

AGENDA

CITY OF MINNETONKA

STUDY SESSION

MONDAY, AUGUST 29, 2005

6:30 P.M.

BOARDS & COMMISSIONS ROOM

1. 2006 Preliminary Budget Review
2. Adjournment

Additional Information

Special Joint Study Session summary July 25, 2005
Special Joint Study Session summary August 1, 2005

The purpose of a study session is for the council to discuss matters informally and in greater detail than is allowed at formal council meetings. All meetings of the council, including study sessions are open to the public. While the privilege of participating in these discussions is generally limited to the council, staff and consultants, the mayor may open a discussion from the floor.

**Minnetonka City Council Study Session Item #1
Meeting of August 29, 2005**

Brief Description: 2006 preliminary budget review

Recommended Action: Review budget targets and provide direction on preliminary property tax levy

The purpose of this study session is to review preliminary budget targets and provide direction on the 2006 preliminary tax levy, which will be certified on September 12, 2005, as required by state law. This is the maximum amount the city can levy for 2006. When the final budget is adopted in December, the final levy may be less than the preliminary amount, but cannot be greater.

Background

The City of Minnetonka takes a responsible long-term perspective with financial planning and management. We make decisions with the future in mind, thus ensuring our ongoing ability to provide our residents and businesses with quality services at a reasonable price.

In recent years, basic services have been reduced to absorb state revenue cuts, unfunded mandates and restrictions on local revenue options. Operating and capital spending were reduced by nearly one million dollars in 2003, and the state continues to impose additional unfunded mandates.

In response to growing resident concerns about services, the City of Minnetonka began to restore some of the previous cuts in last year's budget – primarily for public safety, park and street maintenance. This year, council is considering a major road revitalization program to restore and maintain local streets.

New Budget Process

Beginning with the 2006 budget, a new process is now used to prepare and adopt the city's budget. The new planning, review and adoption process is intended to initially focus council discussion on the "big picture," with subsequent review of the budget details. The new process also incorporates more meaningful financial and performance information for both policy officials and the public:

1. Financial forecasts are prepared as the first step in the new budget planning process. These projections consider cost and service pressures to provide a baseline estimate of the resources necessary to continue the current level of city services. This is the starting point for policy discussions about possible service and revenue changes.

2. The baseline projections are then used to set targets for appropriate budget growth, changes in service priorities and the preliminary tax levy. This second step allows for council input prior to the preparation of detailed budget requests, and is the subject of this study session.
3. Following this initial council direction, departments then use the budget targets and priorities to prepare their detailed requests, incorporating any necessary adjustments. This new timing allows the use of more up-to-date cost and revenue information for detailed budget preparation.
4. These detailed budget requests are then reviewed by the council in November. In addition to the traditional line-item budget pages, the new process now includes a one-page summary for each division and fund. These “cover sheets” become the public budget document, and are intended to provide relevant financial and performance information to better communicate the relationship between the budget and city services. An example of the new format is included on the following page:
 - The top section provides historical and proposed staffing and spending, along with the sources of financing.
 - The middle section briefly describes the department or division mission and services.
 - The next section provides selected workload and performance measures from MERIT departmental reports. These indicators allow service pressures and trends to be tracked.
 - The bottom section highlights significant budget changes, including possible future issues.
5. Following council review of the detailed budget requests, a final budget and tax levy are adopted in December.

Discussion question: Does council wish to provide any feedback on the new budget process?

CITY OF MINNETONKA
2006 ANNUAL BUDGET

FINANCE DEPARTMENT

Expenditures by Type	2003 ACTUAL	2004 ACTUAL	2005 BUDGET	2005 ESTIMATE	2006 BUDGET
Personnel	\$479,881	\$463,820	\$475,900		
Supplies	4,473	5,859	6,000		
Other Services & Charges	132,331	97,564	117,300		
Capital Outlay	989	1,000	1,000		
Totals	617,674	568,243	600,200	0	0
Method of Financing					
General Fund	\$617,674	\$568,243	\$600,200	\$0	\$0
Number of Employees (FTEs)	6.0	6.0	6.0	6.0	6.0

Mission Statement:

To present accurate, timely and complete financial information in an understandable and friendly manner to the residents and staff members of the city. To protect and safely manage the assets of the city as directed by the City Manager and City Council.

Description of Services:

The Finance Department is responsible for the functions of payroll, utility billing, purchasing, investing city funds and managing other city assets as requested by city council and/or the city manager. The department assists city departments in developing appropriate recommendations for fee schedules, fiscal analysis including examination of program costs and benefits, and other financial evaluations as needed. The department also produces the following city documents with the support of other city departments:

- Comprehensive Annual Financial Report (CAFR)
- Annual Operating Budget
- Five-year Capital Improvement Program (CIP)

<u>Key Measures:</u>	2003 <u>Actual</u>	2004 <u>Actual</u>	2005 <u>Estimate</u>	2006 <u>Projected</u>
Number of utility customer accounts	16,794	16,843	16,860	16,875
Average # of payment checks processed per month	646	619	600	600
Average payroll count (incl. FT, PT, firefighters)	407	415	411	415
Annual rate of return on investments	2.19%	2.20%	2.50%	3.00%
Customers ratings "above average" or "excellent"	97.8%	97.2%	98.0%	98.0%
GFOA Award for Excellence in Financial Reporting	Awarded	Awarded	Awarded	Awarded

Budget Comments/Issues:

- Reduction in personnel expenses from 2003 to 2004 is primarily related to the retirement of one employee.
- In 2006, the department will evaluate the need to purchase software for budget development.
- Long-term financial issues include potential conversion from quarterly to monthly utility billing beginning 2008.

Budget Forecast

Like all businesses, the City of Minnetonka is experiencing cost pressures. But unlike private businesses, most of these pressures are imposed by the state:

- **State-imposed increases.** Once again, the state reneged on its statutory obligation to fund its own market value credit (MVC) property tax relief program, at a cost of \$622,000 for 2006. In addition, the state adopted a PERA pension fund bailout that will cost the city \$94,000 in 2006, and a *cumulative total of \$1 million over the next five years*. This fix of the state-managed system will also reduce the take home pay for all city employees.

The state also imposed new requirements on cities to locate private utility lines on private properties - this mandate will cost \$50,000 annually. The state also assessed a new 800 MHz fee, increased city exposure for court costs and imposed new DNR water fees. In total, *state-imposed unfunded mandates will cost Minnetonka taxpayers nearly \$800,000 in 2006:*

State-Imposed Unfunded Mandates	Property Taxes	Utility Fees
MVC program	\$622,000	
PERA bailout	90,000	\$4,000
800 MHz fee	6,500	
Court costs	3,000	
Private utility locates		50,000
DNR water use fees		17,000
Total state increases	\$721,500	\$71,000

- **Personnel costs.** As with any service business, personnel costs represent about three-fourths of the city's operating budget. Some uncertainty exists, since two labor contracts expire, and will be renegotiated at the end of this year. Across-the-board increases have been modest in recent years, and a similar pattern is forecast for 2006. Under the city's unique MERIT system, market adjustments are expected to be made for about one-half of employees in 2006 to insure that the City of Minnetonka remains competitive.

Medical insurance premiums are slated to increase by over 12 percent. Workers Comp rates will also increase, and with likely retirements, severance costs are expected to be much higher than usual beginning in 2006. As noted, state-imposed PERA pension contribution increases will impact both the city and our employees, particularly police and fire personnel.

- **Other operating costs.** Energy costs continue to outpace other operating expenses, and will directly impact building, vehicle and materials budgets. Fuel costs alone are projected to increase by \$60,000. LOGIS and technology expenses are expected to grow more slowly as major projects are completed. Other costs are projected to increase by 3 to 4 percent annually.

The projected cost of continuing city services at current levels is 5.1 percent higher than in 2005:

General Fund (thousands)	2005 Budget	2006 Forecast	Change
Public Safety	\$9,171	\$9,540	4.0%
Public Works	3,411	3,600	5.5%
Parks & Recreation	3,962	4,200	6.0%
Develop Services	3,363	3,575	6.3%
General Services	2,360	2,500	5.9%
Contingency	25	25	
Total Forecast	\$22,292	\$23,440	5.1%

2006 Budget Target

Options to reduce this budget growth are limited. Unlike private businesses, the city cannot unilaterally choose our client base, nor the services we wish to sell, nor even the geographic market area we serve.

To meet citizen expectations for both service quality and taxes, staff proposes that the 2006 budget should maintain current services within traditional budget growth – about 4 percent annually. Other than the adopted road revitalization program, no major changes are proposed in service priorities. This target will require \$256,000 of budget adjustments:

General Fund (thousands)	2005 Budget	2006 Budget	Change
Budget Forecast	\$22,292	\$23,440	5.1%
Budget Target		23,184	4.0%
Adjustments		\$(256)	

Discussion questions: Does council concur with the recommended 4.0 percent general fund budget target for 2006? Other than the road revitalization program, does council wish to consider any additional changes in service priorities?

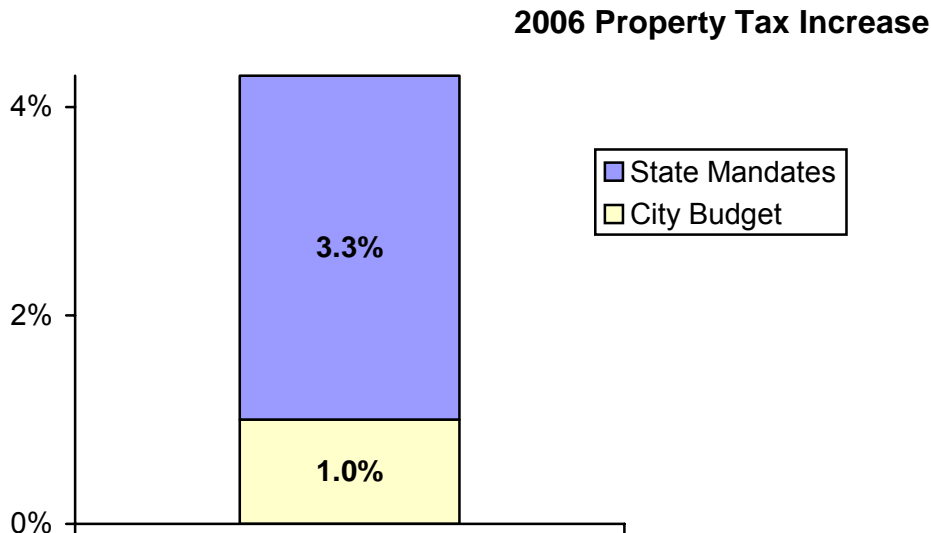
Property Taxes

To relieve pressure on the property tax, service charges are reviewed and adjusted annually so that fees cover the appropriate costs. Only inflationary increases are recommended in 2006. All enterprises (water, sewer and stormwater utilities, Ice Arena, Williston Center, Gray’s Bay Marina, and development regulation) will continue to be fully supported by fees.

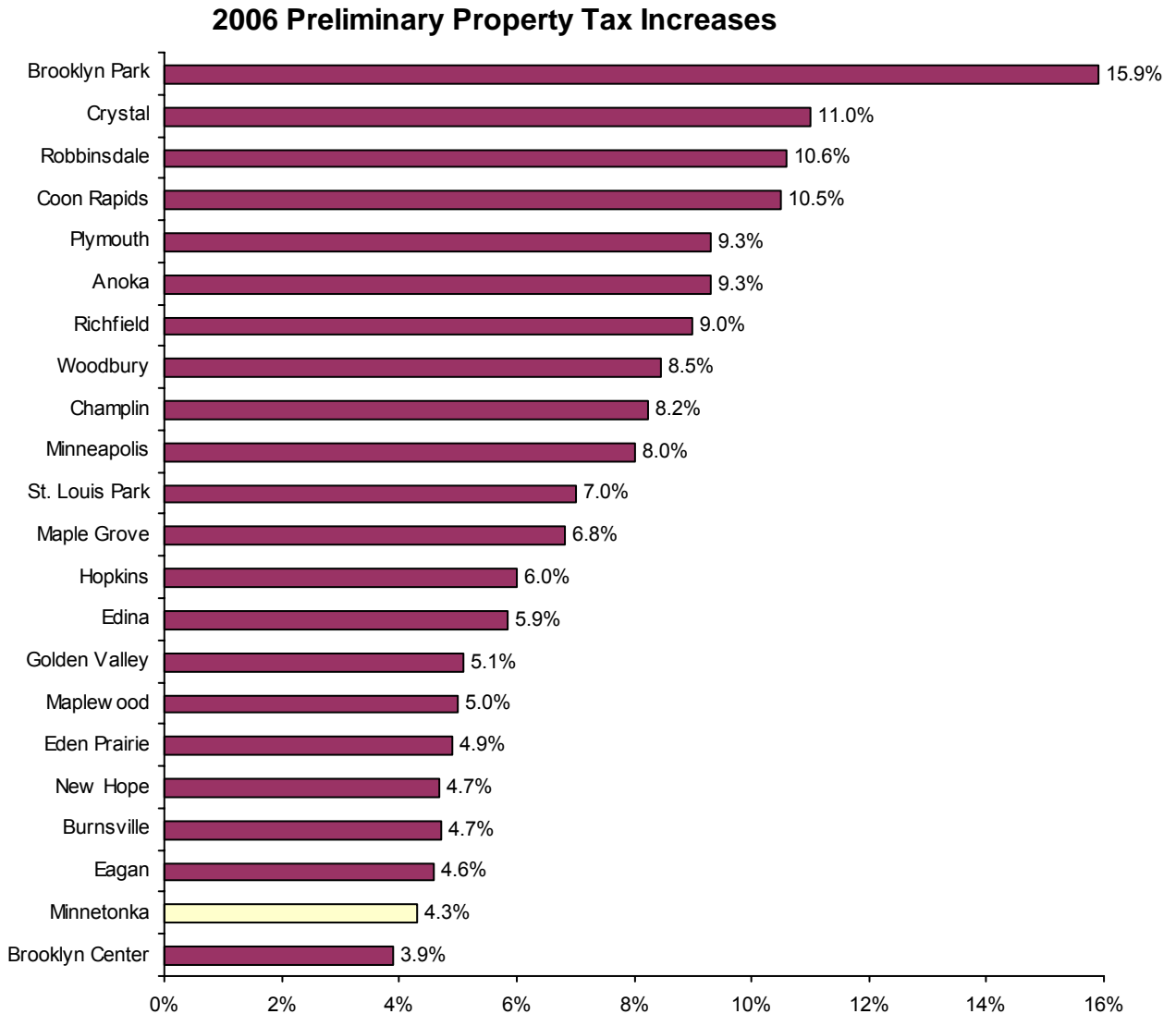
With the recommended General Fund budget target, total city property taxes for operating and capital needs would increase 4.3 percent in 2006:

Property Taxes (thousands)	2005 Levy	2006 Levy	Change
General Fund	\$16,665	\$17,252	
Capital Funds	4,090	4,425	
Park Bonds	941	943	
Total Taxes	\$21,696	\$22,620	4.3%

Of the 4.3 percent total increase, 3.3 percent is necessary to pay for the state’s unfunded mandates. City property taxes for operating and capital needs will only increase one percent:



Minnetonka's 4.3 percent increase for 2006 is less than last year's 4.6 percent growth (6.8% with the park levy), and well below the plans of other cities:



Minnetonka homeowners will see larger increases in their total tax bills, since the city only collects about one-fourth of all property taxes. The rest of the bill is determined by Hennepin County, school districts and other jurisdictions.

The other factors are market value changes and state law. For example, the state's fiscal disparities program results in Minnetonka taxes that are about ten percent higher than they would be without the law.

Discussion question: Does council concur with the recommended 4.3 percent increase in operating and capital tax levies for 2006?

Road Revitalization Program

In July, council adopted a Road Revitalization Program to address growing concerns about road conditions. Despite recent efforts to reallocate resources and increase efficiencies, the City of Minnetonka continues to lose ground on road repair. The reason is simple - available funding has not kept pace with rising construction and maintenance costs.

In response, the city initiated a program to overlay or reconstruct every local Minnetonka street over the next ten years. The comprehensive program expands a successful thin overlay pilot program to stabilize road surface conditions, and transitions into an ongoing maintenance and major reconstruction program.

The road revitalization program will cost \$2 million annually when fully phased in. If fully implemented in 2006, taxes would increase an additional 9.2 percent over the 4.3 percent increase for operating and capital programs:

Property Taxes (thousands)	2005 Levy	2006 Levy	Change
Operating & Capital	\$21,696	\$22,620	4.3%
Road program		2,000	9.2%
Total Preliminary	\$21,696	\$24,620	13.5%

In order to preserve future options, staff recommends that the full levy amount for the road revitalization program be certified as the preliminary levy in September. The final decision on how quickly to phase in the program can be made in December when the final levy is officially adopted.

In addition to the total tax increase, various other issues should be considered in the decision of how quickly to implement the new road program. For example, issuance of the final park renewal bonds or future state levy limits could restrict the city's future ability to phase in the program.

Discussion question: Does council agree that the full Road Revitalization Program levy should be certified in the preliminary levy to preserve future options? If not, what levy should be certified?

Summary

As a result of responsible financial planning, the City of Minnetonka is better positioned than many communities to deal with expanding state mandates and funding reductions. Nevertheless, challenges exist:

- To absorb unfunded state mandates and meet citizen service and tax expectations, \$256,000 in budget adjustments will be made to hold budget growth at historical levels – about 4 percent annually.
- Basic city property taxes will only increase by one percent in 2006, but an additional 3.3 percent is needed to pay for state-imposed costs.
- Although the final tax levy will be set in December, an additional 9.2 percent increase is included in the preliminary levy to allow for possible full implementation of the road revitalization program in 2006.

Originated by:

John Gunyou, City Manager
Geraldyn Barone, Assistant City Manager
Merrill King, Finance Director

**STAFF SUMMARY
CITY OF MINNETONKA
SPECIAL JOINT MEETING
HOPKINS CITY COUNCIL AND MINNETONKA CITY COUNCIL
MONDAY, JULY 25, 2005
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Council Present: Hopkins Council members:
Rick Brausen, Diane Johnson, Bruce Rowan, and Mayor Gene Maxwell.

Minnetonka Council members:
Jan Callison, Terry Schneider, Al Thomas, Brad Wiersum, and Mayor Karen Anderson.

Staff Present: Minnetonka: City Manager John Gunyou, Assistant City Manager Geralyn Barone, City Engineer Lee Gustafson, Community Development Director Ron Rankin, Planning Director Geoff Olson, Community Development Coordinator Elise Souders

Hopkins: City Manager Rick Getschow, Hopkins Director of Economic Development and Planning Jim Kerrigan, and Hopkins Public Works Director Steve Stadler.

Others: County Commissioner Linda Koblick, Brent Lindgren and Guy Knowlan of Hennepin County Transportation Department, Larry Blackstad and Patrick Connoy of Hennepin County Community Works, and Mark Koegler of Hoisington-Koegler.

Mayor Anderson called the meeting to order at 5:12 p.m.

1. Joint discussion regarding Shady Oak Road between Excelsior Boulevard and Highway 7.

Anderson welcomed the group and asked for introductions. She said this is the fourth joint study session of the city councils, and a future public hearing will be held. Anderson recapped what the councils had agreed on at previous study sessions:

- Shady Oak Road should be four-lanes.
- There should be multiple public meetings allowing input.
- A "T" alignment was favored for the Shady Oak Road/Highway 7 intersection for functionality.
- The councils would continue to meet together.

Anderson noted that staff and the consultants have come up with a preferred concept and want feedback. August 23, 2005 is the tentative date for a public hearing so there will be no public input at this meeting.

Maxwell reiterated Anderson's comment that it is important for both cities and Hennepin County to work together to come up with the best solution.

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Koegler began by reviewing the process to date. The report is in draft form and will be finalized following the meeting. Koegler said there were two community meetings held in late May focusing on the alignments and redevelopment opportunities.

He then reviewed the two roadway alignment alternatives for the southern half of the study area. He said the public comments from the May meeting were similar to the March meeting in that the public generally prefers concept 1, there are concerns about traffic on Oak Drive Lane and buffering for residents on 21st Avenue, and opposition to a Crawford Road alley connection from Bradford Road to Mainstreet.

Koegler then reviewed the four roadway alignment alternatives for the northern half of the study area. He said public comments from the May meeting were again similar to what was heard at the March meeting - there is strong sentiment to retain low density housing, concerns about open space and drainage, the north service drive, and buffering on West Park Road. Concept 6 received the strongest support because it presented the best intersection alignment at Shady Oak Road and Highway 7.

Koegler said a fiscal impact analysis was also completed as part of the study. He said Hennepin County has developed a general model to evaluate the impact potential redevelopment scenarios may have to both cities and school districts. The fiscal implications are not substantially different.

Koegler said the original objective of the study was to assess the positives and negatives of each alignment; however, as the study progressed a preferred direction emerged from the comments. He said the Preferred Roadway is concept 1 for the southern half of the study area and concept 6 for the northern half. Koegler also indicated land use concept A on both alignments is the preferred land use concept. He then reviewed the combined concept from Excelsior Boulevard to Highway 7.

Gustafson said one issue still to be resolved is the service drive located north of Highway 7. This was not expected to change; however, as the intersection alignment has changed to reflect a 90-degree angle, the drive also needed to be adjusted. He said the north service drive is now shown to be moved northward. Gustafson indicated that there has not been a lot of time to look at the issue, and that other options will continue to be explored as the process continues.

Stadler said another issue is traffic movement in the 21st Avenue/20th Avenue neighborhood area north of the duck pond. He said there have been comments that there should be value in what remains in the neighborhood. There are also concerns about access into the area; however, residents are generally supportive

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of the alignments.

Gustafson said the Oak Drive Lane neighborhood is another area where there are unresolved issues. He said the neighborhood has indicated they do not want a connection to Mainstreet and some residents even support cul-de-sacing the south entrance. Gustafson said all possibilities will be taken into consideration during preliminary design. Anderson asked if there is another connection for this neighborhood. Gustafson replied there is another connection, but further west. Anderson asked if both of the accesses from Oak Drive Lane to Shady Oak Road will be right-in/right-out. Gustafson responded they will be.

Stadler reviewed the concerns raised from the 21st Avenue neighborhood south of the duck pond. He said residents are concerned about the impacts from the roadway, and staff has received a petition from the neighbors supporting concept 2. Stadler said that concept 1 would allow improvements to what is there today. He also added that the neighborhood has concerns about traffic movement and that will be looked at more closely as the process continues.

Maxwell asked if there are concerns with having 1st Street cul-de-saced. Stadler responded the concerns are not about the cul-de-sac, but with the traffic movement.

Gustafson said the Crawford Road "alley" has been shown in the past as a way to connect Mainstreet to Bradford Road. He said this option was shown at the neighborhood meetings, but the neighbors do not want this connection.

Gustafson said it can be hard for residents to understand what the new roadway cross-section may look like when it is complete. He said for reconstruction of Shady Oak Road, south of Excelsior Boulevard, a series of illustrations were developed using design elevations to show the impacts. He said this has helped to mitigate some of the concerns about how things will look.

Anderson asked how redevelopment of the commercial area may occur and if it has to redevelop as the new roadway is being reconstructed. Gustafson responded it does not have to redevelop concurrent to the roadway project; however, parking may be eliminated with the roadway project. He shared an aerial photograph illustrating how the parking may be eliminated, and said that it is a key issue that needs to be addressed. Anderson asked when the area is redeveloped if the Crawford Road "alley" needs to be extended to Bradford Road. Gustafson replied it does not have to be connected to Bradford Road and can be blended in as a driveway.

Callison was concerned about making sure that redevelopment and the roadway project for the commercial businesses are coordinated so a lot of extra money is

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not spent on building parking lots. Gustafson said no formal process is in place; however, one will be established. Callison confirmed this will be a second step after the roadway alignment is chosen. Gustafson said there are several other processes that will occur.

Rowland asked if the west leg of Mainstreet can serve a commercial area north of the intersection. Gustafson said it can work for both the north and south commercial areas.

Maxwell inquired if the current users of the North Service Drive tend to go east or west. He suggested that if most of the trips are to the west, then perhaps a right-in/right-out can be made on Highway 7. Gustafson said this area needs to be looked at more closely; however, grading becomes an issue further to the west.

Maxwell said he wants to make sure that current businesses are able to come back to the area after the roadway project is completed if they wish.

Gustafson referred to the aerial photograph and said it also shows what a 5-lane roadway design looks like, and this is what can be initially constructed south of Mainstreet to ensure access to the businesses. Schneider asked staff to make sure there are defined curb-cuts. Gustafson said businesses have been made aware that there will be defined access points and that the locations of those access points will be looked at during the next steps.

Callison said she is comfortable with what is shown and that work should continue on the issues mentioned.

Maxwell said he agrees with Callison and asked if there are any programs available for businesses that may want to stay in the area but cannot afford higher rents. Blackstad said in the relocation packages, businesses receive adjustments and compensation. He said while rental assistance is more structured for residential, there are ways to deal with businesses. Blackstad said the county will start with relocation as soon as the alignment is determined.

Schneider said he has the same concerns as Maxwell, and wondered if a disservice is being done to the businesses during redevelopment. He said tax abatement should be looked into. Blackstad said there are a range of possible programs. Brausen said this is something that needs to be addressed sooner rather than later, and a packet of information on relocation should be available at the public hearing.

Thomas said he agrees with what has been said and that all options should be looked at for the North Service Drive. He said he likes the idea of buffers for the residential neighborhoods and suggested that staff look at options for businesses

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in order to make the right decisions.

Anderson asked that the Planning Commissions from both cities as well as the EDA from Minnetonka and HRA from Hopkins be invited to the public hearing.

Schneider said he has no reservations about what is shown, but asked that traffic patterns be looked at in the Oak Drive Lane neighborhood.

Maxwell said concepts 1 and 6 make sense, and he understands the alignment may need to be adjusted slightly as the process continues.

Anderson agreed and said as redevelopment comes forth, staff should look at the access points for the commercial areas.

Thomas said when the roadway project is completed, it will be a very desirable area.

Schneider said the public hearing may be better suited to be held at the Hopkins Center for the Arts. Maxwell said staff should check on its availability.

Anderson asked if staff had enough direction. Gustafson said yes, and that a public meeting date, time and location will be finalized. He said notices will be published in the paper and notification will be mailed out. Anderson said she has received some letters already and would like those letters to be included in the agenda packet for the public hearing.

Callison said the name "concept 1 with modifications" should not be used because of the changes to Oak Drive Lane. Gustafson said staff agrees and it will be named the Preferred Concept.

Schneider suggested having a copy of the preferred concept map included in the notice. Gustafson said that can be done and it will also be posted on the website.

2. Adjournment.

The meeting adjourned at 6:15 p.m.

Respectfully submitted,

Kathleen Magrew
City Clerk

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
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Council Present: Jan Callison, Bob Ellingson, Al Thomas, Tony Wagner, and Mayor Karen Anderson

EDA Present: Dan Duffy, Dave Larson, Peter St. Peter, and Bob Walker

Planning Commission Present:
John Cheleen, Sarah Frisque, and Sandal Hart

Staff Present: John Gunyou, Ron Rankin, Geoff Olson, Desyl Peterson, Merrill King, Cary Teague, and Elise Souders

Others Present: Eleanor Berscheit, Tom Wartman, John Herman, Carol Lansing, Dave Callister, Mark Ruff

Mayor Anderson called the special joint study session to order at 6:32 p.m.

1. Glen Lake Town Center revised concept plans.

Anderson welcomed the attendees and said this is the first chance council has had to see the revised concept plan. The purpose of the meeting was to review the revised plan, ask questions and give direction to staff. Anderson said there will be no vote this evening and if the proposal continues to move forward, there will be opportunities for public input.

Gunyou reviewed the meeting agenda. He said it is very early in the process, and based on the evening's discussion, staff will continue to work with the developer on the proposal, which will be eventually be reviewed by the advisory boards and then the city council.

Gunyou said following council direction at the April 4 study session, a retail market study for the Glen Lake area was completed. The concept plan was revised based on those results. He then reviewed the latest plan. Compared with the initial plan, Gunyou said there are fewer housing units, more retail, and a renovated grocery store. He explained the proposal still includes 20 percent affordable housing units.

Gunyou said the developer is requesting tax increment financing and that the amount of TIF needed is similar to what is projected to be generated. He explained that because the financing is thin, if one component changes it may effect the feasibility of the entire plan. It is important therefore, that the developer and staff be aware of any council concerns about the plan. Gunyou then reviewed the five specific questions staff wants feedback on.

Wartman said since the April study session, he has been working on a grocery store concept. His own group did a market study showing a grocery store is feasible in Glen Lake. Wartman explained the group working on the store

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includes veterans in the grocery store industry who are looking at a new concept to launch. He said the store is 25,000 square feet and they want to start construction immediately as the interior and exterior will be redone and they want to be open prior to the holidays. He is also planning on adding an additional 6,000 square feet of retail south of the grocery store and is working with Dan Keegan on a liquor store to go into some of that additional retail space. Wartman explained the condominium on the north half of the shopping center property and said it will be stepped along the Woodhill and west sides. He also plans to incorporate trails into the development.

Anderson said she was pleased to see a grocery store planned, and explained the city council does not need to give any approvals for the grocery, because it is a permitted use. Wartman said the grocery store is a first step to reinvigorating Glen Lake and sales are expected to increase over time with the addition of new residential units.

St. Peter asked if there have been discussions with existing tenants about relocation to the new retail space on the south side of Excelsior Boulevard. Wartman responded the majority of tenants have expressed interest in staying in the area and relocating to the south side. St. Peter said he has concerns about rents being too high in the new retail space, as this has happened in other projects.

Anderson inquired about the acquisition of properties on the south side of Excelsior Boulevard. Wartman said he is working on it and does have some purchase agreements.

Callison asked about options available if buildings heights were reduced, since fewer units would impact the financial feasibility. Gunyou said one possibility would be higher sales prices of the units on the Steeno property. Callison asked if the condominiums on the Steeno property will have affordable units. Rankin said the intent is to have affordable units dispersed throughout all the buildings.

Callison said she is pleased to see the grocery store, but asked if there is a way for the site to be redeveloped if the grocery store is not successful. Wartman said he replaced the old phase one with the grocery store, and in the event the grocery store does not succeed, there is an opportunity to build more condominiums as originally planned.

Anderson said a benefit of the first concept is the buildings complimented each other and the project looked cohesive. She asked if there is any way for the architecture to be coordinated. Wartman said the condominium buildings will be similar to what was shown in April, and while there may be a difference in the look of the retail buildings compared to the residential buildings, the whole project will be cohesive.

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Wagner inquired about the density of the condominiums. Olson said while he does not know an exact density, it is in the high density range at over 12 units per acre and probably more like 20 units per acre.

Ellingson asked about traffic and parking. Wartman said he is showing parking for the south side retail and the grocery at more than what is required. He said for the Steeno condominiums he has two stalls for every unit and one stall per unit for guest parking. Wartman said he wants to show that he has more than enough capacity to accommodate all of the parking needs so that he can refine it and add more greenspace.

Thomas asked what will happen if the stoplight does not go in. Wartman said he has concerns for park users and general traffic if the stoplight is not approved by the county. He said many people cut over on Tree Street to get to the signal light at Eden Prairie Road and Excelsior Boulevard. Wartman said if the stoplight does not go in, then the next option is to clearly define crosswalks and have signage.

Thomas asked if Wartman has talked to people on Stewart Lane. Wartman said from the April 2003 report, the neighborhood is interested in having a cul-de-sac on the west side and he is open to having a traffic study look at that option.

Ellingson asked how the grocery store, as an anchor tenant, will work when all of the smaller retail is on the other side of Excelsior Boulevard. Wartman explained that the grocery and liquor stores will draw the traffic. He also said that the new retail on the south side of Excelsior Boulevard will give the tenants better visibility compared to what they have now.

St. Peter said the EDA has raised the issue about park improvements being incorporated into the plans, especially regarding parking and other connections. Gunyou said there is money built into Wartman's project for public enhancements in the area, and the city also has other funds set aside for park improvements, including expansion of the parking. He said this revised plan with the grocery store works better for the parking needs at the park than did the earlier concept.

Hart asked what will happen to the grocery store concept if none of the rest of the plans go forward. Wartman said the attraction for the grocery store is the redevelopment, and that the grocery store group has options for other locations. Hart asked if nothing happened on the south side of Excelsior Boulevard if condominiums would still be done on the north half of the shopping center property. Wartman said most likely not, because of the problems regarding leases and relocation for the existing shopping center tenants.

St. Peter asked if the project moves forward and infrastructure costs come in higher than anticipated is there a contingency plan in place. Gunyou noted that Hennepin County has been involved in the planning, and that there is the opportunity for a transit oriented development grant. However, as a result of

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recent bus service reductions in the Glen Lake area, it may make the project ineligible. He said that the grant money is not shown in order to be conservative. St. Peter asked if the number of parking spaces also plays a role in the county grant. Rankin explained that it does.

Hart inquired about the size of the condominium units in the building to be located on the Steeno property. Wartman replied the plan at this time is for the units to be approximately 1,300 to 1,400 square feet and priced up to \$450,000. He does not know if they will be able to make them more expensive if needed. Wartman said the other condominium units will be approximately 1,200 square feet in size.

Ellingson asked if any analysis has been done to see if there can be higher density for the condominiums on the north side in case the Steeno property cannot be acquired. Wartman said he has a purchase agreement with Steeno.

Larson asked if the city can put in the light if the county does not. Gunyou said it is up to the county to decide whether a stoplight will be approved based on functional need, but that the city will try to get it approved. Frisque asked if no stoplight is put in if stop signs can be installed. Gunyou said that is doubtful. The county wants to insure sound operation of the highway, so it considers whether lights meet "warrants," that is, whether they are warranted.

St. Peter said in other developments there have been concerns about truck deliveries and he asked if there has been any discussion about this factor. Gunyou said it has been discussed informally, but that a traffic study will be required for the project to move forward. Wartman explained the truck movement for the grocery store and said he wants to be a good neighbor. He also said the businesses expected to go in on the south side are more service-oriented, therefore it is likely that there will be fewer truck deliveries. Gunyou noted there can be a condition of approval which addresses the truck traffic.

Cheleen asked about the possibility of putting in an island at the Woodhill and Excelsior Boulevard intersection. Gunyou said all possibilities for the intersection will be reviewed in the traffic study.

Anderson then asked for direction on the first discussion point—does council support this change in concept?

Callison said this revised concept does not feel as planned as the first concept; however, it is tough to judge without schematics. She wants the area to be pedestrian friendly. Callison said overall the concept is okay and it is good to keep the grocery, but she is struggling to visualize how it will look.

Anderson said she has concerns about architectural cohesiveness and asked about design standards for the area. Olson said there are design standards in the

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I-394 area, but not in this area. He noted there is some tradeoff with the grocery. Gunyou added that a comprehensive project such as this allows the city more opportunity to achieve integration.

Thomas said he has no problem with the new concept plan and likes it better than the first concept. He said that if the grocery store has to look like a grocery store to get people in then he is okay with that. Thomas said the grocery store is a good anchor and whatever can be done to make sure that it stays should be done.

Ellingson said there were two assumptions from the Glen Lake planning process two years ago: that the grocery store would stay and the substation would go away. He said the condominiums on the Steeno property are able to develop by itself, but is concerned about the viability of the grocery store based on the results of the market study. Ellingson believes the condominiums on the north half of the shopping mall will do well. He is concerned about what goes in on the south side because that needs the most subsidy, and wonders how much retail the Glen Lake area can really support. He is also concerned about subsidizing commercial development.

Anderson asked for clarification on the amount of square feet of retail. Gunyou said in addition to the grocery store, there will be an additional 6,000 square feet on the north side and 35,000 square feet of retail on the south side. Wartman said he has 19,000 square feet of tenants to relocate from the north side to the south side. He said he is hoping to draw in specialty retail.

Hart asked about the inclusion of the Gold Nugget. Wartman said the Gold Nugget will be relocated, and he is looking into possibilities of where this may occur.

Gunyou explained that the tax increment would not subsidize the commercial development, but would be used to write down the cost of the land acquisition as well as provide the public improvements. He briefly explained how the tax increment financing would work.

Wagner said the new plan seems to have lost some cohesiveness; however, he supported retaining the grocery store. He said one item that needs to be addressed is the walkability of the area.

Duffy said it is important to introduce more pedestrian friendly components. He said there is a connection missing between the Steeno property and the rest of the project. He also suggested making a public linkage to the lake.

Gunyou relayed Schneider's comments to the group, and said that Schneider is fine with the changes shown in order to keep the grocery store. Schneider also wanted to look at the possibility of relocating the Gold Nugget to the additional

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retail space on the grocery store site so that it would have adequate parking.

Anderson then reviewed question two—is council comfortable with the building heights and site density proposed in the revised concept plan? She said the Glen Lake area can handle more density and it seems appropriate because of the existing buildings in the area and also because it makes the financing work. She has no problem with the proposed building heights.

Wagner agreed with Anderson. He asked about the market feasibility of a 1,300 square foot condominium building. Wagner noted that the density helps to make the south side possible. Anderson said the EDA will be asked to look at the unit sizes and sales prices.

Callison asked for clarification on the height of the south side building. She said three stories so close to the roadway may feel out of place. Callison said she is not overly concerned about the density, and while less height is better, what is shown is okay.

St. Peter said the EDA has talked about this proposal as a demonstration project and that some risks should be taken. He said it works to have higher density.

Walker suggested that the developer consider putting together an elevation cross-section. Gunyou noted that will be done as part of the formal application process.

Anderson reviewed question three—is council comfortable with the proposed housing mix and pricing? She observed this has been discussed earlier.

Callison said the number of affordable and mid-range units make the project attractive. Gunyou reported that Schneider feels strongly about keeping the minimum 20 percent affordable and keeping the number of mid-range units. He said that Schneider is okay with more expensive units on the Steeno property.

Anderson reviewed question four—does council support the proposed traffic and pedestrian access concept? She noted that the revised concept provides less access than the first concept. She said it is something that needs to be paid attention to as the project continues.

Thomas said trails and sidewalks are needed on Excelsior Boulevard, and that this is very important to him. He said he likes the idea of access to the lake from the Steeno property.

Callison suggested that if no signal lights go in, then there should be signs that make sure drivers are aware of the crosswalk. Frisque added that anything which makes the crosswalk stand out, such as brick crosswalks, should be considered. Anderson asked the group if there were any objections to having the traffic study

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look at disconnecting Stewart Lane from Eden Prairie Road. None were raised.

Anderson reviewed question five—is council comfortable with the financial request, and possible use of eminent domain as a last resort? She said in the West Ridge development, eminent domain was considered as a last resort, and while it was not used, the possibility helped with the negotiations. She said she has no problem considering it as a last resort. The council generally concurred.

Anderson asked what the next steps are in the process and what the public can expect. Gunyou said staff will continue to work with the developer, incorporating these comments and direction. He said the next steps in the process will likely be: the developer will prepare more detailed concept plans and then hold neighborhood meetings, a formal application will be submitted to the city, the EDA and planning commission will hold public hearings, and eventually make recommendations to the city council for a final decision.

Anderson asked about the grocery store moving ahead. Gunyou said staff will check to see what needs to be done in order for it to move forward. He noted that this was independent of the project review and did not imply approval of the overall redevelopment.

Peterson said there may be one item that comes out of sequence. In order to proceed with the TIF plan to capture the increment from the grocery store addition, a guide plan change may need to be made prior to review of the proposal. Anderson verified that it is just a guide plan change and not a rezoning that is needed.

Gunyou said notices will go out to the neighborhood for the public meetings and hearings. He suggested that interested residents and businesses also contact Olson to be put on the emailing list.

Anderson said this area was looked at for redevelopment 25 years ago.

2. Adjournment

The meeting adjourned at 8:14 p.m.

Respectfully submitted,

Kathleen Magrew
City Clerk