

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY
MEETING MINUTES**

**Tuesday, December 6, 2005
6:00 p.m.**

**Council Chambers
Minnetonka Community Center, Upper Level**

1. CALL TO ORDER.

EDA President Peter St. Peter called the meeting to order at 6:08 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 and Elise Souders.

Others present: Mark Ruff, Steve Bubul, Tom Wartman, John Herman, John Hamilton, Bob Ellingson, and approximately 20 residents.

3. APPROVE MINUTES OF NOVEMBER 15, 2005 EDA MEETING.

Walker moved, Larson seconded a motion to approve the November 15, 2005 EDA meeting minutes. All voted yes. Motion passed.

BUSINESS ITEMS

4. GLEN LAKE REDEVELOPMENT PROPOSAL AND TAX INCREMENT FINANCING PLAN.

St. Peter reviewed the meeting expectations for the evening and said while the meeting is not a public hearing the floor will be opened up for brief comments.

Rankin clarified the original action recommended in the agenda packet, and said that as indicated by the addendum the action now recommended is to review and comment on the Modification to the Redevelopment Plan, the TIF Plan, and the key points of the redevelopment agreement. Rankin said that Mark Ruff from Ehlers and Associates, Steve Bubul from Kennedy and Graven, developer Tom Wartman, and architect John Hamilton from UrbanWorks are present to help answer any questions.

Tom Wartman, 14400 Excelsior Boulevard, began by reviewing the overall site plan. He said his goal is to bring new life to Glen Lake and he has a dream that will add to

the community. Wartman said he has talked with many Glen Lake business owners and they have said that business is falling off.

Wartman said the first phase has been the rehabilitation of the grocery store site and Fresh Seasons Market officially opened November 11. He said he has received many positive comments on the grocery store. Wartman mentioned that Glen Lake Liquors will be relocating to the new addition to the grocery store and will become Glen Lake Wine and Spirits and Caribou Coffee will also be going in.

Wartman reviewed his plans for the development on the south side of Excelsior Boulevard. He showed photos of what the commercial area on the south side currently looks like and his plans include working with Xcel to change the look of the fence around the substation as well as the relocation of a transmission line. Wartman said the redevelopment means that businesses will need to be relocated. He said his plan is to relocate the Gold Nugget within Glen Lake and help Alano find a new location that will meet their parking demands. He mentioned that the body shop has already found a new location near Minnetonka Boulevard and County Road 101. Wartman said the Site B building will have 20,000 square feet of retail and restaurant space with 30 to 32 condominium units above the retail. He said 11 of the condominium units will be affordable units with 800 square feet and one bedroom. Wartman noted that the parking for the commercial will be accessed only from Excelsior Boulevard and the residential parking will be accessed from Stewart Lane. He reviewed that the market-rate condominium units will be one bedroom plus den and two bedroom units ranging in size from 1,000 to 1,300 square feet. The price of the market rate units will be from the mid \$200,000s up to \$375,000. Wartman said because of the exceptional cost of land and relocation he is asking for Tax Increment Financing (TIF), but he will upfront the costs and then be reimbursed by the TIF.

Wartman went through his plans for the Site C proposal. He said the building will be four stories and contain 48 to 50 units, five of which will be affordable. The look of the building will be traditional with stone and stucco materials. Wartman said the market rate units will range in size from 1,200 to 2,600 square feet and in price from the high \$300,000s to the mid \$400,000s. He has had requests by neighbors in the area about having larger units in the range of 1,600 to 1,800 up to 2,400 square feet, and his goal with this building is to react to the marketplace. Wartman said there will be natural landscaping with several trail connections.

Wartman reviewed the Site A plans. He said the plans are to relocate the tenants of the current shopping center to the Site B building and develop 100 condominium units on the north half of the current shopping center. He said 20 units will be affordable units that are 800 square feet and the other 80 units will range from 1,000 to 1,800 square feet and \$350,000 to \$600,000 in price based on today's market. He said the new plans will have a reduction in hard surface coverage compared to what is there currently. The condominium building will be four stories with the fourth story tucked into the roof, there will be underground parking for the condominium owners and surface parking for visitors. He said he has made some changes to the site plan

and is showing more proof of parking in order to green up the area even more. He said if the condominium owners want more parking at a later point in time then this area can be paved.

Wartman said that he has worked hard to refine the plans and that he cannot downsize the project and still make the financials work. He said densities are important to help the TIF and also to support the local businesses. Wartman said he wants to look toward the future and these plans are helping to revitalize the east side of town. He wants an opportunity to see what the Glen Lake area could look like.

John Hamilton, UrbanWorks Architecture, said that he has worked on projects in Minnetonka previously, and the last project came with the school district on several of their schools. He said his experience with the school district is that they wanted modern and welcoming schools because of the competitive nature to draw families to the school district. Hamilton said that once people come to Minnetonka they have the tendency to stay. He said the goal of the Glen Lake project is to sell to people that are already living in the Glen Lake area and the three different styles of condominium buildings are meant so that something appeals to everyone.

There was no further Commissioner discussion on the physical redevelopment plans.

Rankin said Site B is not a financially feasible as a market-based project. He reviewed what tax increment financing is, how it works, and what state law says about how TIF can be used. Rankin said the city of Minnetonka has had a history of using TIF very conservatively; however, there are extraordinary costs associated with acquiring Site B and relocating the tenants. He said that a goal of the project is to make the redevelopment transit oriented and take advantage of the bus service available on Excelsior Boulevard and also to take a comprehensive view of pedestrian access and safety in the Glen Lake area.

Rankin said all of the TIF is going back into the project as a reimbursement to the developer or to public improvements. He said there is a maximum developer reimbursement cap from the TIF of \$3,962,500. Rankin said the additional TIF for public improvements will first be used for a traffic signal at the Woodhill Road/Excelsior Boulevard intersection. He said there has been a lot of interest in the traffic signal, but in the past Hennepin County has expressed concerns about whether there is enough traffic to warrant a signal. Rankin said more recently however, it looks as if a traffic signal can be warranted.

Rankin said the TIF will be reimbursed over 16 years as the area will be set-up as a Renewal and Renovation TIF district. He said in order to qualify the TIF, inspections of the properties need to be done, and preliminary inspections show that the properties will qualify. Rankin commented that all of the properties proposed for redevelopment are already in the project area, but the EDA will need to formally adopt the Modification to the Redevelopment Plan and also the TIF Plan. He said the 16 year term of the district is consistent with past TIF districts such as Ridgebury

and West Ridge Market, as well as the original Glen Lake TIF district which set the precedent.

Rankin said the framework for the Redevelopment Agreement has been negotiated. He reviewed the key terms of the financial summary including the budget for the project.

Thomas asked for the 12 percent cap for profit and sharing to be discussed. Rankin said this is the first TIF project that will have a look-back provision that sets a cap on the developer's profit. He said if the developer has more than a 12 percent profit then there is a split between the EDA and the developer. Ruff commented the look-back provision is being utilized with more residential developments and is a way to account for some risk sharing. He said it has the developer open their books and have a statement prepared by an outside audit firm to show the developer's profit. Ruff said the 12 percent developer's profit is an industry standard.

Wagner asked if it is the maximum developer assistance that is capped or if each line item in the budget is capped. Rankin said it is the expectation that the line items are correct and the cap applies to the maximum developer assistance. He said this is the basic foundation in the agreement.

Wagner said because some of the budget is relying on funding from the Transit Oriented Development (TOD) grant he is concerned with the site plans and how transit is integrated into the project. He said for example there is no bus shelter shown. He believes that transit oriented development is one of the objectives that should be examined in detail. St. Peter suggested referencing the guidelines discussed in the Comprehensive Plan concerning transit oriented development.

Rankin said with the TOD grant that availability of transit service is one of the factors. He said limiting the amount of parking is another factor, for example by adding the proof of parking shown for Site A. In addition, there must also be adequate streetlights and pedestrian access to transit stops.

Rankin reviewed the affordable housing component of the project. He said the EDA's guidelines have been for 10 to 20 percent of the units to be affordable. Rankin said Wartman is showing 20 percent affordable units, therefore, 36 units will be priced at or below the Metropolitan Council's guidelines. He noted that Wartman is also committed to providing mid-range priced housing.

Wagner referenced the Glenhaven TIF map and asked if something came forward with the Renneke or Mobil Station properties then it would not require a new district to be set-up. Rankin said this is the case and he reviewed the properties included in the proposed TIF district. He said the purpose of including the properties is to maintain flexibility for future redevelopment.

Wagner said the look-back is a good clause, and hopes it will encourage mid-range housing. He asked if it was possible when doing the look-back at the profit if the profit can be tied back to the final range of housing prices. For example, there will be more profit for the city if there are higher housing prices. Rankin said that has not been discussed; however, Wartman is aware of the interest in the mid-range housing prices. He said the pricing of the units is tied back to the size of the units. St. Peter suggested that in the agreement there should be a fixed number of affordable units the developer needs to provide.

Duffy said in the materials it says the look-back provision is done at the end of the project. He asked if this is at the end of the construction or when the units are all sold. Ruff said the look-back is completed at the time the units are sold and the final accounting could be done as late as 2008 or 2009. He said there is some remaining EDA control because the developer cannot access the tax-exempt bonds until after the demolition of the north half of the Glenhaven shopping mall.

Larson referenced item number four on the financial summary, mentioning what the city is responsible for. He asked what this meant and if the developer is paying Alano for their property. Rankin said this section is the city's cost of the project, which the city will okay for up-front, and later be reimbursed from TIF. He said the Alano piece is over and above the developer's cost of acquiring the property to help get Alano relocated. Rankin said it is the city's intention to help re-situate Alano and this will cost extra to accomplish. St. Peter said in this case we are advancing the funds and then expect to be reimbursed in the future.

St. Peter opened the floor for public comments.

Grace Sheely, 14325 Grenier Road, said she has concerns about the TIF area. She said she supports TIF for the affordable housing on Site A; however, believes that Site B is a cash cow and has a strong chance of not succeeding. Sheely said she is willing to see if the grocery store will succeed with just Site A. She said it is not a good idea to shift from 20 to 33 percent affordable in Site B. She said she is worried that if the grocery does not succeed then Mr. Wartman will propose more condominiums on that site. Sheely commented the parking for the baseball fields is not being addressed, and said the east side of Glen Lake is upset because traffic issues there are not being addressed. She said condominiums on Site B will not work and that the developer has no business putting condominiums on Site C since Site C was regulated to low density in the 1999 Comprehensive Plan. Sheely said the TIF will not work if the number of units on Site C changes.

Keith Wiegel, 14209 Glen Lake Drive, asked about the city's policy for using TIF for private businesses and competing businesses. Wagner replied that the grocery store is not a recipient of any TIF funds. Wiegel asked how typical it is that businesses are relocated and asked why the shopping center cannot just be redone. He is concerned about setting a new precedent by having high-density housing along a lake shore while using TIF and eminent domain. He asked if there will be public

disclosure of the amounts paid for the land. Wiegel asked if the developer is paying Fair Market Value or if he is paying an outrageous price. He said he hopes this is a consideration. Wiegel asked if the city is helping to relocate Alano because of the eminent domain issue.

Rankin said the land acquisition prices are factored into the accounting and Ruff has done work to ensure the land acquisition prices are market prices. St. Peter said one of the reasons to show the budget and the TIF is that there is no incentive to overpay. Ruff said there is still some negotiating on some of the parcels as far as land acquisition prices. He said staff is aware of the prices ranges and feels they are appropriate and that the EDA has also retained an appraiser who will ensure the land prices are appropriate. St. Peter added the Certificate of Real Estate Values on all of the parcel acquisitions are public information.

Mike Malinowski, Member of Alano, 14407 Excelsior Boulevard. He said the Alano has been in Glen Lake for over 30 years. Malinowski noted that a lot of sweat equity has gone into the Alano building to make it nice, and the intention by Alano has been to own rather than to be a tenant. He is concerned that its members will again have to look for another site, and may have to move again. Malinowski said they had a hard time 15 years ago finding a facility and they have a desire to stay in the Glen Lake area. He opposes Site B.

JoAnne Murphy, 14527 Pioneer Road, said she objects to TIF for private development and said this is not an urban renewal project. She is concerned that it stifles competition because of the subsidies that are given and that taxpayers should not assume the risk. Murphy said there should be redevelopment of blighted areas only.

Jeff Schultenover, 13424 Maywood Curve, cited the Excelsior and Grand project as an example where businesses have closed and left. He said a *Sun Sailor* article said retail owners at Excelsior and Grand are concerned about the lack of traffic as well as the parking problem that exists in that area. Schultenover said the Miracle Mile shopping center is now one-third vacant as well and that the additional retail at this site will need more support. He said he is skeptical that Site B will work. Schultenover said the housing over retail is a trend and trends end and this should have more study first. He said he is also opposed to Site B and that the condominiums do not fit into the area. Schultenover said he agrees with Sheely's comments. He asked about the impact the development will have on the land and he said he moved to the area because of the character of the area. Schultenover said he is concerned about the water quality of Glen Lake and he enjoys the area the way it is. He said he echoes the comments that it is okay to redo the shopping center, but the rest of the area should be kept the way that it is.

Ken Steeno, 14217 Stewart Lane, said the businesses on the south side of Excelsior Boulevard are blighted. He said the area has been in bad shape for 15 years and it is time someone came along to build. He said a lot of people are against the change,

but he sees the area as dilapidated and would like to see Site B built. Steeno said he also has no problems with Site A. He said he is glad the developer is willing to take a chance and he thinks the area will be beautiful when it is done.

St. Peter closed the public comment part of the meeting.

Rankin addressed several of the comments that were raised. He said the majority of retail space on Site B will be by businesses relocating from Site A. He said the intentions are to keep the local businesses, and that it is hard to compare Site B to other larger projects such as Excelsior and Grand in St. Louis Park. Rankin said of the local business owners he has spoken to, many are supportive of the project. He also said the eminent domain provision has been in every redevelopment agreement the city has done and said that out of dozens of properties acquired, only two or three parcels have ever been acquired through eminent domain. Rankin noted that the redevelopment agreement calls for negotiations to continue and to take specific steps to avoid eminent domain.

Larson moved, Duffy seconded a motion that the Modification to the Redevelopment Plan, the TIF Plan, and the key points from the redevelopment agreement be continued at the next EDA meeting.

Wagner asked that the items that were discussed during the meeting have actions brought back to the next meeting. He said while the ballfield parking is not part of the EDA's review to pass along the comments about the parking to the planning department.

All voted yes. Motion passed.

5. STAFF REPORT.

Souders reviewed the staff report items including Homes Within Reach and upcoming events/meetings.

6. ADJOURN.

Robinson moved, Duffy seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:44 p.m.