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April 25, 2022

Regular meeting of the City Council of the City of Two Harbors, Minnesota, held on Monday, April 25, 2022, at 6:00 p.m.

The meeting was called to order by Vice President Glaser.

Members present, Councilors: Woodruff, Glaser, Rennwald, Swanson, Passe, Erickson. 6.

Members absent, Councilor: Redden. 1.

Others present: Interim Administrator, Dhein  
Finance Director, Pietila  
Community Development/Planner, Sterbenz  
City Attorney, Costley.

Finance Director, Pietila reported that there were two additional communications added for the Public Hearing and the addition of the following Consent Agenda Items: 10. Accepting the recommendation to appoint Steve Hedin as Assistant Public Works Director for an interim basis; 11. Authorizing the exclusion of the Interim Administrator from participation in the Minnesota Public Employees Retirement Association; and 12. Authorizing the City of Two Harbors, Minnesota to elect the standard allowance available under the revenue loss provision of the Coronavirus local fiscal recovery fund established under the American Rescue Plan Act. Councilor Passe requested the addition of the following Committee Reports: Public Works and North Shore Management Board; Vice President Glaser Requested the addition of the HRA under Committee Reports.

Motion by Erickson and Woodruff approving the agenda with the changes proposed. Carried by a unanimous yea vote of members present on roll call.

Vice President Glaser announced that the public hearing on proposed projects and issuance of private activity bonds that has to do with Lakeview Memorial and St. Luke's, indicating that while she is providing over this meeting, she will not be participating in this discussion, nor will she be voting on this as she is employed by Lakeview Memorial.

**Public Hearing on Proposed Projects and the Issuance of Private Activity Bonds:**

Motion by Erickson and Swanson adjourning the regular meeting and calling to order a public hearing for the purpose of considering the giving host approval to the issuance of the Duluth Economic Development Authority of revenue obligations, in one or more series, under Minnesota

Statutes, Sections 469.152 through 469.1655, in order to finance, refinance and reimburse projects. Carried.

**Appearances:**

Greg Ruberg, CEO of Lakeview Memorial Hospital, was present and addressed the Council looking at refinancing their debt at Lakeview along with St. Luke's in Duluth, and for Phase II. of their project which includes a \$6.5 Million surgery center.

Mayor Swanson expressed excitement for the project.

Glaser asked if there was anyone present who wished to speak in favor of or against the proposal. There was no one present wishing to address the public hearing.

Motion by Swanson and Erickson adjourning the public hearing and reconvening the Regular Meeting of the Two Harbors City Council. Carried.

**Public Hearing on Proposed Amendment to the City's Short-Term Rental Ordinance:**

Motion by Swanson and Erickson Adjourning the regular meeting and calling to order a public hearing for the purpose of considering the prosed amendment to the City's Short-Term Rental Ordinance.

**Appearances:**

Jennifer Sterbenz, Community Development Planner, was present and addressed the Council, providing a presentation regarding the proposed amendment to the City's Short-Term Rental Ordinance. She reviewed the Zoning Code, as it pertains to the proposed amendment, provided an ordinance overview, a proposed ordinance update and reviewed the implementation and permitting process. She noted that the intention of the proposed language is to remove short-term rental properties from residential neighborhoods and reduce the number of short-term rental permits issued to 40 through attrition. She reported that the City has approximately one short-term rental permit for every 63 people, where Duluth has one permit for every 1,063 people. She discussed the importance of having permanent residents and provided her opinion that the proposed ordinance be adopted.

**Communications:**

Chelsea Schultz, 502 Eighth Avenue, was present and addressed the Council regarding discussions she has had with the Planning Commission about how her short-term-rental properties have provided her with the funds needed to fix up neglected properties, created places of peace for those who visit our community, helped local families by providing jobs in our community. She reported that short-term-rentals that can otherwise house families, make up less than one percent of short-term rentals in our community. She stated that Two Harbors is pretty-much a community of starter homes and urged the committee to focus on how to create more housing and offered to have conversations on how they can work together to do that. She indicated that she would be happy to have discussions on any of those topics with anyone in the room. She addressed the current

proposed ordinance indicating that as written, the ordinance gives no exceptions to those who want to rent out their primary residence as a means for extra income. She asked why those families would be denied the opportunity to make additional income because their home is in the wrong zone. She asked if it was the goal of the Planning Commission to take away the opportunity for families trying to create something better for themselves. She requested clarification on short-term rentals being treated by the City as businesses, noting that the non-transferrable permit does not allow the owner to sell the business. She inquired whether or not the City was going to view short-term rentals as businesses and asked about the purpose of the short-term rental cap, noting that she has heard that the language can always be changed in the future. She suggested that the City should be listening to the community and doing it right the first time.

Katelyn Cobbs, Housing Coordinator for Northshore Horizons, 727 Second Avenue, was present and addressed the Council regarding housing issues and how it affects individuals in our community. Lack of safe and affordable housing are the number one

She reported that studies have shown that short-term rentals increase the cost of housing. She encouraged the Council to adopt the ordinance amendment as proposed.

Holly Gangelhoff, 322 Second Avenue, was present and addressed the Council asking what happens if the moratorium goes off before ordinance language is adopted. Community Development/Planner, Sterbenz responded that it would be unlikely that any permits would be approved due to a backlog of health department inspections. Gangelhoff stated that she believes short-term rentals are businesses and she feels that they are the same as a hotel. She has discussed with individuals from the Assessor's Office and believes that the short-term rentals are bringing the valuations of local properties up and causing increased property taxes which have caused loss of homestead tax credits. She encouraged the Council to adopt the proposed language to avoid additional short-term rentals in the City.

Duane Wagner, 1327 Harbor Hills Drive, was present and addressed the Council. He expressed the importance of neighborhoods in the community of Two Harbors and indicated that there are several ways to balance the number short-term rentals within the community. He stated that if these numbers are not adjusted properly, there will be huge consequences on the residents of the City including increased property taxes, and insurance rates. He urged the Council to vote in favor of the proposed ordinance.

Tom Koehler, 814 Fifth Avenue, was present and addressed the Council, reporting that the town has lost about 100 people due to lack of housing in the last year. There are enterprises in the town right now who can't find workers because of the lack of housing.

Kathy Glenn, 520 Laura Lane, was present and spoke in favor of a balanced system and expressed her desire that additional apartments be constructed within the City, asking why a business would come here if there wasn't housing for their workers. She indicated her belief that the community will not grow if there isn't adequate housing.

Kurt Pauley, 403 Second Avenue, was present and addressed the Council reporting that he and his wife had sent in their application for renewal of their STR Permit and didn't hear back from the City. He indicated that they were recently informed that they didn't have a short-term rental because their application was not received. He claimed that there is zero communication from the City, no messages sent out to permit holders regarding the hearings. He expressed that there is a housing shortage nation-wide and stated that the local housing shortage is not due to short-term rentals. He indicated his belief that there needs to be housing units built and that reducing the short-term rental permits available will not make the changes needed. He feels that the permit application should include a description of the local agent. He noted clerical errors with the application.

Katia Gordon, 133 Third Avenue, was present and addressed Council and expressed her desire that the short-term rentals be owned by local residents.

Susie Rosette, 713 12<sup>th</sup> Avenue, was present and addressed the Council expressing appreciation to the Planning Commissioners, Jennifer Sterbenz and the City Attorney for their work on the proposed ordinance language. She indicated that she believes that the cap is appropriate, she does not have a problem with STR's, but she believes the numbers are out of balance. She encouraged the Council to move forward with adoption the proposed language.

**Communications:**

Pietila reported receipt of the following communications:

1. An email from Sandra Kelly, regarding short-term rentals.
2. A letter from Lake Superior Area Realtors, Inc., expressing concerns over proposed ordinance on short-term rentals.
3. An email from Chad and Macey Nordean, 1918 9<sup>TH</sup> Avenue, requesting that the Council re-consider the proposed ordinance for short-term rentals.
4. An email from Arvis Thompson, expressing concerns over short-term rentals.
5. An email from Kurt & Caila Pauley, 403 Second Avenue, on STR license concerns.

Motion by Swanson and Erickson adjourning the public hearing and reconvening the regular meeting of the City Council. Carried.

Vice President Glaser called for a fifteen-minute recess.

**Appearances:**

Katya Gordon, 133 Third Avenue, was present and addressed the Council expressing appreciation to the Council for their service to the City and proposing the Mayor, Council and citizens of Two Harbors engage in a restorative process. She discussed the benefits of this type of process and offered to provide these services to the City with no fees and provided a hand-out to the Council regarding her proposal. In addition, she offered to assist the Council in finding someone from outside of the community if they would rather work with someone who is not local.

Todd Ronning, 130 South Avenue, was present on behalf of a group of concerned citizens who came together because of shared concerns regarding the mayor's actions, now referred to as the Resign or Recall Committee. Ronning provided the Council with an update on petition efforts reporting that they have received more than 900 signatures and expressed their intention to submit the petition within the next few days. He respectfully asked Mayor Swanson to resign, to save the community from further tumult and distraction. He reported that the group is committed to work for the removal of him from office.

**Administrator Report:**

Joel Dhein, Interim Administrator, was present and addressed the Council regarding one of the main projects he has been working on is getting the ball rolling on hiring a new City administrator. He is looking at a timeline that would have somebody on-board by the middle of August.

**Public Works Committee:**

Councilor Woodruff reported that the County requested proposals for the Fifth Street Project, they talked about paving some of the campground, Councilor Passe reported on some stormwater management plan on Seventh Avenue and Fifth Street, who will seek funding assistance for the stormwater management plan implementation in conjunction with the County's project; and reported on the request to work on the pollinator gardens, Emerald Ash Borer presence in the City and PW is working on grading alleys, cemetery, sweeping streets and patching potholes and cleaning parks and moving brush from the Fairgrounds Road.

**Personnel Committee:**

Vice President Glaser reported on the recommendation for the appointment of a Public Works Director and Interim Assistant Public Works Director; they discussed the process for hiring an Administrator.

**Utility Committee:**

Vice President Glaser reported that the committee will be meeting with Castle Danger Brewing on the Significant User Agreement and the Ankrum Property along with the Wastewater Treatment Plant Project, authorizing use of a fund for purchases of up to \$50,000 without Council approval, and a utility rate study for the natural gas and electric utilities.

**Public Affairs:**

Rennwald reported on the status of public speaking at Council meetings as well as the mayor's recommendations for appointments on committees and commissions, membership requirements at certain boards and commissions, website upgrade, personal and social media, conflict of interest policies, Neighborhood Revitalization Grant Project functioning, fireworks displays and the option of installing an electric car charger at the Information Center.

**HRA:**

Vice President Glaser reported that they are working on their code of conduct and ethics, and the establishment of a citizen advisory board.

**North Shore Management Board:**

Councilor Passe reported on their recent meeting where there was a presentation regarding climate change and discussion on an existing grant moving forward on the erosion hazard zone for the purpose of assessing the hazard of lake erosion of Lake Superior to include the entire shore, and discussion about making sure that the NSMB boundary made it to all maps. He indicated that a technical advisory group had met on One Watershed, One Plan and they held an informational discussion on short term rentals, comparing what other cities and townships are doing relative to short-term rentals.

Motion by Woodruff and Swanson that the following consent agenda items:

1. **RESOLUTION NO. 4-115-22 ALLOWING CLAIMS AGAINST THE CITY OF TWO HARBORS, IN THE AMOUNT OF \$2,892,270.33.**
2. Approving payroll for the first half of April, 2022, in the amount of \$235,874.07.
3. A communication from Joel Dhein, Interim City Administrator, regarding City Administrator Recruitment.
4. A communication from Katelyn Cobbs regarding an open letter to Mayor Swanson.
5. A communication from Jean A. Sewell, regarding various City issues.
6. A communication from John A. Christiansen requesting evaluation of the potential of a bypass from the west outskirts of Two Harbors into downtown.
7. **RESOLUTION NO. 4-116-22 ACCEPTING THE PROPOSAL FROM BOLTON & MENK FOR THE 2023-2024 STREET IMPROVEMENT PROJECT PRELIMINARY ENGINEERING SERVICES IN THE AMOUNT OF \$156,300.**
8. **RESOLUTION NO. 4-117-22 ACCEPTING THE RECOMMENDATION OF THE PERSONNEL COMMITTEE TO PROMOTE JIM GILBERT TO THE PUBLIC WORKS DIRECTOR POSITION.**
9. **RESOLUTION NO. 4-118-22 ACCEPTING THE RECOMMENDATION OF THE PUBLIC AFFAIRS COMMITTEE TO HIRE J&M DISPLAYS FOR THE MONDAY, JULY 4<sup>TH</sup>, 2022, FIREWORKS DISPLAY.**
10. **RESOLUTION NO. 4-119-22 APPOINTING STEVE HEDIN TO THE ASSISTANT PUBLIC WORKS DIRECTOR POSITION ON AN INTERIM BASIS.**
11. **RESOLUTION NO. 4-120-22 AUTHORIZING TO EXCLUDE THE INTERIM CITY ADMINISTRATOR FROM THE MINNESOTA PUBLIC EMPLOYEES RETIREMENT ASSOCIATION.**

12. **RESOLUTION NO. 4-121-22 AUTHORIZING TO THE CITY OF TWO HARBORS, MINNESOTA TO ELECT THE STANDARD ALLOWANCES AVAILABLE UNDER THE REVENUE LOSS PROVISION OF THE CORONAVIRUS LOCAL FISCAL RECOVERY FUND ESTABLISHED UNDER THE AMERICAN RESCUE PLAN ACT.**

be adopted as read. Carried by a unanimous yea vote of all members present on roll call.

**New Business:**

Motion by Swanson and Erickson that **RESOLUTION NO. 4-122-22 CONSENTING TO THE ISSUANCE OF HEALTH CARE REVENUE BONDS BY THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY** be adopted as read. Carried by the following vote: Woodruff, Rennwald, Swanson, Passe, Erickson. 5. Abstain: Glaser. 1.

Motion by Erickson and Swanson declaring first reading of an Ordinance of the City of Two Harbors, Minnesota Amending Section 4.42 of the Two Harbors City Code Concerning Short-term Rentals. Carried by the following vote: Yeas: Glaser, Swanson, Passe, Erickson. Nays: Woodruff, Rennwald. 2.

Motion by Swanson and Erickson that the questions are put forth to Planning and Zoning prior to the next City Council meeting. Carried.

Interim Administrator Dhein requested that Councilors submit their questions to him so that he can see that all of their questions are addressed by the Planning Commission.

**Announcements:**

Interim Administrator Dhein reported on a complement he received on repair of potholes in the area of 17<sup>th</sup> Street and Seventh Avenue.

Passe reported on an outstanding Earth Day turnout with 32 individuals participating and where they were able to clean up a significant amount of area along the shoreline and within the City. He expressed appreciation to everyone who participated.

Motion by Swanson and Rennwald that the meeting adjourn. Carried.

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Robin M. Glaser, Vice President, City Council

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Patricia D. Nordean, City Clerk