

**INVER GROVE HEIGHTS CITY COUNCIL MEETING
MONDAY, JANUARY 8, 2024 - 6:00 P.M. - 8150 BARBARA AVENUE**

1. CALL TO ORDER:

The City Council of Inver Grove Heights met in regular session on Monday, January 8, 2024. Mayor Dietrich called the meeting to order at 6:00 p.m. The Pledge of Allegiance was recited.

2. ROLL CALL:

Present In-Person: Mayor Dietrich; Council Members: Murphy, Gliva, T’Kach, Scales; City Administrator Wilson, City Attorney McCauley Nason, City Clerk Kiernan, Public Works Director Connolly, City Engineer Merchlewicz, Finance Director Hove, Parks and Recreation Director Lares, and City Planner Hunting.

3. PRESENTATIONS: none

4. CONSENT AGENDA:

- A.** Minutes of the October 23, 2023 City Council Meeting
- B.** Minutes of the November 6, 2023 City Council Work Session
- C.** Minutes of the November 13, 2023 City Council Meeting
- D.** Approval of Disbursements **Resolution 2024-001**
- E.** Personnel Actions
- F.** Appointment of Acting Mayor
- G.** 2024 Official Newspaper Designation
- H.** Resolution Authorizing Official Depositories for 2024 **Resolution 2024-002**
- I.** Approval of Electronic Fund Transfers 2024 **Resolution 2024-003**
- J.** Revised 2024 City Council Meeting Schedule
- K.** Revised 2024 Commission Meeting Schedules
- L.** Authorization to Issue Request for Proposals for Central Maintenance Facility Needs Assessment and Master Site Plan
- M.** Ordinance Amending the Bishop Heights PUD to Permit a Sit-Down Restaurant **Ordinance 1471**
- N.** Approval of New Massage Therapist Licenses
- O.** 2024 Contract with Messerli & Kramer for Government Relations Services
- P.** 2024 Contract with Madden Galanter Hansen for Labor Relations Services
- Q.** Resolution Approving Reorganization of Certain Staff Positions in the Parks & Recreation Department **Resolution 2024-004**
- R.** Resolution Making 2024 Councilmember Board and Liaison Appointments **Resolution 2024-005**

Motion to approve the Consent Agenda as presented by T’Kach, second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

5. PUBLIC HEARING:

A. Public Hearing for Additional 2024 Tobacco Sales License Renewal Applications

There were 4 tobacco licenses brought forward for approval: Cahill Vape & Tobacco, Inver Grove Tobacco & Vape, Speedway #4411, and Speedway #4548.

Major Dietrich opened the Public Hearing. No public hearing comments were received.

Motion to close public hearing by Gliva, second by Scales.

Ayes: 5

Nays: 0 Motion carried.

Motion to approve additional Tobacco Retail Sales for 2024 by Scales, second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

B. 2024 Liquor License Renewals and Approval of Change in Management

There were 4 liquor license renewal brought forward for approval: AMC Theatre, LLC, Inver Wood Golf Course, Speedway #4411 and Speedway #4548.

Major Dietrich opened the Public Hearing.

Greg Grover, 7231 Cahill Ave, came forward to put in a complaint in regard to fire lane parking at both the Bierstube and Drkula's 32 Bowl properties.

Motion to close public hearing by Gliva, second by Scales

Ayes: 5

Nays: 0 Motion carried.

Motion to approve additional Liquor license Renewals and Change in Management for 2024 by Scales, second by Murphy,

Ayes: 5

Nays: 0 Motion carried.

C. Consideration of New Liquor License Applications

There were 3 New applications for Liquor licenses, Nowhere Entertainment LLC has applied for an On-Sale and Sunday Liquor License for Nowhere Haunted House entertainment establishment located at 5300 Robert Trail S, Suite #200, Pizza Pub of IGH LLC has applied for an On-Sale, a 2 am Liquor and Sunday Liquor License for the former Old World Pizza establishment located at 5660 Bishop Avenue.

Perplebunny Axe House LLC has applied for an On-Sale Exclusive Liquor License located at 5858 Blaine Ave. The Police Department has conducted the requisite background investigation on the applicants and found no basis for denial of these requests. Fees and certificates of insurance have been received. The public hearing notices were all published in the December 24, 2024, issue of the Pioneer Press.

Major Dietrich opened the Public Hearing. No public hearing comments were received.

Motion to close the public hearing by T’Kach, second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

Motion to approve the three new Liquor licenses of Nowhere Entertainment, Pizza Pub of IGH, and Perplebunny Axe House LLC by Scales, second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

6. REGULAR BUSINESS:

A. Rental Housing Licenses

City Administrator Kris Wilson presented four Rental Housing Licenses for approval. Staff finds it to be in order. They appeared as rental addresses of 6415, 6417, 6423 & 6425 Concord Blvd, property owner, Margaret Sandquist of Mendota Heights, MN and property manager Mark Sandquist of Mendota Heights, MN.

Motion to approve rental licenses for Margaret & Mark Sandquist 6415, 6417, 6423, & 6425 Concord Blvd by T’Kach, second by Scales.

Ayes: 5

Nays: 0 Motion carried.

B. Discussion of Potential Tax Abatement

City Administrator Wilson presented this item on Potential Use of Tax Abatement for Multi-Family Development in the northwest area (NWA). The City’s Comp Plan guides numerous parcels within the NWA for multi-family residential development. Only 1 multi-family project has been built – and it received a tax abatement. Multiple prospective developers have considered projects within the NWA, but they have not proceeded. The fee schedule specific to the NWA results in significantly higher fees for multi-family development, leading prospective developers to select projects in other communities. In recent months, multiple prospective developers have inquired about the potential for financial assistance to offset the cost of City fees.

Options the City could consider include Tax Abatement – the option selected previously and used for the Crossings, consider fee reductions – on a project-by-project basis, or by adopting an amended fee schedule for the NWA, or stay the course.

What is Tax Abatement? In a nutshell, developer and City enter into an agreement, agreed upon project is built and developer pays all fees. The property owner pays property taxes each year. The City portion of property taxes resulting from the improvement are "abated" or returned back to the property owner. This generally impacts City-portion of property taxes only. The applications for tax abatement are reviewed and analyzed by the City's financial advisor for developer background, experience and credit history, project costs - land, materials, financing, etc., economic viability of the project, with and without assistance, and an estimated value upon completion and property taxes that will be due is conducted. The goal is to determine whether city fees are really the issue and process takes time and costs money - not practical for every project.

The amount of abatement and number of years is determined up front through abatement agreement. The abatement cannot exceed the dollar value of the new City property taxes generated by the development, and the purpose is to make possible projects that are desirable to the City that would not happen without the assistance.

What the City is forgoing in new property tax revenue is revenue that we wouldn't have received if not for the development? Council must find that the value of the benefits are greater than the value of the abatement provided.

Why would the City specifically desire multi-family development? Land guided for that use in the NWA; current landowners with a desire to sell /develop. It creates a housing option for those that don't want or can't afford other housing types. It creates new customers and new workers for local businesses. It would generate revenue for utility funds, which will allow the City to make its debt payments without negatively impacting current residents and it would generate revenues for the Park Acquisition & Development Fund.

The alternatives to abatement are either reduce fees on a project-by-project basis or adopt a new (lower) fee schedule for the NWA as a whole.

City Administrator Wilson explained the impacts and magnitude of NWA Fee Schedule that water, sewer and stormwater connection fees are different in the NWA compared to the rest of the city. This was an intentional policy adopted in 2007 as a means of repaying the costs of advancing water and sewer service into the NWA - allowed City not to have to assess benefiting property owners that were not ready to develop. The fee revenue is used to make debt payments. Park dedication fees, building permit fees, and some other utility fees are the same citywide - just connection fees differ and rather large for the northwest area.

Both inside and outside the NWA, water and sewer plat connection fees are $\text{base fee} \times \text{density factor} \times \text{net developable acres}$. The base fee is higher in the NWA and the density factor escalates in the NWA. Outside the NWA, density factor is x3.5 for all zoning classifications. Inside the NWA, density factor escalates x2 for R1A & R1B, x4 for R-3A, x6.5 for R-3B, and x12 for R-3C zoning districts.

There is also a water and sewer connection fee due at the time of building permit. The water connection fee inside the NWA is \$4,095 per unit while outside the NWA is \$1,060 per unit. The sewer connection fee inside the NWA is \$7,310 per unit while outside the NWA is \$1,805 per unit.

Total Connection Fees are due at the time of platting and due at the time of building permit application. Examples are for a single-family development with 48 units on 26 acres zoned as R-1C, the

connection fee inside the NWA would be \$1,141,332 while outside the NWA would be \$595,402. For a townhouse development with 157 units on 12 acres zoned as R-3C, the connection fee inside the NWA would be \$2,596,349 while outside the NWA the fee would be \$525,854. For an apartment development with 152 units on 6.3 acres zoned as R-3C, the connection fees inside the NWA would be \$2,156,586 while outside the NWA the fee would be \$392,264.

Councilmember T'Kach asked if the cost of land outside the NWA might be more as services are already available and the market value should be reflected as the land in the NWA have not paid for the services that were installed.

Councilmember Gliva asked for clarification as the topography in the NWA is very challenging getting the water and sewer lines installed really deep. Did it cost more to get the infrastructure installed before the development in 2007? City Administrator Wilson stated that staff would need to research that answer and respond back to council.

Councilmember T'Kach stated when the NWA was being put together, the past council thought that the parcels would be larger so connections we be further apart, and the multi-family or apartments would be closer together maybe making these fees more affordable to developers. City Administrator Wilson stated that one of the challenges is that you can look at this from the city perspective as what the city needs are to be able to make debt payments but that does not always work out to make a project feasible for a developer.

If the city were to implement tax abatement, the pros would be that it would provide a structured environment to deliver financial assistance, Full Council discretion, and assistance is paid out over time. It helps ensure the City gets the project it was promised, can help attract developers who intend to hold and operate, and utility funds collect the revenue they need to make our debt service payments. The cons would be that the abatement would extend forward for years, committing future Councils, and the city general fund does not receive the newly generated tax revenue until the term of the abatement expires.

If the city were to implement a fee deduction, the pros would be a one-time action, does not obligate future Councils, and if the fee schedule is reduced for everyone, creates efficiencies and signals the market that IGH is a place to invest in. It will also impact the decisions of the Council in the future. The cons would consist of a challenge of determining how much of a reduction and of which fees. The developer gets the full benefit upfront, but utility funds receive less revenue, debt service may need to be paid from other sources, like property taxes or utility rates. The degree of Council discretion would require more research.

General questions for Council Discussion are is this City Council open to considering financial assistance for multi-family developments in the NWA? If yes, does the Council have a preference between tax abatement or direct fee reduction? How should staff respond to developer inquiries about financial assistance?

Councilmember Murphy, past City Council have made a decision on how to proceed with the data they have at the time of each development. Over time, we have made many adjustments to the comprehensive plan. He is supportive of either proposal but would like to see the one with the least impact to those residents already residing in Inver Grove Heights. The city is missing a key person at the table each time a development comes in. The existing owner of the land is receiving more value of

their land that they have not contributed in the increase. Can there be a comparison between the two that Ehlers can advise us on? Councilmember Murphy is leaning more toward fee reduction at this time.

Councilmember Scales likes the fee reduction. If land does not sell for development, then the city is not recouping its costs anyhow. The City is getting to be known as being hard to develop here because of these fees. The fees are pushing projects away to other communities. If the city has more of a competitive fee structure, He would rather have the development now, so that these properties are on the tax rolls, become members of the city rather than hope ten years later that the city is still in this situation.

Mayor Dietrich is concerned that when developers go online, our fees need to be competitive and spelled out. She would like developers to come to the table and would support tax abatement or fee reduction (developer credits). She would like the fees to show up on a space on our website that clearly spells out what the fees are.

Councilmember Gliva stated that there should be three groups to meet when a potential developer brings a development to the city. The landowner should be lowering their sale price because if it were for the utilities in the ground, their property would not be worth as much as they are asking for. She is in favor of a fee reduction as she is not a fan of tax abatement.

Councilmember T'Kach asked for clarification on the question of is the council open to considering financial assistance for multi-family housing developments in the NWA. Is it referring to single-family housing, multi-family housing or apartment buildings? City Administrator Wilson responded with multi-family being attached buildings and apartment buildings. She is not opposed to tax abatement or fee reductions; it all depends on the situation. The city has to pay its debts and would like to not have undue fees placed on existing residents.

City Administrator Wilson stated that the census of the council appears to seem open to either suggestion but reducing the fees are of the majority thought at this time. Staff will be bringing forward, with the assistance of a consultant, in the first quarter of this year a revision to the multi-family zoning code to apply citywide.

C. Third Reading of an Ordinance Establishing a Minimum Rental Period for Rental Properties

City Administrator Wilson brought forward the third reading of this ordinance. No changes were made to this ordinance from the first reading. As drafted this ordinance establishes a minimum rental period of 30-days for any property type not specifically excluded from the licensing requirement. Existing exclusions exempt owner-occupied housing and accessory dwelling units (ADUs), as defined elsewhere in City Code. This definition of an ADU includes that it must be on a homesteaded property in order to be considered an ADU. Hospitals, nursing homes, hotels, motels, and student dorms are also excluded.

Changes from the second reading adds an effective date of December 1, 2024, to provide time for operators of existing short-term rentals to transition the use of their property.

Motion to accept one email (Jake Kappel) into record by T'Kach, second by Scales.

Ayes: 5

Nays: 0 Motion carried

Public comment was received on this item

David Kappel, 9272 Tyne Ln, brought up Home Owner Associations (HOA) are put into place to provide additional rules and regulations/restrictions on properties. At the time of the purchase of this home, this development did not have a HOA. He feels that this is an overreach of government to micromanage every situation in the city.

Jake Kappel, 9272 Tyne Ln, brought up the City Planning commission denying placing a full ban on short term rentals in 2017 and that the planning commission thinks should be involved in this agenda item. He thinks licensing is the way the city should proceed. He provided an article from the City of New Brighton that licenses short term rentals.

Steven Dick, 1630 52nd St E, asked council to reconsider. Mr. Dick feels that this ban is not fair for those that have invested in Inver Grove Heights. This is his primary income, and it solves the problem for those that want to come to town that do not want to stay at a hotel. His primary bookings are family gatherings. If you are dead set on a ban, please grandfather those of us that are here or push back the date of sunset.

Anthony Verch, 7008 River Rd, stated that the city is taking away the fundamental rights as a property owner. He has applied and was approved for rental licenses since inception of the program and nowhere in the license application did it ask if it was a short-term rental. He wanted to see the police reports and would like Council to grandfather these five property owners.

Councilmember Scales added that he thinks the city is being short sided by banning short-term rentals as there are many businesses that are run out of homes. He believes the city is setting itself up for legal issues in the future.

Councilmember T'Kach agreed with Councilmember Scales about the city being short sided in their thoughts that this will not come back up in the future for changes.

Motion to table third reading 120 day to convene with other public by T'Kach, second by Scales.

Ayes: 2

Nays: 3 (Murphy, Dietrich, Gliva) Motion failed.

Councilmember Murphy stated this has been a compromise the entire time they have been operating without complying to city code.

Motion to approve third and final reading to Amend IGH City Code Title 4, Chapter 13, Related to rental license to reflect December 1, 2024 effective date by Murphy.

Motion to amend motion on table by Murphy, second by Gliva.

Ayes: 4

Nays: 1 (T'Kach) Motion carried

Motion to amend third and final reading of Ordinance 1470 to Amend IGH City Code Title 4, Chapter 13, Related to rental license to reflect April 1, 2025, effective date by Murphy, second by Gliva.

Ayes: 3

Nays: 2 (T'Kach, Scales) Motion carried.

D. Second reading of ordinance allowing shipping containers in certain zoning districts

City Planner, Allan Hunting, presented this item that included the background that Council approved the first reading of the ordinance on November 27, 2023. At that meeting, no changes were suggested.

Staff is suggesting a few changes to the ordinance to make sure the City's current uses of shipping containers would be consistent with the new ordinance. The Fire Department, Public Works, and Parks Maintenance all have existing shipping containers. The Fire Department intends to use theirs for training purposes in the area behind Station 2. Public Works and Parks Maintenance both use theirs for storage of materials, such as seasonal flood-fighting supplies. Therefore, the revisions call out the use of shipping containers on property zoned P: Public Institutional, with slightly more relaxed standards in regard to size and number.

The amendment summary is as follows

- These containers typically go by the term "shipping" or "cargo" containers. Containers are six-sided steel containers originally constructed as cargo containers used for the transport of goods and materials and does not include structures like railroad cars, recreational vehicles, bus bodies, semi-trailers and similar prefabricated items.
- Allowed in the B-3, I-1, I-2 and P districts city wide.
- Allowed as an accessory use to a commercial or industrial business. Cannot be the only building on the property.
- Containers allowed to retain their ribbed exterior metal surface.
- Changes for Second reading include:
 1. Moved the allowed dimensions of shipping containers from the definition to the individual sections which address the different zoning districts. In the B and I districts, the maximum size remains at 8'x12'x8'. In the P district, containers are allowed to be up to 40 feet long so containers already owned by the City would be compliant with the ordinance.
 2. Created a new section (letter C of the ordinance) for the P district which contains the standards for maximum number of units and greater length than the B or I districts.

The action requested is to approve the Second Reading of an Ordinance to allow Shipping Containers as an accessory use in the B-3, P, I-1 and I-2 zoning districts with the performance standards listed in the ordinance and changes suggested by staff (highlighted in your packet).

Councilmember Scales wanted clarification if the forty-foot containers are just in the P zoning district. City Planner Hunting stated that the City already has forty-foot containers on city property and the rest of the I-1 & I-2 would be the twenty-foot just like B-3 zoning. He would like to see industrial (I) be the same as public institutional (P).

Councilmember Murphy wanted to know how this ordinance changed so much from the original reading in the fall of allowing containers in the B-3 zoning district for temporary use by establishments

wanting an accessory retail facility to sell alcohol out of? City Planner Hunting mentioned that the City has been using containers throughout the city, so staff adjusted to include the other zoning districts to address that issue as our current city code does not allow them without having to alter the exterior materials.

Councilmember Murphy asked if this ordinance would affect the new developments going into the city for securing their tools and materials. This intent is not clear for this ordinance to proceed as written.

Mayor Dietrich stated that she will need time to think on this subject as the original intent was for businesses in the B-3 zoning district. She is not ready to make a decision.

Motion to approve second reading of Ordinance Amending IGH City Code, Title 10, Chapter 2, Section 2 adding a definition of shipping container and adding Title 10, Chapter 15, Section 37, Shipping Containers as an accessory use to equate P & I-1/2 to be the same standards by Scales.

Motion failed for a second as the clarity of P, I-1 & I-2 were not defined enough to proceed. City Administrator Wilson summarized that Council should still proceed in the ordinance approval process for the B-3 areas as planned for local businesses that would like to be compliant with a temporary accessory bar.

Motion to direct staff to addresses shipping containers in the B-3 District only at this time by Murphy, second by T'Kach.

Ayes: 5

Nays: 0 Motion carried.

E. Discussion of 2024 Legislative Positions and Priorities

Katy Sen, Messerli & Kramer presented a preview of the 2024 Legislative Session with some key dates and tasks, the possible IGH Bonding Requests and some of the hot topics of particular interest.

There was a significant bonding bill approved last session with 117th Street W (\$5M) and Heritage Village Phase 5 (\$2M) being included in that bill.

This legislative session is a bonding year, so it is a shorter session starting February 12, 2024. They do not need to approve a budget as it is not an even year. This year they could not pass any legislation. It is more of a policy year and a bonding year because they do not need to vote on a budget. Bonding bills need two thirds votes so it would require bipartisan support. The November 4, 2023 forecast came out and stated that there isn't much cash to use in the forecast so instead of using cash, a bonding request would need General Obligation legislation. Leaders are trying to temper expectations of having successful excess cash for spending.

City Administrator Wilson presented a possible bonding request for the Water Treatment Plant Rehabilitation but with timing considerations and the likelihood of success at the legislature, staff recommends utilizing PFA Loan and to not seek State Bond Funding for this project due to needing to do this work in the winter when water usage is lower and can rehabilitate half of the facility at one time.

Another possible bonding request was for Heritage Village Park Phase 6. This is the final phase of the project that would include moving two historical buildings onto the site and buildout of the outdoor amphitheater. Staff recommends seeking State Bond Funding for this project in the amount of \$2M. It may take more than one year to be successful on being placed on the bonding bill.

City Administrator Wilson explained that the city belongs to three organizations that lobby at the legislature, the League of Minnesota Cities, Metro Cities (Met Council monitoring), and Municipal Legislative Commission (MLC), a subset of Metro Cities that works on behalf of member cities with like size, tax base, relationship to state with local government aid or fiscal disparities.

The anticipated hot topics from these three groups going to the legislature with the following items for consideration. Housing Development & City Regulations - affordable housing and placing limits on Cities on what the cities currently control or how cities apply fees.

The second topic is the School Resource Officer fix from the bill that was approved last session.

The last topic discussed was the City Role in Emergency Medical Services (EMS). There was a study done by the State Auditor as to who receives the EMS licenses and how they are determined. It was pretty critical of that process. There are a number of cities experiencing long wait times that are considered unacceptable for ambulatory services. Currently there is a zero role in cities to play in emergency medical services. The fire department feels that this would benefit the city to be part of the decision-making process on which ambulatory service provider for the area.

Mayor Dietrich commended Police Chief Chiodo for keeping our School Resource Officer in place even with the pressure from other cities to remove them.

Councilmember T'Kach brought up the state solid waste plan coming up. The City should pay attention to legislation around solid waste management since IGH is one of the largest Host city landfills.

The Council directed City Administrator to include a legislative synopsis during the Friday update rather than directly subscribed to the different legislative lobbyist. It is important to have Council participate in hearings when they come up during the legislative sessions.

F. Request for Council Direction Regarding Vacant Commission Seats

City Administrator Kris Wilson presented this item for discussion on vacant commission seats for both the Planning Commission and the Environmental Advisory Commission.

The City's typical process for making appointments to advisory commissions is to advertise for applicants in the late winter / early spring of each year and then conduct interviews and make appointments in May of each year, with the new or reappointed members taking their seats starting June 1. The Council has the option to make appointments to fill these current vacancies earlier or to wait for the annual process to come around. The vacant seat on the Planning Commission is for a term set to expire this May, while the vacant seat on the Environmental Advisory Commission is for a term set to expire in May of 2026.

Staff recommends waiting to make appointments to these seats as part of the annual process in the spring. The Commissions can both operate effectively even with the vacancies and in the past it has proven to be more effective and efficient to recruit applicants and on-board new members on the regular, annual cycle, rather than trying to do so mid-year.

City Council agreed with staff and would prefer to wait to make an appointment to the open seats until May of 2024.

7. PUBLIC COMMENT:**8. MAYOR AND COUNCIL COMMENTS:**

Mayor Dietrich wanted to remind residents that the Community Police Survey is available online, and responses are due by the end of January. The survey advises the police department on what areas residents would like staff to make a priority for the year.

G. Closed Session: Administrator Performance Evaluation

Motion to move into closed session pursuant to Mn Statute Chapter 13D.05, subd. 3, for the purpose to conduct a performance evaluation of the City Administrator by Scales, second by Gliva.

Ayes: 5

Nays: 0 Motion carried.

Motion to move into open session by Gliva, second by T’Kach.

Ayes: 5

Nays: 0 Motion carried.

9. ADJOURN:

Motion to adjourn the meeting at 10:12 p.m. by Gliva, second by T’Kach.

Ayes: 5

Nays: 0 Motion carried.

Minutes prepared by City Clerk Rebecca Kiernan.