

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
November 15, 2010**

CALL TO ORDER

Pursuant to due call and notice thereof, a regular meeting of the Shoreview City Council was called to order by Mayor Martin on November 15, 2010, at 7:00 p.m.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance to the flag.

ROLL CALL

The following members were present: Mayor Martin; Councilmembers Huffman, Quigley, and Wickstrom.

Councilmember Withhart was absent.

APPROVAL OF AGENDA

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to approve the November 15, 2010 agenda as submitted.

VOTE: Ayes - 4 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

There were none.

CITIZEN COMMENTS

There were none.

COUNCIL COMMENTS

Mayor Martin:

On Monday, November 22, 2010, the Annual Lighting Ceremony will take place at the Community Center at 6:00 p.m.

Residents are encouraged to check out the many special and fun activities planned by the Park and Recreation Department during the holidays.

Councilmember Huffman:

Congratulations to Mayor Martin, Councilmember Quigley and Councilmember Withhart on winning the election.

Congratulations to the Mounds View football team now in the final four.

Congratulations to City staff for achieving an upgrade to the City's credit rating, which is now AAA.

Councilmember Quigley:

Noted the celebration of a new family in Shoreview who received a home from Habitat for Humanity. Participation in construction of the home was by the Holy Hammers but also supported by many local groups and agencies.

Mayor Martin added that this is the first Habitat for Humanity home in Shoreview. It was built totally through the Holy Hammers Group, made up of 13 churches in the north suburban area, three of which are in Shoreview. It was built in record time with quality and beautiful workmanship. The family has completed its sweat equity obligation and taken all the classes necessary to qualify for the home.

Councilmember Wickstrom:

Applauded the many people who, in spite of the weather, attended the ceremony last Saturday for the new Habitat home, which shows the dedication to this work.

The Shoreview Northern Lights Variety Band will perform its Annual Holiday Concert on Saturday, December 11, 2010, at 7:00 p.m. at Benson Great Hall at Bethel University. Tickets are available at City Hall and sell quickly.

CONSENT AGENDA

MOTION: by Councilmember Quigley, seconded by Councilmember Huffman to adopt items on the November 15, 2010 Consent Agenda, approving the necessary motions and resolutions for item Nos. 1 through 11:

1. November 1, 2010 City Council Meeting Minutes
2. November 8, 2010 Board of Canvassers Meeting Minutes
3. Receipt of Committee/Commission Minutes
 - Economic Development Authority - October 18, 2010

4. Monthly Reports:
 - Administration
 - Community Development
 - Finance
 - Public Works
 - Park and Recreation
5. Verified Claims in the Amount of \$1,677,231.15
6. Purchases
7. License Applications
8. Approve Final Payment - Hawes/Demar/Rustic Reconstruction, CP 10-01
9. Approve Final Payment - 2010 Street Light Replacements, CP 10-04
10. Developer Escrow Reductions
11. Resolution Requesting a Variance from MN Rules for Proposed Hamline Avenue Reconstruction, CP 11-01

VOTE: Ayes - 4 Nays - 0

PUBLIC HEARING

ESTABLISH A WRITTEN SPENDING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 5, AND APPROVAL OF BUSINESS EXPANSION LOAN PROGRAM “ADVANTAGE SHOREVIEW”

Presentation by Asst. City Manager/Community Development Director Tom Simonson

In 2010, the legislature expanded local authority for use of tax increment financing (TIF) for one year to stimulate job growth and economic development. The law allows more flexibility to “pool” and use TIF revenues for construction of new private development. This provision applies to TIF districts created post-1990. In Shoreview, the law applies only to TIF District No. 5. TIF District No. 5 has \$1,653,078 in revenue that could be pooled for eligible projects. In order to take advantage of this opportunity, projects must be under construction by July 1, 2011 and funds spent by December 31, 2011. The Economic Development Authority (EDA) has explored options to initiate projects to use this funding within the 2011 deadlines. The EDA has concluded that the best way to utilize funds from TIF District No. 5 would be to create a new business expansion loan program to provide funding assistance to businesses that are “shovel ready” and can meet the state law deadlines. The business expansion loan program is consistent with the City’s objectives of its Business Retention and Expansion Program (BRE). It would directly target businesses to create or retain jobs. As a revolving loan fund, special revenues would be protected with replenishing revenues for reuse as repayments are made. Implementation of this special authority for use of TIF funds requires adoption of a “Written Spending Plan.”

The proposed Written Spending Plan shows use of these funds to stimulate new construction in commercial, industrial and multi-family sectors. Funds could be used for the business loan

program to facilitate commercial development and or redevelopment to increase jobs, tax base and services. The funds could also be used for infrastructure to support projects, such as the Owasso Street realignment or Red Fox Road.

Advantage Shoreview is a business partnership loan program to use this special funding within the time frame of the special authority, although the policy guidelines allow *Advantage Shoreview* to become a permanent revolving loan fund program using funds from TIF District No. 5 revenues. No General Fund levies or tax dollars would be used. *Advantage Shoreview* specifically would provide low-interest loans to existing Shoreview businesses for expansion and renovation that results in the retention of jobs or creation of new employment within the City. The loan allowable would be up to 30% of the total project. The minimum/maximum loan range is \$30,000 to \$500,000. Three loans at the maximum loan amount would be possible with TIF District No. 5 revenues. The proposed interest rate is 3% for the term of the loan, although that may vary. The maximum term for the loan would be 15 years for building construction and structural renovations and 10 years for machinery, equipment or fixtures.

The Economic Development Authority recommends approval. The Economic Development Commission has reviewed this proposal and strongly recommends its adoption.

City Attorney Filla stated that he has reviewed the notice published in the *Shoreview Press*, which shows that the public hearing is in order at this time.

Mayor Martin opened the public hearing for the Written Spending Plan at 7:20 p.m. Testimony will also be heard regarding the *Shoreview Advantage Loan Program*. There were no comments or questions.

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to close the public hearing at 7:20 p.m.

VOTE: Ayes - 4 Nays - 0

Councilmember Huffman thanked staff for their work to create this unique program to help create employment in Shoreview. The City is trying to provide tools needed for businesses to grow.

Mayor Martin asked the deadlines for use of the funds in the loan program after adoption of the Written Spending Plan. Mr. Simonson stated that approval of the Written Spending Plan does not change the deadlines. The challenge is that the money must be spent by the end of 2011. The legislature may extend this special authority another year because of the tight time frame.

Councilmember Wickstrom asked what type of businesses would take advantage of this loan opportunity. If the maximum amount is \$500,000, and the loan amount is 30%, then the loan amount would only be approximately \$160,000. Mr. Simonson explained that businesses can borrow up to \$500,000 with the \$500,000 being 30% of the cost. In that case, the project would

be approximately \$1.5 million, which is significant. He anticipates mid-size or larger businesses using this type of funding.

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to adopt Resolution 10-109, approving a Written Spending Plan for the use of tax increments from the Shoreview Mall and Victoria Center Housing tax increment district (TIF No. 5), including the use of funds to establish *Advantage Shoreview*, a business expansion loan program; and authorizes the Economic Development Authority to administer *Advantage Shoreview* and grants the authority to approve loans in accordance with the guidelines approved separately by the City Council on November 15, 2010.

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Martin
Nays: None

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to approve the establishment of a business expansion revolving loan program called *Advantage Shoreview* - Business Partnership Loan Program utilizing special funding resources through Tax Increment District No. 5, as recommended by the Economic Development Authority and supported by the Economic Development Commission, as an important new tool for the City to support in growing our employment and tax base.

ROLL CALL: Ayes: Quigley, Wickstrom, Huffman, Martin
Nays: None

Councilmember Quigley noted that Councilmember Withhart, also a member of the Economic Development Authority, is in full support of this program.

GENERAL BUSINESS

AWARD SALE OF BONDS

\$2,720,000 GENERAL OBLIGATION BONDS, SERIES 2010B
\$4,695,000 REFUNDING CERTIFICATES OF PARTICIPATION

Presentation by Finance Director Jeanne Haapala

Mayor Martin congratulated and thanked Ms. Haapala and City staff for achieving a bond rating for the City of AAA. This is the second upgrade within two years due to the competency, skill, and dedication of Ms. Haapala and staff who are paying attention to long-range spending and maintaining fund balances. Creation of the Five-Year Operating Plan is a big part of this achievement.

Ms. Haapala reported that Standard & Poor's has awarded its highest bond rating to Shoreview. There are 21 communities in Minnesota with a AAA rating. It is significant that the City has been upgraded twice within 13 months. She explained the bond rating process, which requires submittal of a substantial amount of information:

- Annual financial report
- Preliminary budget
- Long-term financial planning, which includes:
 - Five-Year Operating Plan
 - Capital Improvement Plan
 - Infrastructure Replacement Plan
 - Community Benchmarks

In addition, the City provides:

- Official financial statement
- Fund balance policy
- Debt management policy
- Projected debt issuance (next 5 years)
- Economic development activity
- Business retention efforts

In its goal-setting session of 2005, the City Council defined "Quality" of Shoreview is its "Stable well-managed government." In the goal-setting session of 2007, the City Council adopted a "core value" of "Fiscally responsible government" with a focus goal to "develop a long-range financial plan that supports operations and infrastructure and provides financial flexibility" within five years.

In 2009, at its goal-setting session, the Council adopted the "core value" of being "committed to a long-term sustainable finance plan that allows for the delivery of quality services and maintenance of infrastructure." The Council adopted a plan to expand "Long-Range Financial Planning" that would include: 1) operational planning; 2) provide adequate resources for capital replacements; 3) build reserves (operating and capital); 4) enhance opportunities with community improvements and bond rating upgrade.

In the last two years, two other important policies were adopted by the City Council: 1) a debt management policy; and 2) a revised and strengthened fund balance policy. The first draft of the Five Year Operating Plan was created in 2009 and expanded upon in 2010: The Five Year Operating Plan shows the following:

- Full operational projections
- Revenue sources and expenses
- Financing strategies
- Tax levies, property values and tax rates

- User fee rate adjustments
- Debt levels

Each of these adopted core values, policies and action items are the kinds of activities that indicate to a bond rating agency that the City has a solid financial direction. These decisions connect current decision-making to long-term financial goals and strategies. The five categories of review by Standard & Poor's are:

1. Stable financial operations.
2. Continual positive results
3. Very strong reserves
4. Strong financial management assessment
5. Stable financial outlook

Noted characteristics of Shoreview by Standard & Poor's are:

- Steadily growing and diverse employment base
- The City's very strong income and wealth characteristics
- Unemployment in Shoreview is below the state and national averages
- Maintenance of very strong reserves
- Conservative and strong financial management policies (debt and fund balances)
- Extensive long-term financial planning
- Low to moderate debt burden
- Rapid retirement of debt (58% in 10 years)
- Extremely strong market value (\$115,352 per capita)
- Very diverse 14.3% of total net tax capacity among the 10 leading taxpayers
- Financial practices are strong, well embedded and likely to be sustainable
- Monthly budget and investment reporting to City Council

At the end of its report, Standard & Poor's stated that expectations are that Shoreview will continue to have strong financial reserves, continue with extensive financial planning, maintain good financial practices, and manage operations adequately given market value declines that might impact future budgets. Further, any significant declines in financial reserves could pressure the rating. If reserves are eroded, then the City's rating could be downgraded.

The two items requested for approval are: 1) \$2,272,000 in General Obligation Bonds 2010/2011 infrastructure projects; and 2) \$4,695,000 Refunding Certificates of Participation for funding of the Maintenance Center. Three bids were received and analyzed by Springsted for the General Obligation Bonds. The low bid is from United Bankers' Bank at an interest rate of 2.48% for debt payment over 15 years. Even though the rate has risen, Shoreview's improved rating allows the advantage of interest savings from \$23,000 to \$25,000.

The bids received for the Certificates of Participation did not meet the 3% savings test because interest rates have risen. This means the Certificates cannot be issued at this time. A revised

alternate resolution would reject all bids and give Springsted the authority to negotiate with the low bidder and authorize the Mayor and City Manager to execute a purchase agreement once the test is met over the next 180 days. Documents could be executed administratively without further Council review. Springsted is confident that the 3% saving test can be met in this time period. As standard procedure, the bond rating used for Certificates of Participation is always one grade lower (AA+) than General Obligation debt.

Councilmember Quigley asked for further clarification defining Certificates of Participation. Ms. Haapala explained that it is a re-issuance of a debt to a lower interest rate, similar to refinancing of a mortgage.

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to adopt proposed resolution number 10-110 authorizing issuance, awarding sale, prescribing the form and details and providing for the payment of \$2,720,000 general obligation bonds, series 2010B.

ROLL CALL: Ayes: Wickstrom, Huffman, Quigley, Martin
Nays: None

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to reject all bids from the refunding of Certificates of Participation and adopt the revised proposed resolution No. 10-111 relating to refunding of the Certificates of Participation authorizing the sale thereof, authorizing the execution and delivery of an amended and restated ground lease and easement agreement amended and restated declaration of trust amended and restated lease purchase agreement and escrow agreement and authorizing execution of related documents.

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Martin
Nays: None

Mayor Martin noted the comparison of Shoreview to other communities as listed in the staff report.

Councilmember Huffman requested a brief discussion of the comparison at the Council workshop on Monday, November 22, 2010.

TEXT AMENDMENT: CHAPTER 200, PROPERTY AND HOUSING MAINTENANCE

Presentation by City Planner Kathleen Nordine

The intent of the proposed revisions is to enhance and strengthen the City's regulations regarding property maintenance in Chapter 200 and changes to Chapter 714 on rental licensing. The Planning Commission is not authorized to recommend approval on Chapter 714, as it is outside Chapter 200 but would support the proposed changes. The Planning Commission reviewed the

proposed changes to Chapter 200 and recommended approval on a 3 to 2 vote. The purpose of the revisions is to have the ordinance consistent with current practice; address current issues, such as vacant structures; and incorporation of items in the Life Safety Code as recommended by the Lake Johanna Fire Department.

Staff reviewed the International Property Maintenance Code and incorporated those standards into the City ordinance relating to windows, doors, sanitation, mold and extermination. Also, standards for single-family homes regarding access and means of escape in the Life Safety Code were incorporated.

The Planning Commission discussion focused on outdoor storage of recreational equipment on lakeshore properties. At its September 28 meeting, the matter was tabled and further revisions were considered at the October 26th meeting. The two Commission members dissenting expressed concern about the appearance of lakeshore properties and impacts on non-lakeshore properties that have different standards for outside storage. Recreational equipment is defined as laundry drying equipment, patio furniture and firewood, which can be stored outside. The contention is where items can be placed. Recreational equipment is defined as canoes/kayaks, paddleboats can be stored in side or rear yard with a 5-foot setback. Recreational facilities are defined as sports courts, cages and nets, ice rinks, skate board ramps, which may be stored 5 feet from a side lot line and 10 feet from a rear property line. These items cannot be located in front of a principal structure or on drainage or utility easements.

Lakeshore properties are unique in that the front yard is perceived to be that facing the lake, even though the ordinance defines a front yard as being that facing the street. An exception was created for shoreline properties because of topographical difficulties either for storage or access on the lakeside. Items may be stored 5 feet from a side lot line or 10 feet from a front property line. The exception for recreational facilities is that on riparian lots they may be stored 5 feet from a side lot line, and 10 feet from a rear and front property line.

Miscellaneous Structures were added to the ordinance to address dog kennels, playhouses and similar structures, which can be 5 feet from the side and rear lot lines but may not be located in the front yard. These items may be stored in any yard and must be 10 feet back from the front property line on riparian properties.

Planning Commissioner Schumer stated that Commissioner Solomonson opposed storing anything in the front yard (street side) on riparian lots. Commissioner Proud was more concerned about language that would permit laundry equipment in the front yard where neighbors across the street would have to see these stored items.

Mayor Martin opened the discussion to public comment.

Ms. Mary Haag, 445 Maple Lane, stated that she did not receive written notification to attend the Planning Commission meetings when this matter was considered. Riparian lots are being preferential treatment to a citywide ordinance. A dog kennel could be 5 feet inside the lot line of

a front yard of a riparian lot that she would have to see as a neighbor across the street. There is a discrepancy in front setbacks. Recreational facilities must be 10 feet. A recreational vehicle that is 12 feet high can be parked 5 feet from the property line. The Building Code setback is 20 feet. Section 101.035 addresses conflicting regulations and requires that the most restrictive provision apply. Ms. Hague further noted that the compliance language was changed so that a violation is not necessarily a misdemeanor but “may be charged as” a misdemeanor. Her question is how recurring complaints can be addressed consistently.

Mayor Martin asked the reason for the language change regarding misdemeanor. Ms. Nordine explained that a violation would be issued with a citation, which is a misdemeanor, but it is up to the Court to prosecute the misdemeanor. City Attorney Filla stated that insertion of the word “may” makes the provision discretionary and not mandatory. Ms. Nordine responded that staff tries to work with the property owner using issuance of a citation as a last resort. City Attorney Filla suggested the sentence state, “Failure to comply with the provisions of Section 211.070 shall be a misdemeanor.” Staff can still work with the property owner. Mr. Schwerm noted that in the introduction to City ordinances, it states that any violation of City ordinance is a misdemeanor. The sentence is not needed. City Attorney Filla agreed that the sentence is redundant and not needed.

Mayor Martin stated that she is uncomfortable with front yard storage for riparian lots but can support the other text amendments. She would like the riparian exception provisions removed for further consideration and discussion.

Councilmember Huffman agreed and stated that he believes the provisions for riparian lots is too broad. He would support the alternate motion presented.

Councilmember Wickstrom stated that the question is whether the front yard is the lakeside or the street side. There has been consideration given to keeping the lakeside clear of storage.

Councilmember Quigley agreed that more time is needed to address riparian regulations.

City Attorney Filla noted that 211.040A needs to be changed to reflect that storage of recreational equipment of at least 5 feet from the front property line.

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to adopt Ordinance No. 874, revising Sections 202 and 211 pertaining to property and housing maintenance and Section 714 regarding rental licensing with the exception of the following language:

211.040, Outside Storage

(A)...On riparian properties subject to the provisions of Section 209.080(A)(2), Shoreland Management, laundry drying equipment, recreational equipment and patio furniture is permitted in the front yard provided it is setback a minimum of five feet from a side or rear property line.

and

(C)(4) On riparian properties subject to the provisions of Section 209.080(A)(2), Shoreland Management, a recreation facility may be located in front of the principal building provided the regulations in items (1) and (2) above are met and are setback a minimum of 10 feet from the front property line. Said facilities shall not be located in the public right-of-way.

and

(D)... except on riparian properties subject to the provisions of Section 209.080(A)(2), Shoreland Management.

And to authorize publication of an Ordinance Summary.

Discussion:

Councilmember Wickstrom asked the effect on riparian properties with this motion. She does not want to see laundry equipment 5 feet from the lake and asked if the Planning Commission would review storage on riparian lots. She does not want to see lakesides cluttered. Mr. Schwerm stated that there would be no major effect. All provisions would apply equally to all properties.

It was the consensus of the Council to have the Planning Commission further review storage on riparian lots.

ROLL CALL: Ayes: Quigley, Wickstrom, Huffman, Martin
 Nays: None

ADJOURNMENT

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to adjourn the meeting at 8:37 p.m.

ROLL CALL: Ayes - 5 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 6th DAY OF DECEMBER 2010.

Terry C. Schwerm
City Manager