

**DEEPHAVEN CITY COUNCIL MEETING
MONDAY, APRIL 18, 2016
MINUTES**

1. **CALL MEETING TO ORDER:** Mayor Paul Skrede called the meeting to order at 6:00 p.m.

PRESENT: Mayor Paul Skrede, Councilmembers Tony Jewett, Steve Erickson, Keith Kask and Darel Gustafson

STAFF: City Assessor Dan Distel and City Administrator Dana Young

2. **PLEDGE OF ALLEGIANCE**

The Council recited the Pledge of Allegiance.

3. **LOCAL BOARD OF APPEAL & EQUALIZATION**

Mayor Skrede recessed the Regular Council meeting and convened the Board of Appeals and Equalization at 6:01 p.m. He introduced City Assessor Dan Distel and Hennepin County Assessor Carrie Borgheiinck.

Dan Distel stated that he has served as the City Assessor for the cities of Deephaven, Woodland and Wayzata for the past 27 years. He stated that commercial properties in Deephaven increased 3.9%, townhomes 3.3%, residential off lake properties 3.3% and residential on lake properties 2.8%. He stated that these increases are less than the rest of Hennepin County, which is likely due to the fact that Deephaven has had such rapid increases in market value over the last three years. He stated that 20% or 300 residential properties have already been appraised this year with another 300 scheduled for this fall. He provided a historical perspective on the general market value trends from 1990 to 2016.

Mayor Skrede asked about the number of sales from October 2014 to September 2015. Dan Distel stated that there were 10 on lake sales and 32 off lake sales over this period.

Judith Fawn-Meade, 3480 Montgomerie Avenue

Dan Distel noted that Judith Fawn-Meade is out of town and he hasn't been able to get into the property to conduct an appraisal. He stated that the 2016 market value is \$320,000, which is not far off what people are paying for lots. He noted that a renovation was done in 2011.

Councilmember Jewett noted that there is a nearby lot owned by Vine Hill Partners that had a market value of \$322,000 but sold for only \$309,000.

Mayor Skrede noted the property owner's absence this evening and stated it was the property owner's intent to be presented this evening before the local board to ensure that they had the right to go to the Hennepin County Board of Appeals and Equalization.

Motion by Councilmember Erickson to recommend no change and approve the City Assessor's 2016 value of \$320,000 at 3480 Montgomerie Avenue. Seconded by Councilmember Gustafson. Motion carried 5-0.

Barb Tapper, 3935 Walden Lane

Barb Tapper was present to protest the increase in her 2016 market value to \$780,000. She provided examples of four neighboring properties, none of which sold for their current assessed value.

She stated that her lot is less than one acre and has an unusual shape that doesn't allow for a large house. She stated that her house was rebuilt in 1999 right up to the property line and is currently less than 3,000 s.f. in size. She stated that the house behind her at 18880 Minnetonka Blvd is a small foreclosed lot that sold for under \$300,000. She stated that the condition of the lot is awful with a trailer house, other trailers, an addition to the house, two storage containers, a roll-off, and a fence storing construction material.

Mayor Skrede noted that the 2016 market value of \$780,000 included a \$9,000 increase in the land and a \$24,000 increase in the building. He asked Barb Tapper what she felt was the value of her property.

Barb Tapper stated that the real estate value is nothing due to the appearance of the neighboring property but realistically felt it was at last year's value of \$747,000.

Dan Distel noted that the value of one story homes has increased over two story homes and provided some comparisons with comparable properties including 3975 Walden Lane at \$614,000.

Councilmember Erickson stated that the issues regarding 18880 Minnetonka Blvd will eventually be resolved but did see an issue regarding the size of the land.

Councilmember Jewett agreed that the footprint of the property could be detrimental to a potential building pad.

Mayor Skrede stated that the situation at 18880 Minnetonka Blvd is being addressed by the City and noted that he couldn't find anything in the city ordinances that could remedy this situation.

Councilmember Erickson stated that he is sympathetic about the condition of the neighboring lot but is more concerned with the size of the lot and felt there were enough other issues with the building to support Ms. Tapper's argument.

Councilmember Kask stated that the value of split level entries and tuck under garages are unusually discounted and he could look critically at the current building value unless the sales of comparable homes are increasing in value.

The Council generally agreed that the lot area, the split entry and tuck under garage were all valid reasons to support a lower value.

Motion by Councilmember Kask to recommend a readjusted 2016 market value of \$302,000 for the land and \$445,000 for the building for a total 2016 market value of \$747,000 at 3935 Walden Lane. Seconded by Councilmember Erickson. Motion carried 5-0.

David Paulson, 20580 Carson Road

David Paulson stated that he has been a Deephaven resident for 38 years and has only appeared before the City Council three times over those 38 years. He stated that one of those appearances was to obtain a variance to construct a garage on his triangular shaped lot, which was difficult to obtain with his awkwardly shaped lot. He stated that he has received several unsolicited offers for his home over the last six months. One of the offers was from a contractor in the amount of \$405,000 and the other from a young couple in the amount of \$410,000. He stated that he was informed by the contractor that his house was a tear down and would cost \$10,000 to haul away. He stated that the market value of his home should be \$420,000 instead of \$459,000 as it is currently valued. He stated that a good comparable for his property would be the property at Water Street and Cottagewood Avenue.

Mayor Skrede asked if he ever countered these offers for his home. David Paulson stated that he would ask an additional \$50,000 just for the nuisance of having to move to find a new home.

Dan Distel stated that the property had a market value of \$441,000 in 2014 that increased to \$473,000 in 2015. He stated that due to the small backyard and how the house is situated on the lot, he revised the 2015 value to \$435,000. He stated that he thinks the valuation was fair last year and the increase in this year's market value to \$459,000 is justifiable.

Councilmember Erickson stated that a functional house has some value even if it is likely to be demolished. He noted that David Paulson received two offers in excess of \$400,000 even with the home proposed to be demolished.

Councilmember Gustafson stated that there are homes in Deephaven where young families will pay a tremendous amount of money because of their desire to move back to Deephaven. They see it as an investment. He stated that you can see the investment value of the land with two offers of over \$400,000.

Councilmember Kask stated that how are we suppose to make a determination if a house is going to be demolished and is not prepared to put Dan Distel on the spot to make this determination. He stated that while the majority of the value is in the lot, there is still some value in the house. He stated that you could increase the value of the land up to \$400,000 to match the offers Mr. Paulson received but you would still have to assign a minimum value of \$50,000 to the house. He stated that you would end up with the same market value anyway even with this calculation.

David Paulson stated that a good comparison for his property is 4280 Water Street, which sold for \$395,000.

Dan Distel stated that this property has a cabin for a house and David Paulson has a new garage.

David Paulson stated that he doesn't mind paying his fair share of taxes but doesn't want to pay a disproportionate share. He stated that he would be agreeable with a value of \$440,000.

Councilmember Jewett stated that there are some challenges with the triangular shape of the property and with the small backyard.

Councilmember Kask agreed that there are some restraints on this lot. He stated that the building value is going down while the land value is going up and the comparables provided by the City Assessor seem good. He stated that if \$459,000 isn't the right market value now, isn't it a reasonable value for 2017? He stated that he is not unconvinced that this isn't an accurate value for next year or for even this summer.

Councilmember Erickson stated that a contractor offered \$400,000 for the property and any house should have a value of at least \$50,000. He stated that this isn't far off of Dan Distel's estimate.

Motion by Councilmember Kask to recommend no change and approve the City Assessor's 2016 value of \$459,000 at 20580 Carson Road. Seconded by Councilmember Erickson. Councilmember Jewett opposed. Motion carried 4-1.

Scott & Susan Augustine, 4530 Linwood Lane

Scott & Susan Augustine were present to discuss the market value of their property at 4530 Linwood Lane. Scott Augustine stated that they had purchased their property for \$2.6 million in 2006, at the very peak of its value. He stated that in comparison with the size and shoreline of neighboring lots at 20710 Linwood Road and 20700 Linwood Road, he felt that the value of his land was set too high and felt that they were being overcharged.

Dan Distel stated that smaller lots are primarily benefitted by lakefront and larger lots do not necessarily get the biggest bang for their buck by having a larger lot. He provided comparisons that showed increased land value for several neighboring properties that had larger lakeshore frontage.

Councilmember Erickson asked if the Augustine's property was saleable at \$1.9 million.

Councilmember Kask agreed that it was sellable at this price when we are seeing higher sales for lakeshore properties on Linwood.

Mayor Skrede stated that comparisons with 20700 & 20710 Linwood Road may not be that accurate since there likely was a premium value set on these two remaining undeveloped lots.

Councilmember Gustafson noted that you get all the value off of a 75' lakeshore property and the remainder of the shorefront may be discounted.

Dan Distel noted that 20760 Linwood Road recently sold for \$2,750,000 and it only has .73 acres with a 105' shoreline.

Susan Augustine stated that the best comparison with their property is with the two neighboring lots.

Councilmember Kask stated that it's hard to imagine the Augustine's lot not selling for \$1,908,000. He stated that he feels it is equalized with other properties and recommended that the Augustine's could take their request to the Hennepin County Board of Appeal & Equalization for their review of their request. He stated that it is hard to make a judgment this evening on the land values of lakeshore properties without looking at a report showing the land value of all comparable lakeshore properties.

Further discussion was held on the market values and shoreline at 4520 Linwood Lane and at 4540 Linwood Lane.

Councilmember Gustafson noted that the lakeshore lots are being assessed by Lake Frontage at \$15,000 per lineal foot and the rest of the land is discounted.

Councilmember Kask stated that unless significantly more information is provided, the market value of \$1,908,000 of the Augustine's property seems like a comparable value.

Motion by Councilmember Kask to recommend no change and approve the City Assessor's 2016 value of \$1,908,000 at 4530 Linwood Lane. Seconded by Councilmember Gustafson. Motion carried 5-0.

Mayor Skrede asked the City Assessor if all properties in the City were properly classified. Dan Distel stated that they were.

Motion by Councilmember Erickson to adjourn the Board of Appeal & Equalization and reconvene the Regularly Scheduled Council meeting. Seconded by Councilmember Kask. Motion carried 5-0. The meeting adjourned at 9:00 p.m.

4. APPROVE CONSENT AGENDA

Motion by Councilmember Kask to approve the Consent Agenda, consisting of the following items:

- A. Approve April 4, 2016 Minutes
- B. Approve 2016 SafeAssure Contract
- C. Accept Resignation of Brian Girard from Boat Committee
- D. Appoint Brian Chou to Boat Committee
- E. Approve 2016 Park Committee Chair & Vice-Chair
- F. Approve E-Poll Book Agreement with Hennepin County
- G. Approve March 2016 Treasurer's Report

Seconded by Councilmember Erickson. Motion carried 5-0.

Councilmember Kask abstained on the approval of the April 4, 2016 Council minutes as he was absent.

5. MATTERS FROM THE FLOOR

There were no Matters from the Floor this evening.

6. UNFINISHED BUSINESS

A. Discuss Gift of Park Land

Mayor Skrede reminded the City Council of their discussion of this proposed donation of property from Richard & Judy Corson last month and noted that the donation now includes both 19805 Lakeview Avenue and the adjoining lot at 19809 Lakeview Avenue to the City, as well as a \$50,000 cash donation.

Councilmember Kask stated that he was not eager to accept this donation unless it addressed a strategic need. He noted that this is a separate parcel of record and the City would have to allow a structure on one of the smallest parcels of record. He stated that he doesn't know if this would change his mind since he felt that the central issue is whether we strategically need this lot.

Mayor Skrede stated that at 5,000 s.f., we would see variance request after variance request if a structure were permitted on this lot. With the proposed \$50,000 donation, he stated we could now find another spot for a platform court, as an example of a future use.

Councilmember Erickson stated that he is concerned that if we don't do anything with this lot it would just be used for boat storage and he would want to know what we are going to do with it. He stated that it is a very generous offer but would like to hear from the Park Committee on how this lot would fit into the strategic plan.

Mayor Skrede noted that we could control the storage of boats on this property.

Councilmember Gustafson stated that 5,000 s.f. is a nice piece of land but it's not significant enough for a park. He stated that he would prefer it to be as maintenance free as possible. He added that there is nothing wrong with just green space.

Mayor Skrede stated that the \$50,000 cash donation would be set aside until a final plan for the park space is determined.

Councilmember Jewett asked what are we going to do with this lot other than probably give it back. He stated that we could have 20 years or so until we have to decide what to do with it.

Councilmember Kask stated that he would agree to preserve the option for a future council.

Mayor Skrede summarized the discussion by stating the City Council agrees in principle to accept the donation and a future council could make the final determination on the use of the proposed park property.

Administrator Young stated this gift would have to be accepted by Council resolution, which will be presented at the next meeting.

B. Other

There was no other Unfinished Business this evening.

7. NEW BUSINESS

A. Other

The Council authorized the lifting of load limits starting April 19, 2016 to coincide with MnDOT's lifting of load limits on April 15, 2016 on a motion by Councilmember Kask. Seconded by Councilmember Erickson. Motion carried 5-0.

8. REPORTS FROM STANDING COMMITTEES

A. Park Committee

Administrator Young presented a review of the Park Committee meeting held on April 5, 2016 on the following items:

- Appointed the 2016 Chair & Vice-Chair of the Park Committee
- Reallocated parks & beaches to each Committee member for monthly review
- Discussed 2016 meeting dates
- Reviewed the Park & Recreation Strategic Plan.

Discussion was held regarding the Park Committee's interest in a possible bike path to be installed during the future reconstruction of Minnetonka Blvd.

Mayor Skrede provided a summary of the Mayor's meeting sponsored by Commissioner Jan Callison and the discussion that was held at that meeting on establishing a Visitor's Association.

9. ADJOURNMENT

Motion to adjourn by Councilmember Kask, seconded by Councilmember Gustafson. Motion carried 5-0. The meeting adjourned at 9:30 p.m.

Respectfully submitted,
Dana H. Young
City Administrator