



Inver Grove Heights City Council
Monday, August 1, 2022 at 6:00 PM
8150 Barbara Avenue, Inver Grove Heights, MN 55077

AGENDA

NOTICE TO RESIDENTS: Individuals may submit written public comments in advance of the meeting by emailing comments to Rebecca Kiernan (rkiernan@ighmn.gov). Comments received prior to 4:00 p.m. on Monday, August 1, 2022, will be provided to the Council at or before the August 1, 2022 meeting.

1. **Call to Order**
2. **Roll Call**
3. **Discussion Items**
 - A. Regulation of Short-Term / Vacation Rentals
 - B. Initial Discussion of 2023 General Fund Budget & Tax Levy
4. **Adjourn**

This document is available upon a three (3) business day request in alternate formats such as braille, large print, audio recording, etc. Please contact Rebecca Kiernan, City Clerk, at 651.450.2513 or rkiernan@ighmn.gov.

Request for Council Action

SUBJECT: Regulation of Short-Term / Vacation Rentals

MEETING DATE: August 1, 2022

ITEM TYPE: Discussion Items

CONTACT: Kris Wilson, City Administrator, 651.450.2511

ACTION REQUESTED

The Council is asked to discuss and provide direction to staff regarding the topic of short-term / vacation rentals and if or how the City should regulate this use within the community.

BACKGROUND

Recent years have seen the continued rise in popularity of short-term rentals, often used as sites for vacations or special celebration gatherings by individuals, families and groups of various sizes. While the Police Department has received complaints over the years regarding disturbances caused by short-term rental properties, both staff and Council have seen an uptick in resident questions and concerns in recent months. *(Three examples of recent resident emails on the subject are attached.)*

As a result, staff is seeking direction from Council on what, if any, action it wishes to see taken in regards to this type of property use. Along a continuum of regulation approaches that a city might consider, there are numerous options, including:

1. No regulation. Individual occupants and property owners would be subject to just those city code requirements that apply to all properties. This would cover items such as no long grass or weeds, compliance with the general noise ordinance, etc. The Police Department would continue to respond to reports of excess noise or disruptions as such calls are received, but there would be no specific ordinances or license required to operate a short-term rental.
2. Requirement that the property owner obtain a standard City rental license, under the existing terms and conditions of city code.
3. Requirement that the property owner obtain a specific short-term rental license (would need to be created/established via the ordinance process).
4. Limitation of short-term rentals to certain properties, such as only to homesteaded properties. This would be intended to ensure that the primary purpose of a residential property is to serve as an ongoing residence (either through owner occupancy or a long-term rental) while allowing for the occasional short-term rental if the owner wished to take advantage of major events in the Twin Cities or a longer than average period away from their home.

5. Prohibition of short-term rentals. This is generally accomplished by requiring all rental properties to be rented for a minimum period of 30 days.

To date, City staff has not interpreted the City's current rental licensing ordinance to prohibit short-term rentals or to apply to short-term rentals. Over the years, the IGH City Council appears to have had numerous discussions regarding the licensing of rental properties, but nothing specific to short-term rentals has moved all the way through the process to be added to city code.

Staff has concerns about attempting to apply the existing rental licensing ordinance to short-term rentals (Option #2), as it has certain requirements that would be difficult to apply to short-term rentals (such as the Crime Free Lease Addendum) and lacks certain other terms that would speak to those areas where we are receiving the most complaints.

If the Council elected to pursue Option #3 – a rental license specific for short-term rentals – some topics a short-term rental licensing ordinance might address include:

- Minimum rental period. An example might be a minimum rental period of one-week, thereby controlling how often renters are checking-in and checking-out of a property, which has been reported to be disruptive to surrounding properties.
- Requirement that lodging taxes be paid on short-term rentals, placing them on more even footing with local hotels.
- Specific standards to ensure off-street parking, the limitation of noise, the prevention of overcrowding, etc.
- Limitations on the number and/or concentration of short-term rentals in a given area or neighborhood.
- Provisions for rescinding a license in the case of significant police calls or other problematic use of the property.

In determining how best to address this issue, it may be useful to identify and/or prioritize the intent or purpose behind the City's actions. This might be:

1. To limit the potential negative impacts of short-term rentals on surrounding property owners/residents.
2. To prioritize the use of residential property as ongoing homes for individuals and families and to support opportunities for home ownership by discouraging the buy up of homes to be operated as a business.
3. To ensure the safety of guests and visitors to Inver Grove Heights, by ensuring properties used as short-term rentals have proper safety features, such as working smoke detectors, operable windows, etc. (This would likely require an inspection component.)
4. To place short-term rentals on more even footing with local hotels.

There may be other goals or purposes of the City enacting regulations of short-term rentals, or the Council may wish to address some combination of the above purposes.

Because the city is not licensing them currently, and because listings seem to come and go from the handful of major vacation rental listing sites, such as Airbnb and VRBO, it is challenging to determine exactly how many properties in Inver Grove Heights are currently being utilized as short-term rentals. A brief search of the Airbnb and VRBO sites on the day this memo was prepared showed two small properties (individual bedrooms or small guest houses), two mid-sized properties (one advertising 4 beds and the other 9 beds) and five large group properties (advertising that they sleep 16, 19, 20, 30 and 32 people, respectively.)

FISCAL IMPACT

Undetermined.

RECOMMENDATION

This is an initial discussion item to better understand the Council's goals and priorities relative to this subject. Staff has no specific recommendation at this time.

ATTACHMENTS

1. Resident Emails About Short-Term Rentals

From: [Weber, Jillian \(Legal\)](#)
To: [Kris Wilson](#)
Subject: IGH Short Term Rentals
Date: Tuesday, June 28, 2022 10:18:51 AM
Attachments: [image001.png](#)

Hi Kris

Joe Atkins pointed me in your direction regarding an issue we are having regarding a short term rental in my area.

I am inquiring as we have a new VRBO next door to us where the owners live in another city and are using this property as a 30 person party house. Each weekend we have 20-30 people renting out the house for various parties and as you can imagine is an extreme nuisance.

The biggest issues I see with these are;

- The investors have no ties to the city, they are running a commercial operation but are avoiding all commercial taxes. This puts potential buyers who wish to occupy the homes at a disadvantage, the same with corporations grabbing up homes for the same reason. They have no interest in the community other than running a commercial business with none of the tax obligations.
- This is taking away from local revenue to hotels. This spot in particular advertises up to 30 people a night, this HAS to violate some type of fire code as it is at most 5 bedroom house. If you think of 30 people in hotels 52 weeks a year that is a lot of potential lost revenue.
- It's a huge pain point for current residents. We have had many issues already with this home in particular. It's a drain on city resources to have the residents complaining about these properties.

Just wondering if any restrictions or possibly bans on these are on the horizon. Any info you can provide is greatly appreciated.

Here is the link to the one in question: <https://www.vrbo.com/2601455?adultsCount=15&arrival=2023-01-06&departure=2023-01-08&unitId=3171913>

Thanks!

Jillian Weber

Kris Wilson

Subject: FW: Air BNB & VRBO Rentals in IGH

From: Brenda H <brenda.h59@yahoo.com>

Sent: Tuesday, July 26, 2022 8:53 AM

To: Tom Bartholomew <tbartholomew@ighmn.gov>; Brenda Dietrich <bdietrich@ighmn.gov>; Sue Gliva <sgliva@ighmn.gov>; John Murphy <jmurphy@ighmn.gov>; Rosemary Piekarski-Krech <rpiekarskikrech@ighmn.gov>

Subject: Air BNB & VRBO Rentals in IGH

Hello

I currently reside on the East end of the city towards the river. I am writing today to express my concern over the lack of rules or restrictions around short term rental properties. These types of properties seem to have no place in a growing community and are causing nothing but issues for the local residents. We have been impacted by a local rental with different groups coming and going 3-5 times a week. 4-6 cars at the house at a time and loud disturbances at all hours. I hate to burden the police with this as I know they have more pressing matters on their hands. The properties seem to be used for nothing positive. We are also concerned about this negatively affecting our property value. I would ask that these be reviewed and hoping that IGH could follow suit with some surrounding areas and ban these to best serve its residents. The burden of policing these properties shouldn't be put on the tax paying residents.

Thank you for your time.

Brenda

Subject: FW: Short Term Rentals

From: Townhome Assc <townhomeassc@yahoo.com>

Sent: Tuesday, June 14, 2022 7:24 AM

To: bartholomew@ighmn.gov <bartholomew@ighmn.gov>; Brenda Dietrich <bdietrich@ighmn.gov>; Rosemary Piekarski-Krech <rpiekarskikrech@ighmn.gov>; Sue Gliva <sgliva@ighmn.gov>

Subject: Fw: Short Term Rentals

City Council Members

We are writing to you today for request action form the City Council on the issue of short-term rentals in Inver Grove Heights

As you know, there are currently zero regulations surrounding these types of VRBO/Air Bnb rentals. This is causing issues for current homeowners who wish to peacefully live in single family dwellings.

The particular issue we want to bring forward is regarding 1735 70TH ST W

This property is being marketed as a vacation home for up to 30 people. This ensures that there is a party every single weekend at this property with up to 30 people. This is of concern for many reasons laid out below.

1-The owners of the property do not reside in the residence. They are strictly using this as a for profit business. I do not believe that the city would allow me to use my townhome for an auto mechanic shop or salon without a business license much less not even residing on the property. A business would not be allowed in a residential area as should be the case here.

2-This property is being marketed and regularly housing 30 people for a weekend. This includes cars for all which can be 10-15 at a time. I do not believe this would be allowed in any single-family dwelling. This also has to be a fire code violation as there are not enough legal bedrooms to house 30 people. Simply put this is being run as a "resort" and is a constant disturbance to the residents.

3-This is a residential area, not an appropriate place for a business that is marketed for parties.

4-This is taking away from local hotel and rental business profits. It may not seem like a lot, but if these people all stayed in local hotels and supported local public gathering spots, 52 weekends a year for 20-30 people we are talking about a lot of lost hotel income.

5-Almost all surrounding cities have regulations on these types of short-term rentals. Inver Grove is behind the game on this one. Eagan had the foresight to protect its residents and ban these types of short term rentals as have many other cities. The ones that don't have very strict regulations.

6-I know there have been police called to this particular residence at least once in the past month for a noise complaint. This is a drain on the police system and will only continue not only with this residence, but others as people realize our city has no regulations at all on these dwellings. What is preventing people from buying up a block of homes and running them all as short term rentals with zero restrictions?

With more and more new homes being built in the area this will continue to be an issue. It is all at the expense of the homeowners with none of the tax benefit to even the city.

We are a group of townhome owners along with all of our neighbors that deserve to not have a party house, again not occupied by residents only being used as a for profit business next door.

Copy of the rental: [Gorgeous Lake Home with Huge Hot Tub - Sleeps 30 - Inver Grove Heights](#)

We would appreciate if the council will bring this up for discussion and include our collective thoughts on this issue.

We will look forward to seeing this on the council agenda soon and will follow up accordingly
We understand there are many issues filling the council agenda, but feel this is important and an issue that impacts the city as a whole.
Thank you for your time and consideration

CAUTION: This email originated from outside of the organization.
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Request for Council Action

SUBJECT: Initial Discussion of 2023 General Fund Budget & Tax Levy

MEETING DATE: August 1, 2022

ITEM TYPE: Discussion Items

CONTACT: Amy Hove, Finance Director, 651.450.2521
Kris Wilson, City Administrator, 651.450.2511

ACTION REQUESTED

The Council is asked to review, ask questions and provide initial feedback to preliminary information regarding the City's 2023 general fund budget and tax levy.

BACKGROUND

It is that time of year again, when City staff and elected officials must begin work on the upcoming year's budget and tax levy. Since mid-May, City departments and divisions have been reviewing revenues and expenditures, and analyzing needs and opportunities, in order to submit requested budgets for calendar year 2023 (which is the same as the City's fiscal year). In late June and early July, each department's budget request was reviewed and discussed in detail with the Finance Director and City Administrator.

At the August 1 City Council work session, staff will present:

1. a brief overview/refresher on the City's 2022 budget and tax levy;
2. a list of assumptions and already committed-to costs for 2023;
3. formatting or structural changes to where and how we budget for certain things;
4. a high level summary of other challenges and opportunities for Council consideration;
5. data on the City's changing tax base / market values, and the estimated impact of various levy increases on a median value homestead.

A draft of the staff presentation is attached for advance review by the Council. Please note that staff anticipates a few additional slides being finalized and added prior to the presentation on Monday evening.

As Council will see from the slides, 2023 is looking to be another challenging budget year for the City as it grapples with the need to continue increasing its investment in public safety and infrastructure maintenance, experiences rising fuel and supply costs due to inflationary pressures, and works to continue attracting and retaining well-qualified staff in a very tight labor market. Certain baseline assumptions and already committed-to expenses make up a 4.3% increase to the levy, even before we address inflation and staffing needs, which could push the levy increase up to 5, 7 or even 10%, depending on the decisions and priorities the Council acts upon during the upcoming budget season.

The August 1 work session is intended to be primarily an introductory discussion and "first-look" conversation, with many more Council discussions to come. These will be heavily concentrated in the months of August and September, in order to allow for the adoption of a preliminary tax levy and budget by September 30. After that point, staff and the Council can continue to fine tune the budget and levy in a manner that reduces it, but cannot increase it, prior to final adoption in December.

FISCAL IMPACT

RECOMMENDATION

ATTACHMENTS

1. 2023 DRAFT Budget Presentation for Aug 1 2022 CC Work Session

2023 Budget General Fund & Levy

City Council Work Session

*Kris Wilson, City Administrator
Amy Hove, Finance Director
August 1, 2023*



Timeline To-Date

- May 16 Budget Kick-Off Meeting with Department Directors and Division Managers
- June 7 Preliminary budget submissions due for General Fund, EDA, VMCC, Internal Service
- June 20–July 1 Department meetings with City Administrator/Finance Director
- July 13 Budget retreat with Department Directors
- August 1 Council Work Session on 2023 budget

Recap of 2022 General Fund Budget

	2021 Adopted	2022 Adopted	\$ Change	% Change
Total Expenditures	\$ 25,296,800	\$ 28,500,700	\$ 3,203,900	12.7%
Non-Property Tax Revenues	4,290,600	5,584,630	1,294,030	30.2%*
General Fund Tax Levy	\$ 21,006,200	\$ 22,916,070	\$ 1,909,870	9.1%

* Non-Property Tax Revenues increased by 30.2% between 2021 and 2022 due to the City's receipt of a federal SAFER grant to fund new full-time Firefighters. Of the \$1,294,030 in increased non-property tax revenues for 2022, \$1,090,840 – or 84% - came from this grant.

Recap of 2022 Tax Levy

	2021 Adopted	2022 Adopted	\$ Change	% Change
General Fund Levy	\$ 21,006,200	\$ 22,916,070	\$ 1,909,870	9.1%
Pavement Mgmt Levy	2,250,000	2,550,000	300,000	13.3%
Debt Levy	2,867,158	2,519,316	(347,842)	-12.1%
Total Citywide Levy	\$ 26,123,358	\$ 27,985,386	\$ 1,862,028	7.1%

2022 Levy Impact on Median Value Homestead

2022 Tax Levy	\$ 27,985,386
Levy Increase	7.1%

2022 Tax Rate	51.907
Change in Tax Rate	2.25%

\$ Change in City Taxes (for median value homestead)	\$118.49
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The \$ Change in City Taxes for a median value homestead can be attributed to both inflationary changes to a property's market value and any increases to the City's tax rate.

2022 Median Valued Home = \$273,770

Assumptions Used in 1st Draft of 2023 Budget

- 3% general wage increase, plus step increases for employees
- Anticipated 9% increase to health insurance
- \$250,000 increase to PMP Levy
- \$175,000 increase for Fire SAFER Savings Plan
(from \$150,000 to \$325,000)
- \$125,000 increase to Police contracts for prosecution, tasers and body cameras
- End of Police DWI Grant
- Elimination of Accountant position within Finance
- \$33,000 for first year of The Crossings tax abatement
(first year is a smaller amount than future years will be)

Assumptions - *continued*

- Continue to utilize Closed Bond Funds in lieu of levy for 2020A Refunding Bonds (\$177,250)
- Utilize past years' Police savings within the Central Equipment Fund to cover the 2023 vehicle outfitting costs on leased vehicles
- Utilize Central Equipment Fund's fund balance for vehicle and equipment needs in 2023 – discussions surrounding those needs are ongoing
- Utilize City Facilities Fund's fund balance for city facility capital needs in 2023 – discussions surrounding those needs are ongoing

Assumptions – Net Impact to Levy

- \$1,196,300 - or 4.3% - levy increase
- Just from the assumptions listed in previous slides – does not include other departmental needs or cost increases

Additional Needs / Challenges

- Staff levels in many departments have not kept pace with the workload demands of a growing city
- Need to adjust part-time/temp/seasonal wages to attract employees in current job market
- Cost of goods and supplies have increased significantly
- City has deferred maintenance on both its facilities and infrastructure

Structural Changes to Budget

- Create separate departments for Clerk and Human Resources (split out from Administration)
- Technology – revert back to internal service fund methodology for operating and capital budgets
- Division Software – budgets for dept specific software moved back to individual departments, rather than housing all software under Technology
- SAFER Savings Plan – account now shows up within Fire Department budget
- Host Community Fund Expenses – general government-type expenses have been moved to General Fund Departments
 - Lobbyist costs (Mayor)
 - Volunteer coordinator (Human Resources)
 - Music in the Parks/Fireworks (Parks)

Levy Scenarios for 2023

% Increase from 2022 Levy	\$ Increase	Tax Rate (estimated)	City Tax Increase on Median Value Homestead
3%	839,562	47.021	\$60.40
4%	1,119,415	47.528	\$75.68
5%	1,399,269	48.035	\$90.96
6%	1,679,123	48.542	\$106.24
7%	1,958,977	49.050	\$121.52
8%	2,238,831	49.557	\$136.79
13%	3,535,500	51.907	\$207.58

*13% increase is shown only to demonstrate the impact of a flat tax **RATE** from 2022 to 2023 (City's 2022 Tax Rate = 51.907)*

The median value home in IGH increased by 13.4%, from \$237,770 for taxes payable in 2022 to \$310,488 for taxes payable in 2023.

Next Steps

- Council Feedback
- Updates provided at future Council Meetings or Work Sessions
- Preliminary Levy must be approved and submitted to Dakota County by September 30
 - September 12 or 26 Council Meeting
- October/November Work Sessions – Other Fund Budgets are reviewed and discussed
- Between November 11 – 24, Dakota County mails proposed property tax notices to residents (based on city's preliminary levy)
- Public Meeting to discuss budget and levy
 - Staff Recommendation: December 5 Council Work Session
 - With Final Council approval: December 12 Council Meeting



CITY ADMINISTRATION

8150 Barbara Avenue
Inver Grove Heights, MN 55077
651-450-2500

COMMUNITY DEVELOPMENT

8150 Barbara Avenue
Inver Grove Heights, MN 55077
651-450-2545

FINANCE DEPARTMENT

8150 Barbara Avenue
Inver Grove Heights, MN 55077
651-450-2519

FIRE DEPARTMENT

9200 Courthouse Boulevard
Inver Grove Heights, MN 55077
651-455-5082

PARKS & RECREATION

8055 Barbara Avenue
Inver Grove Heights, MN 55077
651-450-2585

POLICE DEPARTMENT

8150 Barbara Avenue
Inver Grove Heights, MN 55077
651-450-2525

PUBLIC WORKS DEPARTMENT

8168 Barbara Avenue
Inver Grove Heights, MN 55077
ENGINEERING: 651-450-2570
STREETS & UTILITIES: 651-450-4309

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