

**STAFF SUMMARY
CITY OF MINNETONKA
JOINT STUDY SESSION
WITH EDA AND PLANNING COMMISSION
MONDAY, OCTOBER 16, 2006
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Council Present: Dick Allendorf, Bob Ellingson, Terry Schneider, Al Thomas, Tony Wagner, Brad Wiersum and Mayor Jan Callison

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

Planning Commission Present:
Steve Adams, Michael Brandt, John Cheleen, Sarah Frisque, and Sandal Hart

Staff Present: John Gunyou, GERALYN Barone, Jeff Dulac, Elise Durbin, Lee Gustafson, Vanessa Haight, Merrill King, Desyl Peterson, Ron Rankin, and Julie Wischnack

Others Present: Eleanor Berscheit and Geoff Olson

Callison called the meeting to order at 6:30 p.m. Barone reviewed the upcoming council meeting schedule.

1. Opus Area Master Planning

Callison explained this is a study session, so no action will be taken tonight. This is the chance for the three committees present to discuss issues informally and provide comments. Direction can be given to staff, but no decisions will be made. Two things will be discussed tonight: the Opus area master plan in general as well as United Health's proposal.

Rankin presented the staff report, focusing on the history of the Opus development.

Gustafson presented the overview of the master planning study portion of the staff report. He explained no right-of-way has been acquired yet for the LRT, as it is not an approved route yet. He added the right-of-way in the Opus area is not typical. A typical street has a boulevard of 10, 12, or 15 feet. In the Opus area the right-of-way is one to two feet outside the concrete edge, so there is not a lot of available right-of-way. The utilities are put in the trail corridor, so there is limited right-of-way for the street and utilities.

In response to a question by Callison about future traffic flow, Gustafson explained some improvements have already been made to the interchange. The interchange is not overloaded, but it does create problems for some drivers. There are some concerns about the intersection of Bren Road and

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Shady Oak Road, but improvements will be made to address these concerns as part of the Shady Oak Road project scheduled to begin next year.

Rankin commented there will have to be a fairly extensive outreach process during the planning work. There are 1,400 townhomes, condos, and apartments as well as a large number of businesses that will want to be part of the planning study. The planning process will have to be well thought out in order to provide sufficient opportunity for input.

Olson presented the portion of the staff report regarding the United Health Group proposal. He noted a neighborhood meeting was held and only four businesses attended. Additionally, staff has received a few letters expressing concerns about traffic impacts to the intersection.

Callison noted staff would like feedback regarding whether the council and committees concur with the need for an area-wide planning study of the Opus business park and also whether any other components should be incorporated.

Allendorf asked how the traffic study associated with the phase I project dovetails into the suggested overall master plan. He believes the master plan should come first, followed by an individual building similar to what is proposed.

Gunyou responded it does make sense to do as Allendorf suggests, but the timing of the project is such that staff is trying to ensure the outcomes will still be consistent with what is expected to come out of the broader study.

Gustafson concurred with Gunyou that the master plan should ideally precede a development of this size. Unfortunately, that is not possible, but staff can still make some very good, educated recommendations to the council and planning commission based on the traffic study in terms of what is needed for access. He noted this proposal is an example of why the city needs a master plan study of all area infrastructure needs.

Callison commented the impetus for the master plan study is the LRT. She inquired what the master plan study area encompasses. Gustafson responded that generally, station-area studies look at an area within a half-mile radius of the station, which easily incorporates all of the Opus area under consideration.

Callison asked if trails are part of the infrastructure that will be looked at. Gustafson responded the secondary road system of trails through Opus is

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also where the utilities are located, so both of those will be reviewed along with the traffic and roadways.

Hart inquired about the LRT's impact on traffic in the area. She asked if it makes sense to have the decision about the LRT before the city moves ahead with the master plan. Gunyou responded staff believes it is important to look at both possibilities, because LRT does have a lot of implications. The carrying capacity of the area would be different with LRT. The plan is to look at different scenarios.

Hart asked whether the traffic study for the master plan will look at the area with and without LRT. Gustafson affirmed it would. He stated if the traffic study shows a plan without LRT, a certain amount of commercial development might be allowed. Adding LRT will allow the development to intensify and allow more types of uses. He added staff does not believe the city can wait for an LRT study to be done, because it has been studied for a number of years and the city needs to have some good baseline information.

Duffy stated he would like additional discussion regarding pedestrian traffic if LRT does go through the area. When discussing possibly adding a third lane to Bren Road east, the city may need to consider allowing pedestrian traffic along three lanes of traffic. That should be part of the planning process, in addition to vehicle traffic.

Gustafson stated there are quite a number of underpasses for the trail system already, and sometimes they are not utilized in the best fashion. Staff realizes that needs to be looked at. It is essential that pedestrians be able to walk in the light rail station area, and that will be a part of the study.

Schneider indicated he is not sure what the trigger point is for a mandatory EAW based on parking spaces and whether the United Health property would trigger that, but he assumes it might come close. He wonders whether part of the thought process is just not a master plan update, but an actual area-wide EAW for the entire Opus area. That may be preferential to proceeding on a project-by-project basis because the framework is set up so components can be added in more quickly and cost-effectively.

Gunyou agreed that is a good idea. If the city wants to do an area-wide plan, it makes sense to look at all the aspects. He is unsure what the rules are in terms of a trigger point.

Wischnack stated an alternative urban area-wide review process (AUAR) would be quite appropriate with this kind of project. It would be very easy to turn that land use plan into an AUAR.

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Callison asked if anyone would like additional items included in the study.

Wagner suggested staff look at alternative transportation methods within all these business parks. He tends to think of Opus as a sea of asphalt; he asked staff to consider, as part of the master planning effort, whether the city should look at sustainability and what that would look like in this area. One option may be green roofs, which would reduce the level of asphalt.

Gunyou commented if there is an LRT station, circulator options will have to be considered in order to distribute people throughout this large area.

Allendorf commented he does not recall there is much in the CIP regarding a new bridge or new lanes. He asked what the funding sources are for these upgrades, which will possibly be needed.

Gunyou responded the city's financial advisors have begun looking at financing options, and various financing mechanisms will be part of the master plan study. He believes some form of financing district is likely to be formed, including some combination of TIF, abatement, and special assessments. There are a variety of options available for roadway improvements, and staff will have to look beyond what the city has traditionally done. Possibly a portion of the responsibility could be city-wide, with a larger portion required from this area; the idea being that the redevelopment which takes place should largely pay for the costs associated with serving it. Another reason some kind of district is being considered is that capital improvements, as well as upkeep, will likely be required to meet a higher level of service than is typically provided city-wide. The density increase will require that.

Gunyou explained that having a district in place allows the city to better coordinate the timing of the improvements to meet evolving development demands. Typically, when a development comes forward, the city requires the developer to make some improvements. As the whole area redevelops, having a way to spread those costs over multiple years as the development takes place will allow the city to meet the service needs by fairly allocating financing responsibilities. Financial advisors are looking at different mechanisms, and as the study proceeds, staff will report to the council.

Callison asked how long the study will take. Gustafson responded the study will begin at the end of this year and will take four or five months.

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Gunyou noted the city is talking with United Health Group regarding prospective agreements that would fold into some type of a district mechanism.

St. Peter commented TIF is probably the least attractive option for a longer-term improvement project because of the short time frames that are now built into the law. It will be a challenge to do something like that and include United Health Group.

Gunyou noted staff has talked preliminarily with United Health regarding required improvements in the first phase. One question is whether they would receive some sort of credit going forward by fronting those improvements that benefit a broader area. Having this kind of project at this time will require the city to put these mechanisms in place.

Schneider noted a circulator bus makes good sense. However, as the Hiawatha Line has experienced, stations have become magnets for people coming from off-site to get on LRT. Another question will be whether that area can accommodate Eden Prairie residents, for example, parking there to use LRT. Gunyou agreed that is an important issue to consider.

Frisque suggested the likely increased bus traffic in the area also be reviewed as part of this study.

Callison stated there seems to be consensus regarding the need to do this type of study.

St. Peter suggested staff talk with the state legislative delegation regarding the financing side of this project to see what options may be available in TIF or other special taxing districts. The challenge the city faces is TIF is the only taxing district that helps the city with fiscal disparities; the rest would subject the city to fiscal disparity sharing so that any new development that comes in would be shared throughout the Metro area rather than be available to pay for local improvements.

Gunyou commented there are restrictions on how assessment districts can be applied, but as the legislature has decreased the flexibility available to the cities, perhaps this type of project will create an opportunity to talk with them. He noted the size and magnitude of the United Health Group project has gotten the attention of MnDOT as well as other state agencies. That may create an opportunity to get support from the administration as well.

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Schneider suggested the study be set up in such a format that can be integrated into the Comp Plan update. Gunyou concurred. Staff has been thinking about this in terms of a sub-area plan.

Allendorf asked if there is any preliminary idea about whether the bridge at Bren will be sufficient for the traffic and if not, whether MnDOT will have money available to help with that bridge.

Wagner asked whether from a procedural standpoint an overlay district needs to be included in the study as it is ongoing. Wischnack responded a number of things can be done. She would not suggest another overlay district at this time as that may complicate matters. There are enough mechanisms in place in the current zoning laws that would address whatever projects come forward. She recommended the planning study be in a short time frame or the city will not be ready for the next redevelopment project.

Gunyou added the outcome could end up in some type of overlay district, but perhaps not until the Comp Plan is done.

2. United Health Group Proposal

Callison asked for initial thoughts and reactions to the proposal.

St. Peter stated he was a tenant in the Opus center during the 1990s and has long expected significant redevelopment to occur throughout the park. He did use the secondary trail system and walked the entire area extensively over the years he was there. He has expected this and believes it is overall a good use and is consistent with what is likely to occur around the periphery of the park. The significant challenge identified is the traffic issue coming in and out. It has been greatly improved by the changes made by MnDOT, the city, and the county. However, an increase in density in the two towers will create a significant long-term problem if the infrastructure problem is not dealt with moving forward. The question will be whether the two buildings can be separated so that they are not as concentrated as they are right now. With the construction of this building, there will be four of the 10-story or more buildings located within walking distance of each other, and they will bring a large number of people in and out during the rush hour times of the day. The project itself fits on the site.

Allendorf asked if United Health has a travel management program and whether the city will require them to have a more extensive one as these buildings go up.

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Rankin responded he is not aware that they have one now. He is aware discussions have been held between the company and I-494 commuter services to help provide that type of service. He does expect it will come up as the proposal moves through the planning commission and city council. That type of provision has been included in other project approvals and would certainly be appropriate for this proposal.

Wiersum commented that directionally, this is consistent with what he expects a development in Opus to be in the future: more offices and less light manufacturing. The interesting conundrum in this situation is that light rail is a great possibility that could result in greater density. However, because it is 15 to 20 years away, the pressures for greater density are going to come much sooner than light rail will come. As density is considered, the assumption has to be made that light rail will not be there because it is likely 20 years away, and a lot of the redevelopment pressures within Opus will happen in the next five to ten years. For United Health, it is good because they are in early compared to a lot of the redevelopment that will occur later. He believes the area will run out of capacity unless light rail can be planned for with certainty. There are significant traffic problems on the highways in that area today, but unless dramatic improvements are made to the roadways, the capacity to support meaningful development like this will probably be exceeded.

Larson concurred with Wiersum's comments. He stated his recollection is the Hiawatha Line took 25 years to plan and implement. He believes there are five other LRT lines under consideration, and the one serving this area will be the sixth one. He thinks 15 or 20 years is an optimistic time frame. Therefore, alternative ways should be considered without factoring in light rail for the immediate future.

Duffy stated he believes 2015 or 2016 was the most recent projection, and that date might move up a little bit. This line is the third spoke on the wheel, and it may gain momentum in the next legislative session.

Callison noted the current alignment is a better alignment than the previously ones considered, and is therefore, more supported.

Gunyou added he, the mayor, and other staff have met with other cities along this route and there is a significant amount of support. He believes this line could be positioned as the number two priority behind the central corridor line, largely because the alignment is less controversial than some of the others discussed earlier.

Callison summarized there seems to be consensus it is appropriate to send this proposal to the planning commission and let them do the detail work.

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Peterson commented there will be an item on the next council agenda that deals somewhat with this proposal. It is a statement of intent between Opus, the city, and United Health Group. United Health Group was concerned about investing significant dollars in redevelopment if the city's road plans would drastically and negatively impact their corporate headquarters. Therefore, staff has prepared a statement of intent indicating the city will work with them cooperatively, and it is not the city's intent to impact that building negatively. She noted there is no way to enforce this; it is really more a statement of intent.

Schneider stated it makes sense to have a clear understanding of what the city's goals and objectives are. He does not think that would bind the city to actually funding it at this point in time. The reality is it may take more funds than the city is able to make available, and the city cannot commit to that as part of this letter of intent. He believes that is a good approach, but the council should be cognizant of the limitations of how this could be implemented in the future.

3. Adjournment

The study session adjourned at 7:33 p.m.

Respectfully submitted,

Laura L. Ronbeck
Acting City Clerk