

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, MARCH 1, 2004
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Council Present: Jan Callison, Bob Ellingson, Terry Schneider, Al Thomas, Tony Wagner, Brad Wiersum and Mayor Karen Anderson

Staff: Geralyn Barone, Jo Colleran, John Gunyou, Geoff Olson, Desyl Peterson, Ron Rankin, Elise Souders and Cary Teague

Others: Eleanor Berscheit

Anderson called the study session to order at 6:32 p.m. Gunyou reminded the council that there would not be a meeting on March 8th. Anderson said Callison will be appointed as the council representative on the I-394 Task Force. Linnea Sodergren is the citizen representative. Wagner said he would be absent at the March 15th council meeting. Schneider said he would need to leave early tonight due to a business conflict.

1. Land Use Policy

Gunyou stated the purpose of the study session is to receive council direction on a number of land use issues, noting this could be the first of several discussions. Additional meetings will be scheduled as necessary. Another possible step would be to include the planning commission and the EDA in future discussions. Anderson said she welcomed this discussion, especially at this point in the year since there is potential for controversial developments in the near future. If the council addresses the issues now, it will be very helpful. Anderson asked the council to be open to the process and to possible changes. She said the issues that the council is addressing are not unique, but are happening all over the country.

Schneider provided background on the topic. He said other communities and organizations monitor Minnetonka, because it is a relatively affluent community. He said it is important to examine all aspects of any proposed changes. The council should look at how the community would benefit from the change and define what the risks are. He said the council should perpetuate responsible governance. Open space preservation and stricter standards may have positive impacts on development, or they could backfire and the city could lose local control with state intervention.

Gunyou said two strategic goals could be impacted by the discussion: environmental protection and affordable housing. Recent development projects have been controversial because these goals can be contradictory. He said density is a central factor for both affordability and environmental protection.

Gunyou shared information from the housing needs study, which projects the capacity for 430 more housing units based on the current comprehensive plan. This

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is about one-quarter to one-fifth of the expected demand. To meet the city's current affordable housing goals, at least one-third of 430 would have to be affordable. He said it is unlikely that the city will be able to meet the affordable housing goals if current practices continue.

Wagner said he did not realize how much ground was lost. He would support increased density in targeted areas where there is walk-ability and transit. He could not support increased density throughout Minnetonka.

Wiersum agreed with Wagner. Wiersum noted that eleven percent of homes are affordable now versus forty percent in 1995. The price of housing is increasing faster than incomes. He said density is a way to achieve affordable housing goals, and selective higher density can help manage environmental issues. Wiersum stated if the city does not choose density, it would have to compromise affordability and environmental protection.

Callison said she does not think neighborhoods would support more density. She thought residents would support stronger environmental protections.

Ellingson said density by itself is independent of environment and affordability. He cited the apartments on Highway 169 and Minnetonka Boulevard.

Wagner said Minnetonka has typically taken a reactive approach by negotiating affordability and environmental issues after developments were proposed. He described the example of the Waterstone project.

Schneider shared an article from the Sun Newspaper regarding Eagan. It describes how people will support density as long as it is not in their back yard. Schneider said it is important to examine areas that could support more density. He said people are having a hard time finding affordable houses in Minnetonka, including mid-level families. Schneider feels public subsidies are needed for affordable units. He said the council should pay attention to entry level and mid-level housing.

Gunyou noted that the Glen Lake and The Sanctuary townhouse developments have lower densities because of neighborhood preferences.

Thomas said he received phone calls after the Glen Lake project from callers who were concerned about the low quantity of affordable units. Thomas said he leans towards Callison's comments, that neighbors want less density and want to protect environmental resources. He said he is not sure the council is responsive to the neighbors' concerns.

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Anderson said eight or nine years ago, she heard the same comments regarding affordable housing. The people who opposed increased density were those who lived in the neighborhood. She has heard from others in the community who would like more affordability.

Ellingson estimated that a typical lot and new house now cost a minimum of \$600,000. He suggested a one-quarter acre lot minimum versus the current half-acre lot minimum.

Schneider said city ordinances have a 15,000 square foot lot requirement. He said the city does not have large plats of land to build subdivisions with one-quarter acre lots. Schneider said the issue is trying to balance between "not in my back yard" and community sentiment. He feels he represents not just the opposed neighbors, but must also take a broader view to see how will it impact the future of the entire city.

Callison said the city should begin educating the community on the issue of greater density. She would like to see the message on affordability shared with the public before more projects arise.

Wiersum said open spaces, interesting neighborhoods, and half-acre lots define the character and essence of Minnetonka. He believes the council needs to demonstrate leadership and be more proactive.

Wagner stated the council should be creative in the process. He asked if the business community could assist.

Ellingson inquired about urban villages. He listed Linden Hills and St. Anthony as examples of compact urban spaces. He thought Glen Lake and Minnetonka Mills could use updating.

Gunyou asked the council to share their thoughts on environmental protection. He said the city has fairly strict standards on wetlands, but has not taken the same approach on trees and forestry.

Callison said she does not think changes are needed.

Schneider said in the past, trees have been taken down when a development occurred. To make up for the loss, citizens and developers have planted new trees, because they see the value of trees. He cited the City of Eden Prairie, which has a one-for-one tree replacement policy. Schneider said he would not support a similar

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policy, but feels the staff should negotiate preserving natural resources whenever possible.

Anderson said she generally agrees, but sees infill development as a problem. She provided an example of a proposal to remove 400 trees. She would like to prevent developers from flattening hilly topography and removing all the trees.

Thomas said the city has done a good job with developments. He recognizes that there have been times when a developer cut down trees that they were not supposed to. He envisions Minnetonka as driving down the road and not seeing the houses from the road. He would like to see a more natural looking environment with trees and shrubs blocking the view of the house from the road. He feels the newer developments are too landscaped and artificial looking.

Schneider pointed out that many of the trees that are being cut down are the cottonwoods and elm trees. He said they are messy and do not have a long life span, and he thinks residents have the right to select their own trees to plant.

Thomas said he would like to see new woods planted for the future.

Wiersum thought the city does a pretty good job with tree preservation. He is concerned about the issue of significantly changing the topography.

Gunyou presented a case in point: the Crosby Road project. This project covers thirteen acres, and does not require a variance or guide plan changes. However, about half of the trees will be removed from the development. He said staff is working to negotiate an agreement to save more trees, but expects that the neighbors will continue to oppose the project.

Peterson added that the project meets all of the city's requirements.

Gunyou said the current ordinances do not allow the city to require that more trees be saved. He asked the council if they wished to consider strengthening the tree and forestry ordinances.

Ellingson asked Gunyou if there were other layout possibilities for the Crosby Road project that would save more trees.

Gunyou said that might be possible, but the city cannot require the developer to use a different layout, since no exceptions were being requested. Peterson added that if the project meets all the city requirements, the council would have to approve the project.

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Callison said unless there is a compelling reason to change the rules, she does not believe any changes need to be made. The current look of Minnetonka was created under the ordinances the city now has in place.

Schneider stated that new standards would increase the cost of development, particularly in environmentally sensitive areas. He recommends encouraging developers to voluntarily provide more conservation easements.

Wiersum said the commercial areas could improve their look. He said he liked the idea of more tools in the toolbox.

Gunyou asked the council if there was any interest in considering standards for open space, viewsheds, setback requirements or design.

Ellingson said there should be some design standards. He said Minnetonka currently has a great variety in housing. With recent developments, the houses are much bigger and look out of scale with the rest of the neighborhood. He would like to preserve the viewsheds.

Schneider said he thought criteria could be established to define unique sensitive features. He would consider an overlay district that would include certain requirements. He thought there could be a protection standard established for topography and trees similar to the wetland protection standards.

Gunyou then asked the council for their direction on affordable housing.

Schneider does not support adopting a requirement for a target percentage of affordable units. He said there should be reasonable value between what the developer gets and what the city receives. Schneider prefers more on-site affordable housing versus off-site.

Callison said if the city would set money aside for affordable housing, we can be much more proactive with developers. The city could come to table more as a partner. She said it was important to not let smaller developments off the hook.

Thomas said if the community supports affordable housing, then he would support raising taxes. He believes that you cannot burden the developer with a lot of excess costs because these will just be passed on to the new residents.

Anderson said it is important to be careful about changing existing standards. She believes the city has been successful negotiating with developers. There has not

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been a percent requirement, but that ten to twenty percent is the guideline used by the EDA.

Gunyou asked how the council felt about overall affordability, compared with only requiring units that met one specific guideline.

Wiersum said it is better to have two-units of affordable housing off-site than only one on-site.

Wagner said the city should be as flexible as possible. He supports mixed uses, and is not a fan of indexing. He recommends exploring ways to ensure ownership.

Gunyou said the city cannot use development fees to fund affordable housing, but cities do have the authority to implement an HRA levy above the regular levy.

Schneider opposes approving lots behind lots when the neighborhood character is substantially changed. However, if the city prohibits lots behind lots, then the developer would buy a half dozen smaller lots and ruin the topography and the trees. He believes lots behind lots can allow topography and trees to be preserved.

Ellingson posed the question of which works better: to isolate or to integrate lower income housing.

Anderson believes it is better to integrate within a development.

Wiersum said although it is better to integrate it in the development, it is more expensive and therefore, fewer are built.

Schneider left meeting at 8:35 p.m.

Thomas said educating the citizens would be important. He recommended selecting an area to be proactive and then informing developers.

Anderson said the city was proactive with the Presbyterian Homes project in Glen Lake, even though it was somewhat controversial.

Thomas suggested looking at senior housing.

Wagner asked for clarification on the meaning of proactive.

Anderson said the city tried to be proactive in the Glen Lake area, but came across resistance from business owners, because they felt their rents would increase.

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Wiersum said the problems the council is facing are not unique, but are experienced by many cities. He asked what information could be learned from those experiences.

Gunyou noted that Minnetonka is somewhat unique. Because we are an attractive community, the city has not had to offer economic incentives. He said the city could choose to be more selective if we wanted to.

Anderson said that unless the city is more demanding, it would find itself in the same position as other cities with dead and dying strip malls. She felt the city's expectation should be high.

Gunyou said funding sources include CDBG grants and the housing account. He said tax increment financing and tax credits are now difficult to use. An HRA levy is a property tax that could be used for housing. He asked the council if they would like to investigate this option.

Callison said she was not interested in using CDBG funds, but would be interested in using the housing account or an HRA levy.

Wagner agreed with Callison.

Anderson said the HRA levy could be used for other things besides affordable housing, such as an urban village.

Mayor Anderson called a recess at 8:48 p.m. and reconvened the meeting at 8:58 p.m.

Gunyou said the final topics were lots behind lots and design standards. He noted before Schneider left the meeting, he expressed support for allowing lots behind lots unless there was a negative impact on neighborhood.

Wagner said it makes sense in many cases, but wondered if the issue of open spaces was intertwined.

Ellingson commented on the Highwood neighborhood. He said there is a large lot on the street and a large house behind it with a different look.

Wagner said Plymouth Road is another similar example. He said in most cases lots behind lots are fine, but some should not have been allowed.

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Peterson said orientation and placement ordinances could be used to control the development of lots behind lots.

Callison said she does not link lots behind lots to the open space issue. She said sometimes the houses do not seem to fit and just do not feel right. Callison thought more space between the lots behind lots could be achieved by increasing the setbacks.

Wiersum said he is generally not a fan of lots behind lots. He thought they should be an exception, and only be allowed if there is a good reason. He said the Highwood Drive area does not look right. He believes the decision to turn down the project at Williston Road was a good one. He is amazed when two million dollar homes are built so close to each other. He believes there should be limitations on the size of a house relative to the size of homes already in a neighborhood.

Anderson said she is very conflicted. She thinks if someone is willing to pay \$1 million for a smaller yard, then they should have that right. She said she looks at each project on a case-by-case basis. She does wonder if by granting a variance so many times, the council could no longer say no. She feels that up until now, the city's policy has worked. She is leaning to be more restrictive.

Callison and Ellingson agreed.

Thomas said when he is reviewing a project, he visits the site and tries to envision the development. He also looks at other houses in the area.

Wiersum said he wants to be fair to the developers and to the property owners. He wondered if setting expectations would help.

Thomas said the phrase "character of a neighborhood" is brought up every single time when discussing a project. Gunyou responded that some people feel that any change is changing the character of a neighborhood.

Wiersum asked for clarification on the character of Minnetonka. Gunyou said that since the city developed over time in the watershed of Minnehaha creek, the city's character reflects the environment and a diverse mix of housing.

Gunyou restated the council's direction to generally be more restrictive and make expectations clearer. He then asked if there was any interest in design standards.

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Anderson expressed concern regarding the high-end condo building by Ridgedale. She would like tools or standards to be able to deny a similar type of project in the future.

Wiersum agreed with Anderson's statements.

Callison asked if that would be possible. Peterson said staff could develop standards on orientation, exterior materials, etc. on any type of building except a single-family dwelling. Callison said it was one thing to have standards, but another thing for staff to deal with them. Peterson agreed.

Gunyou said the next step would be to prepare draft policy recommendations for council consideration. Another council study session will be scheduled.

On an unrelated note, Callison raised an issue regarding the council's operating principles. She prefers to remove the phrase, "we will abide by our attorneys recommendations." The rest of the council concurred.

5. Adjournment.

The study session adjourned 9:27 p.m.

Respectfully submitted,

Karen Telega
Administrative Assistant