

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY
MEETING MINUTES**

**Tuesday, November 15, 2005
6:00 p.m.**

**Boards and Commissions Room
Minnetonka City Hall, Lower Level**

1. CALL TO ORDER.

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

2. ROLL CALL.

EDA Commissioners present: Dan Duffy, Dave Larson, Bunny Robinson, Peter St. Peter, Al Thomas, Tony Wagner, and Bob Walker.

Staff present: Ron Rankin, Merrill King, and Elise Souders.

Others present: Mark Ruff, Julie Eddington, Tom Wartman, Nellie Johnson, and Stacey Morgan.

3. APPROVE MINUTES OF OCTOBER 18, 2005 EDA MEETING.

Thomas moved, Wagner seconded a motion to approve the October 18, 2005 EDA meeting minutes. All voted yes. Motion passed.

BUSINESS ITEMS

4. GLEN LAKE REDEVELOPMENT PROPOSAL OVERVIEW.

Rankin said the purpose of this item is to give the EDA an opportunity to get an overview of the project before the December meeting where they will be asked to formally review and make recommendations on the project. He introduced Mark Ruff from Ehlers and Associates, Julie Eddington from Kennedy and Graven, and the developer Tom Wartman and said they are present to review the project and answer any questions.

Wagner asked where the neighborhood meetings are being held. Rankin replied they are at Immaculate Heart of Mary church.

Wartman recapped for the EDA how the opening weekend for Fresh Seasons Market went. He said they had a very good response and had a lot more customers than

anticipated. Wartman said in general he was getting good feedback to his plans and cleaning up the area; however, some businesses are concerned about relocation.

Wartman gave an overview of the properties that are part of his plans and said his goal is to be in the ground by April 1 or May 1 of next year for sites B and C. He reviewed the plans, elevations, and condominium details for each of the sites in the project. Wartman also discussed the relocation of the Gold Nugget and other businesses.

Wartman discussed the retail component to be included in site B and said the businesses that go in will need to be businesses that accept only front door service.

Wagner asked about the amount of retail space that will be demolished in site A and how much will be added in site B. Wartman replied that approximately 19,000 square feet of retail will be demolished in site A and will be replaced with approximately 20,000 square feet of new retail in site B.

Thomas asked if it is possible to do the development without the Zachman property. Wartman said it is possible; however, it would not be as good as it could be with the property. He said the person renting the house on the Zachman property will be leaving at the end of the month. Thomas told Wartman to continue working on negotiating a price with the owner.

Duffy inquired if there will be public access to the trails through site C. Wartman said the plans are to connect the trail on site C to Kinsel Park and also to site B as well as to other sidewalks throughout Glen Lake.

Ruff asked for clarification on the relocation of the utility lines. Wartman said some utility lines need to be relocated and it may cost somewhere between \$150,000 and \$200,000. He added that there may be some cost savings in the relocation of businesses to help off-set this new expense. Rankin clarified that Ken Helvey is the business relocation consultant.

Wartman said he has gotten good feedback from the condominium neighbors he has met with in recent weeks.

Thomas commented the mixed-use building will provide a focal point for Glen Lake, and that the grocery store has done a lot already for the area.

Wagner asked if the Renneke property has been taken into consideration in the planning in case it becomes available for future redevelopment. Wartman said he anticipates a plan similar to what is being presented on site B, but smaller scale.

Thomas asked if burying the power lines has been discussed. Rankin said his understanding is that it is not cost effective to bury the larger power lines.

The EDA thanked Wartman for his review of the project.

The EDA tabled the remainder of the Glen Lake redevelopment discussion to take action on the CommonBond funding request.

5. COMMONBOND FUNDING REQUEST FOR CROWN RIDGE ADVANTAGE CENTER, CONTRIBUTION OF \$6,000 TO COMMONBOND FOR RENT PAYMENTS OF EXPANDED ADVANTAGE CENTER AT CROWN RIDGE, AND MEMORANDUM OF UNDERSTANDING BETWEEN COMMONBOND, THE HOPKINS SCHOOL DISTRICT AND THE CITY OF MINNETONKA.

Souders reviewed the report and said staff recommends the EDA recommend to City Council approval of the Memorandum of Understanding, approval of the \$6,000 in rent contributions for the expanded Advantage Center for the year 2006, and approval of the \$10,000 funding request for the Crown Ridge Advantage Center. Rankin reiterated the positive improvements that have been made at Crown Ridge in the past year.

Walker asked what the status is of the other grants that CommonBond is applying for. Johnson said the Hopkins School District SCIP grant will be decided on in spring 2006 and the General Mills grant will be decided in February 2006.

Wagner moved, Duffy seconded a motion to recommend to City Council approval of the Memorandum of Understanding, approval of the \$6,000 in rent contributions for the expanded Advantage Center for the year 2006, and approval of the \$10,000 funding request for the Crown Ridge Advantage Center. All voted yes. Motion passed.

4. GLEN LAKE REDEVELOPMENT PROPOSAL OVERVIEW (CONTINUED).

The EDA resumed the discussion on the Glen Lake redevelopment proposal overview.

Rankin introduced Merrill King, the city's Finance Director.

Walker asked what the appearance in terms of scale will look like for building A. Rankin replied site A sits a story below Tree Street. Since building A is four stories tall, it will appear more like three stories on the corner of Tree Street and Woodhill Road.

Duffy said at an earlier study session a central gathering area was shown in the plans. He asked if this is going to happen. Rankin said the Glen Lake Park/ballfields are being redesigned, and there are also discussions about doing a makeover on the plaza area that is near the bank. Duffy said he does not want to see the central gathering area lost.

Rankin reviewed the one page summary of the Redevelopment Agreement included in the packets. He said 20 percent of the condominium units will be affordable and will be indexed and there will be public improvements that are done by Wartman as well as a plaza makeover and streetlights throughout Glen Lake. Rankin also went over the TIF assistance needed and said that the extraordinary costs associated with site B

prompted the need for TIF, and that the TIF district would be set up as a Renewal and Renovation district that lasts a maximum of 16 years.

Thomas said the redevelopment agreement summary says "The EDA intends to construct additional public improvements in the Glen Lake area, some of which will be paid by TIF." He asked how this will work and if there is any idea of how much TIF is needed. Rankin said what is expected to happen is that there will be a loan from other city funds and then the TIF will pay back the city funds. Thomas asked if the EDA will get the chance to discuss the public improvements. Rankin replied they will be involved. Thomas reiterated that he wants the EDA to take time to look at the improvements.

Walker inquired if a certain percentage of funds can be earmarked for the public improvements. Eddington said this has been done in the draft agreement.

Ruff reviewed the financial summary. He said the sources and uses are for the land development part of the project only, and the sources are made up of the Hennepin County TOD grant and total land sales. Ruff said with the total land sales prices that an outside appraiser has given them advice on the numbers. He pointed out that there is a shortfall between the sources and uses of just under \$3.6 million. He said there is enough TIF to potentially add up to \$1 million in public improvements, but some additional costs may need to be absorbed by the TIF or the developer. Ruff reminded the EDA the TIF will be used for acquisition and relocation.

Wagner asked what is driving the big net loss in the phase I. Ruff replied it is the acquisition costs associated with purchasing the property.

Ruff pointed out that when the EDA reviews the TIF documents that the TIF district is actually larger than where the development will be happening, which will help to qualify the district.

Wagner said to make sure that transit items are included in the project. Rankin replied they will be and it will also be tied back to the number of parking stalls.

Duffy asked why the TIF district stops where it does. Rankin said the redevelopment project area is larger and that there is still a TIF district within the redevelopment project area for the Beacon Hill project. He said other areas can be included in the future. Ruff also said that future expansion is a possibility, but it should not be made too big.

Ruff noted that in order to make sure that the cost of the land associated with the shopping center is not over-priced an outside appraiser will be providing a cost to acquire the property. He also said in the agreement it is written that the TIF notes will be issued as pay-go notes; however, there is the opportunity to refinance the TIF notes with tax-exempt notes which a third party will hold and be subject to the city's stipulations and Kennedy & Graven's review.

Wagner asked if there is a possibility the TIF district could run shorter than the anticipated 15 years. Ruff said it could happen since inflation is not included in the calculations, plus there are other variables where it could also shorten the length. St. Peter said the biggest risk is if there are changes in the state law. King added that it will be the developer's risk if that happens.

Wagner asked if the county TOD grant could be affected because two of the properties are not acquired. Ruff replied the county grant is not federal money, so it is not affected.

Ruff said he anticipates the state legislature will take up eminent domain issues in 2006. St. Peter said there needs to be a blight showing if eminent domain is to be used. Rankin said it is expected that prices will be negotiated for the remaining properties. Larson clarified which properties are not under a purchase agreement.

Ruff said as the redevelopment process continues, it is likely that the redevelopment agreement will need to be revisited again. He said it is important that while the EDA will not want the project to change they need to be open to revisiting the redevelopment agreement in the future if necessary.

Larson asked for clarification on the retail per square foot costs listed on the sources and uses sheet and also asked if the residential unit values seem reasonable. St. Peter said residential units are smaller units and Ruff said the \$200,000 unit is the affordable unit.

Robinson inquired if the projected market values are conservative. Rankin replied they are. He said the biggest concern is when it comes time to build the site A condominiums that there might be a soft condominium market. Ruff added that in the agreement no TIF will be paid out until the north half of the mall is demolished.

Wagner clarified the affordable unit prices. He asked what the risk level for the project is. Ruff responded the overall risk is low, but there is risk with the condominium market. He said Wartman is not experienced in this type of development, but is planning on bringing in good, experienced partners.

Rankin said it is likely that there will be some carry in the condominium market because of the attachment to the Glen Lake area. St. Peter added that absorption in areas closer to water, such as the Minneapolis chain of lakes area and Lake Minnetonka, is higher.

Duffy asked what was done in the Ron Clark development. Rankin said the completion schedule was extended due to slower sales.

Duffy asked if there will be an opportunity to clarify who pays which costs. Ruff said the amount of TIF to the developer will increase if acquisition costs or relocation costs are higher than anticipated.

Eddington said there will be a separate contract for the site and building plans which will reference the redevelopment agreement. St. Peter asked if the 20 percent for public improvements will be protected. Eddington replied there will be two separate pay-go notes based on the developer's costs and the bonds will be issued at 120 percent. Ruff said the only risk is if there is a legislative change.

Walker asked if another mix of retail and residential units work better for financials than the current mix. Ruff said no, and that rental provides no improvement and additional retail does not improve the financials either.

Thomas said he understands the risks and he will take an active role in the public improvements planning and implementation. Rankin said some public improvements funds will also be saved for a future signal light at the Woodhill Road and Excelsior Boulevard intersection. Wagner asked if the signal light will come after phase three. Rankin said it will be after phase three and will require a lot of work planning for it.

Rankin said St. Peter raised a concern about the relocation costs going to only a few businesses that may raise relocation expenses because of certain fixtures only they have. He said that in the redevelopment agreement there is a provision that the relocation expenses must be approved by the city's relocation consultant. St. Peter said he wants to make sure the city is not forcing out small businesses.

Duffy asked if Wartman has talked with the tenants who may be relocating about higher rents they may incur. Rankin said Wartman has talked with tenants and he plans on having a phased rent. St. Peter asked if it will be gross or net rent. Rankin said he is unsure.

St. Peter asked if there is anything to protect the city against the downside risks. Eddington referred to St. Peter's idea of the EDA having a lien and she said she was not sure if it would be to the EDA's benefit to have a lien when there is a mortgage on the property. St. Peter said there should be an option to choose. Eddington said it will take Tom's initial costs to get the first note and the note after phase three is expected to be sold, so unsure if a lien can work. She said with the tax-exempt obligations there needs to be 120 percent coverage.

Ruff said the purchase price for the phase three land that is referred to in the agreement will be done by an appraiser. Eddington noted that the contract is still fluid and there are some details yet to be worked out.

St. Peter said that none of the money comes in until phase three. Rankin mentioned there have been a lot of non-financial negotiations with Wartman as well. Ruff said beginning January 1, 2006 there is a requirement for a fiscal/economic impact analysis that is being done as part of the project as well. Rankin also noted that this proposal follows many of the recommendations that came out of the retail market study done in June.

Wagner said the EDA previously talked about giving people who sell their more affordable homes priority in new developments in order to keep units more affordable. He asked what the status of this is. Rankin said he will check into this more.

6. HOMES WITHIN REACH REQUEST FOR FUNDING.

Souders gave the report saying that Homes Within Reach is requesting funding for both overhead and for property acquisitions. She said staff recommends the EDA recommend approval of \$200,000 for property acquisitions and \$30,000 for overhead.

Wagner asked which fund the money will come from. Souders replied from the Livable Communities fund.

Robinson asked how much money is spent doing rehabilitation on the homes that are purchased. Souders said it varies and she will get numbers from Homes Within Reach staff.

St. Peter reiterated that the amount charged in the land lease should be looked at on an annual to tri-annual basis and that adjustments should be made accordingly.

Rankin said there has been discussion about the land trust's ability to sustain themselves financially, but despite the amount spent the city is getting a good value being able to create permanently affordable housing. He said that the land trust is slowly coming around to getting a developer fee with certain funds.

Thomas asked what other cities are doing. Souders said there has been no commitment similar to what Minnetonka is doing.

Thomas said he has no concerns about funding the property acquisitions part, but does have some concern about the overhead. St. Peter suggested that Homes Within Reach come back with a long-term plan for finances.

Thomas asked what the total overhead budget is. Souders replied it is \$200,000. Duffy requested a breakdown of the overhead budget.

Thomas said he is not comfortable committing \$30,000 to overhead. Wagner said he thinks it is a reasonable request.

Robinson moved to recommend approval of the Homes Within Reach 2006 funding request for \$200,000 for property acquisition and \$30,000 for overhead. Wagner seconded with a friendly amendment to recommend approval of the Homes Within Reach 2006 funding request for \$200,000 for property acquisition and \$30,000 for overhead with the condition that Homes Within Reach submits a long term plan for overhead costs.

Walker moved, Duffy seconded a motion to amending the original motion, to recommend approval of the Homes Within Reach 2006 funding request for \$200,000 for property acquisition and \$30,000 for overhead contingent on EDA approval of a long-term financing plan for overhead.

Robinson said she is fine with recommending \$30,000 for overhead costs.

Wagner said he has a problem with putting Homes Within Reach in a hole at this point in time and there is only one EDA meeting left in 2005 that already has a full agenda. He said he agrees that a staff member should have been invited to the meeting, but does not support Walker's motion. Wagner said he is okay with providing \$20,000 in overhead and making the remaining \$10,000 contingent on providing a plan.

Robinson withdrew her motion.

Walker withdrew his motion.

Wagner moved, Thomas seconded a motion to recommend approval of the Homes Within Reach 2006 funding request for \$200,000 for property acquisition, \$20,000 for overhead, and an additional \$10,000 for overhead contingent upon submission of a long-term overhead financing plan that reduces the city's role. All voted yes. Motion passed.

There was discussion on the original intention of Homes Within Reach, and how its costs would be paid.

7. OTHER BUSINESS.

Souders reviewed the staff report items including rental vacancy rates, the Southwest Rail Study, and upcoming events.

The next regular EDA meeting was announced as Tuesday, December 6.

8. ADJOURN.

Thomas moved, Larson seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 8:30 p.m.