision she would like to see who else is charging lodging taxes. She said if local hotels/motels are not concerned, it adds a cost. She believed the benefits and that the world is changing, staying with current norms are a value to the city. She said she has spoken to five homeowners who run VRBO's and Airbnb's; all live on the property, some rent the entire property, the basement, or an ADU. She sees it as people looking for income. She mentioned this allows people to visit and see the city. She felt the city should have a competitive edge to bring more people in, spend their money here, and visit restaurants and businesses.

Councilmember Scales said if charging a lodging tax limits people from coming to the city, they probably shouldn't have the hotels charge it.

Councilmember T'Kach replied it was a different clientele than those who use hotels/motels.

Councilmember Gliva commented as a user/frequenter of VRBO and Airbnb's, there is a long list of requirements. If doing short term rentals, the city should be very specific about things that need to be abided by. For example: if having a two-stall garage, can have two cars, if three stalls, have three cars, cannot be on sidewalks, cannot have events. These are things that could hopefully get the right people in them for the neighborhoods. She suggested the license fee be a significant amount for those with homes for short term vacation rentals. She said there should be consequences for city ordinances that are broken. If providing lodging, she believes the lodging tax should be there.

Acting Mayor Murphy said he had taken a brief tour of some of the rentals in town. If there isn't already a problem, in his opinion they may soon have one. He said this shouldn't be left unattended. He was of the opinion that it should be 30 days. He felt there is a compromise. He said he was 50/50 on the lodging tax. He believes they should be licensed, have a minimum stay, and follow all other rules in the city. He asked if there was information on other cities.

City Administrator Wilson replied staff went out and looked for different samples. Staff spoke with legal counsel because their firm has helped with this issue in other cities. Staff has not gone down a list of cities in the metro area; a more systematic approach could be done. Questions could include:

- Do you require a lodging tax
- Do you have a minimum stay
- What is your license fee

Staff could put those questions together and send it to colleagues in other cities and report back.

Councilmember T'Kach asked what the value was for the lodging tax or what it was used for.

City Administrator Wilson replied by state law the lodging tax has to be devoted to the Convention and Visitor's Bureau (CVB) in town. She believed the city was allowed to keep a very small portion for administrative costs. The vast majority of the lodging tax goes to the CVB to fund marketing of the community as a destination. If bringing in more revenue in that area, the CVB would be the recipient.

Councilmember T'Kach responded if that was the case, she wanted to be sure the Convention and Visitor's Bureau would let people know there is a licensed program. She said that Airbnb's require certain things such as carbon monoxide detectors and fire alarms. She said she felt people look for quality places to rent. She mentioned with as close as they are to the airport, the minimum stay could be one night. She agreed the city should have licensing and broad parameters around noise, number of people registered, and a limit of those staying. She said some require ID when checking in. She suggested when/if this comes to be, to have the police department on board initially to respond quickly to complaints. With places she has rented, if there is a call to the owner or the police by a neighbor it would result in an instant fee of \$1,000 for the renter. Like Uber and Lyft, she felt this was still evolving.

Mayor Dietrich said there may be something to the homesteaded piece so that it isn't a property that is turning over all the time. She mentioned she wants to do something for those people that are having party houses next door. She shared that while she was campaigning during two different cycles, one same house had unresolved issues. It was very concerning for those people to be dealing with that for two years. She noticed when asking people doing short term rentals about licensing, they were not against it. She agreed they needed to have some skin in the game to that regard. She said many with Homeowner's Associations did not allow them to do short term rentals, yet many were doing it in an unsolicited ask. She said it was prevalent in the city and agrees there needs to be some type of legislation to protect residents and be welcoming to people.

Acting Mayor Murphy said he felt the Council was saying something needs to be done and doesn't want to be the last city to do something about this. He suggested after staff surveys what other cities are doing, they provide Council with a list of the top things other cities do so the Council can pick what is preferred for the city from that list. For example: minimum stays, maximum number of people, homesteaded or not homesteaded, lodging tax or no lodging tax.

City Administrator Wilson agreed. She said that staff would take the feedback and do research. She anticipates coming back before the Council in April for discussion. She asked the Council if what was found could be presented as a First Reading. That may be preferred over having a Second Reading due to the fact of having a new Council in the New Year and starting fresh.

Councilmember Scales questioned if the first reading would be a rough draft of what staff discovers.

City Administrator Wilson responded yes and stated that the city requires three readings. She looks at the first reading as staff bringing something forward to Council and questioning if they are on the right track. Staff would publicize the second reading and try to think of who they should make this known to such as the Chamber, the Convention and Visitor's Bureau, and social media posts. The second reading is where they target public comments. A third reading is brought back in hopes of having a document that a majority of the Council can adopt. She recommends starting with a first reading at one of the two April meetings.

Mayor Dietrich said that made sense. She shared that she spoke with the Mayor and City Manager in Maple Grove who are going through this too. They put a moratorium on. She asked the City Administrator what the benefit would be to doing something like that and if it would save staff dollars. She asked what some reasons would be to entertain a moratorium.

City Administrator Wilson responded that a moratorium was generally used when considering zoning changes. She was not familiar with using a moratorium in a licensing matter, not that it couldn't be used. Given the amount of unknown short-term rentals going on she was unsure how a moratorium would be enforced, there is not a solid list of who is currently doing rentals. She felt time and energy would be better spent on judiciously moving through the process.

Councilmember T'Kach referenced the comment of those that buy property specifically to turn into rental units and that it could be a problem. She felt those in that position were investing in the property to make them wonderful for renting. She agreed that it shuts the property out of homeownership. She asked if other cities or experts could be asked about the trend in the metro area outside of Minneapolis and St. Paul, and transit lines and condos, and if it was really a big concern. She requested staff check into some of the longer-term rental properties bought up from people all over the country and going into disrepair.

City Administrator Wilson replied that there are some issues with long term rental licensing that staff believes could use attention and clean up. She said this was not the only rental issue likely to come before the Council this year.

4. ADJOURN:

Motion by T'Kach, second by Scales, to adjourn the meeting at 7:07 p.m.

Ayes: 5

Nays: 0 Motion carried.

Minutes prepared by Recording Secretary Sheri Yourczek