

**APPROVED
MINNETONKA ECONOMIC DEVELOPMENT ADVISORY COMMISSION
MEETING MINUTES**

**APRIL 28, 2011
6:00 P.M.**

1. CALL TO ORDER

President St. Peter called the meeting to order at 6:00 p.m.

2. ROLL CALL

EDAC commissioners present: Kathryn Aanenson, Benita Bjorgo, Michael Happe, Ken Isaacson, Bruce Smith, and Peter St. Peter.

EDAC commissioners absent: Chandra Coughlin.

City council liaison present: Tony Wagner.

Staff present: Community Development Director Julie Wischnack and Community Development Supervisor Elise Durbin.

3. APPROVE MARCH 24, 2011 MEETING MINUTES

Happe moved, Aanenson seconded a motion to approve the March 24, 2011 meeting minutes. Aanenson, Bjorgo, Happe, Isaacson, Smith, and St. Peter voted yes. Coughlin was absent. Motion passed.

BUSINESS ITEMS

4. YMCA Redevelopment Plan Concept

Wischnack gave the staff report.

David Anderson, of Frauenshuh, representing the YMCA, stated that:

- The proposal has been studied to determine whether to proceed with investment in the property or look at redeveloping the property to bring it more in line with current standards and today's marketplace. A certain value could be created to deal with the limited resources that are available to invest. Putting a project like this together goes beyond YMCA staff's expertise. His company comes together with organizations and private clients to help them figure out how to facilitate real estate facility needs.

- The site is 10 acres. The property is underused for the size of building that sits on the property.
- The proposal foremost set out to accomplish what the YMCA is trying to accomplish with the site. The facility would be downsized and made more relevant to today's customer. The YMCA footprint would be 25,000 to 30,000 square feet. It would be two stories and located closer to the street. The balance of the site would fit well and complement the YMCA's operation.
- His company is involved in healthcare real estate. This area would be well served by a medical use. The proposal includes a 10,000 to 12,000 square foot medical building and senior housing.
- The YMCA has limited capital, \$4.5 million, to invest a new facility, which is estimated to cost \$11.7 million to \$12 million. That would partially be addressed by the sale of portions of the site for private development of senior housing and a medical clinic. Those proceeds would flow into the YMCA as would the use of the \$4.5 million. The remaining gap would be \$2.8 million.
- The senior housing and medical facility would create taxable value that would generate funds and support the project. That would allow the YMCA to reach its ultimate goal. The affordability piece would need to be figured out with some detailed analysis.

Anita Lancello Bydlon, YMCA vice president of property management and new development of metropolitan Minneapolis, stated that she has been doing development work for the YMCA for seven years. She had the pleasure of running the Ridgedale YMCA for seven years before that. The last three branches built were built in partnership with the cities of Andover, Elk River, and Prior Lake. Prior Lake had senior housing, a church, and the YMCA all connected together. It created a great campus atmosphere.

Ms. Lancello Bydlon stated that Wischnack did a great job of giving an overview of the YMCA. The Ridgedale YMCA has been there for 30 years. It has some challenges in terms of meeting the neighborhood's needs. A market study done in 2009 shows that 45 percent of the community is over 55 years of age. Southdale YMCA is currently being renovated. All of the YMCAs are being downsized to a 50,000-square-foot size. Making the space efficient is the goal. The YMCA is a good community partner. YMCA staff does a lot of social service work in the community such as Minnetonka Heights and does not turn any person away from participating in camps and programs. She saw the way of the future of nonprofits partnering with cities and communities with the mission of providing human services and helping people have better places to live. The \$4.5 million could be put into a renovation, but it would not do much for the exterior of the building. She hoped that more could be done.

Happe thought the proposal is an interesting and attractive opportunity. He requested more information on the affordable housing piece.

St. Peter noted that the site has issues with not enough parking during heavy usage times. He questioned if sufficient parking is possible the proposed uses. Wischnack explained there will be underground parking for residents of the senior housing. Visitor parking will be reviewed and compared to similar facilities. Redstone restaurant, located adjacent to the site, has a parking shortage.

Mr. Anderson said that the concept is still being analyzed and more in-depth discussions will occur on how it would be structured. Essentially, there would be 30 units at the affordable housing rate. The average would be \$760 a month per unit for the 30 units for 25 years. The commitment is for the project to meet the affordability standards through the duration of the TIF district. There are some assumptions regarding inflation and market-rate rents. If there is an opportunity here, then the most efficient structure would be considered.

Isaacson did the math and said his calculations showed that a one-bedroom, market-rate unit would be \$1,600 a month. Mr. Anderson agreed that was the projection for the market-rate units. There would be a blend of one bedroom and studio units that would meet affordable housing guidelines.

Isaacson asked if the project would be a tax-credit qualified project. Mr. Anderson answered in the negative. It would be a market-rate project with a commitment to deliver the affordable units following the guidelines for eligibility.

Wischnack clarified that the tax-credit eligible and housing district requirements are the same. Isaacson requested specifics on the overall sources and uses. The gaps are large and there is a lot of money left on the table.

Happe agreed the YMCA building is dated; but, the facility is only 30 years old. He asked what the issues are with the facility. Ms. Lancello Bydlon stated the site has groundwater issues never fixed since the contractor went bankrupt; it is heated with heat pumps and cooled with an undersized cooling tower that has to be sprayed with a hose in the summer so it does not overheat; the building uses an electric boiler; has poor exposure off the street; the exterior has unattractive white brick; and the facility needs a warm-water pool and larger walking track.

Happe asked her to talk about what has been happening with membership. Ms. Lancello Bydlon stated that the market study indicated that if the facility would be renovated, then membership would increase by 500 units from the polled area which consists of a 5-mile radius of the site. The over-55-years-of-age group really responded and would utilize the improvements. Another needed improvement is separate locker rooms for families with kids.

Smith suggested breaking down the TIF by housing which was the amount of the financing for the total market value and approaching it that way for TIF for the housing. Wischnack explained that regular TIF could be handled with a

redevelopment and renovation TIF district. It would be a little more difficult to qualify for that type of TIF district. That is the challenge. It is very clear that it is for clearing and demolition of the site. A housing TIF district is used to support the affordable housing component of the project. It would take a lot of effort and cost to evaluate the existing building.

Smith wanted to compare apples to apples. The Duffy development provides clear apartment costs and pooling. The YMCA development would bundle the housing, medical building, and YMCA. He thought it would be overinflating the amount of participation for the housing, but it would still be high. Wischnack asked if he would propose unbundling the evaluation from the TIF. Smith agreed from a comparison stand point. Wischnack would separate the regular TIF and provide a separate pooled portion.

Wagner noted that projects requiring city financing, that are multi-family, have some expectation to provide affordability. Wagner liked the idea to separate them so the subsidy could be seen. There is a lot of subsidy to the project and the dilemma is that the city council and comprehensive guide plan commission want higher uses near Ridgedale. This is one of those properties. Deferring the higher density for subsidy is the dilemma.

Smith agreed it is a unique concept, and likes the medical building, senior housing, and YMCA package. He is uncomfortable with the amount of financing, the level of support for the senior housing and the number of units. It is a great concept, but the financing needs to be looked at a little closer.

Aanenson concurred. Her concern is the amount of subsidy per unit. The financing needs to be looked at a little bit more closely.

Bjorgo concurred. She liked the concept of the project, but she was uncomfortable with the magnitude of the differential.

Smith asked if there are any other financial sources available.

St. Peter added he agrees with the other commissioners, but he views the concept as being in an early stage. He felt there may be a way that the city could go higher than it has in the past. The Duffy project was done as an equity investment, not as something that would be written off. The investment would come back into the city at some point of time and benefit the residents. He wanted to see the proformas showing the equity and tiers of financing.

St. Peter stated he would challenge the 150 units. The comprehensive guide plan actually calls for higher-density housing on the site. That is one way to amortize across the units the high cost of the land and fill in part of the participation gap. That would mean the same percentage of affordable units.

Mr. Anderson agreed that the proposal is at the preliminary stage. He appreciated the comments. Alternative finance sources have not been researched deeply. The types of values and rent structures have been researched. Alternative finance sources are really the synthesis of the senior housing and wellness component that would be built into the project that the YMCA would deliver. One of the challenges is the timing of the proposals with the reality of the market. The new YMCA facility would have to be built while the existing building would be in operation. That is a significant challenge. At that point, the existing building would be torn down and the first phase of private development could begin. What he has tried to do in the process is simplify the project as much as possible to work through the steps. He appreciated that details need to be worked out including timing of financing, costs, and delivery of the site so the other components of the project can start.

Mr. Anderson said that increasing the number of units of senior housing would be considered. The design created a balance so there would be sufficient parking and that ordinance requirements met. It would have to work operationally for the YMCA, work well from the market-place perspective for a quality living environment, and provide health services and access.

St. Peter asked how the financial relationships have worked with other cities. Ms. Lancello Bydlon answered the city of Andover donated 10 acres of land for the site and built collaboratively a 150,000 square-foot building with an ice arena and field house. The city's contribution was the land value and the city financed the project so the YMCA pays the cost back to the city at a 3 percent interest rate. Elk River donated 8 acres and a park through a referendum which gave the YMCA \$8 million, the YMCA paid \$4 million, and the YMCA leases the facility from the city. The facility cost \$12 million and is 55,000 square feet. The YMCA in Prior Lake is a private development with the YMCA physically connected to a Lutheran church and Presbyterian Homes housing development. The land was donated and there was significant fund raising done. Ms. Lancello Bydlon noted that the \$4.5 million raised for this facility has come from residents who want it improved.

St. Peter asked for details on the per acre land transfer. There is a difference between the cost between a developable acre and land in other cities.

Wischnack asked if commissioners would be comfortable pairing TIF pooling and TIF. Isaacson felt it would be worth pursuing. Smith, Bjorgo, and Aanenson agreed. Happe very much supports the improvement of the YMCA and the role it plays in the community. He was concerned with the use of pooled TIF funding. St. Peter is comfortable considering both. He wants the TIF funds to be used as an investment to benefit the city rather than funds to buy something down.

Wischnack asked if TIF pooling would be used, then what kind of comparative data would the EDAC use to determine if the use had been appropriate. Bjorgo

would like to know what other funding sources had been sought. St. Peter said breaking it down for separate tasks and separate types of use would be helpful to determine if the housing TIF district alone makes sense on a payback to the city.

St. Peter commented that family-event parking at the St. Therese locations was nearly impossible. The police were kind in both instances he was involved in, but the Ridgedale area would not have that flexibility. St. Peter encouraged the applicant to discuss overflow parking options with neighbors including Ridgedale Center management. Ms. Lancello Bydlon stated that the YMCA does have an agreement with Ridgedale Center to utilize Sears parking if necessary and a lease agreement with Red Stone so 35 to 40 of their employees park in the YMCA's parking lot. That is an issue she needs to deal. She had never seen the YMCA's parking lot full when she worked there seven years ago, so she thanked St. Peter for bringing that to her attention. St. Peter has seen people walking from the Sheraton parking lot to the YMCA.

Isaacson belongs to the YMCA and has never seen a problem parking. He has seen people who are staying at the Sheraton walking to Red Stone for dinner or to Ridgedale to shop. After further discussion, Isaacson realized there could be a parking problem.

Smith asked what the economic benefit to the city of pooling is. He asked what the incremental economic benefit would be to take a property that does not currently pay property tax and make it taxable. Wischnack will research that answer along with membership numbers, problems with the existing building, more details on gap and market, parking, TIF and bundling with TIF pooling that is overstating the influx of dollars for the project, cost of the use, finances, alternative financing, affordability, increase the number of units to cover the cost of the land, timing of site development, use of TIF and TIF pooling with reservations depending on how the numbers work, and history of other joint projects in other cities per acre land transfer and how that relates.

Wagner stated the council has asked staff to provide criteria to help evaluate TIF pooling credits. Ranking the projects and making the maximum use of the funds is the goal. Location in the city, type of use, and how transit plays into it are all factors to be taken into consideration. The information should be provided to the EDAC as well as city council. Wischnack explained that the criteria would be developed as a city council policy which would give guidance to the group as well as applicants. St. Peter would expect to see staff's analysis of the benefits.

Wischnack explained that there will be official hearings and more serious discussions regarding paperwork and financial information when an application is received. She expects the concept plan to be reviewed two more times before formal action is requested.

St. Peter asked who would be included in the public hearing notification. Wischnack responded that at a minimum the property owners and tenants located within 400 feet of the site.

5. MINNETONKA BUSINESS PROGRAMS

Durbin provided the staff report.

Happe thanked staff. One of the places that stands out for redevelopment is the Highway 7 and County Road 101 area. He asked if there is any action or activity with that area to help try to find solutions. Wischnack said the K-Mart site and County Road 101 area does need improvement. The owner of K-Mart is not in a hurry to find a tenant for the building. The owner resides out of state, but has visited with staff to see what the city could do to facilitate some ideas. Wischnack feels that there is some momentum, but until the owner makes a move there is not a lot the city can do. The property east of the high school is in transition.

Wischnack stated that some of the projects would take a lot of money and resources. The most unique funding the city has been involved with is the Highway 169 and Bren Road project. It utilized DEED, MNDOT, and a fee to the developers. Some projects would not have been done on their own.

Wagner welcomed ideas and wants to take a more aggressive approach than had been done in the past to support redevelopment.

St. Peter commended staff for the report and encouraged staff to put the summary programs and support information on the website under “economic development” so searchers could access the information. Wischnack stated that the website is being redone and that information will be made easier to locate.

6. STAFF REPORT

Wischnack and Durbin reported on items including:

- LRT preliminary engineering will begin in August of 2011. Park and ride locations and numbers will be taken into consideration for the Shady Oak Road area. The community works project continues.
- Bren Road and Highway 169 bridge construction updates are being posted on the city’s website and Twitter.
- Former Cattle Company site is being considered by a hotel developer who has not yet submitted a formal application, but is looking at the environmental work that would need to be done to redevelop the site and is applying for cleanup funds.
- An update on the new housing programs.
- The next Sensible Land Use session will be held May 25, 2011 to discuss stormwater and minimal impact design standards. The April

SLUC session dealt with house designs to meet ethnic and diversity demands that the builder is seeing in the marketplace.

7. OTHER BUSINESS

The next EDAC meeting will be May 26, 2011.

8. ADJOURNMENT

Happe moved, Isaacson seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:40 p.m.