

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY
MEETING MINUTES**

**January 30, 2006
5:00 p.m.**

**Shady Oak Room
Minnetonka Community Center, Upper Level**

1. CALL TO ORDER.

President Peter St. Peter called the meeting to order at 5:04 p.m.

2. ROLL CALL.

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

EDA Commissioners absent: Bunny Robinson.

Staff present: Ron Rankin and Elise Souders.

Others present: Steve Bubul, Mark Ruff, Dave Callister, and John Herman.

BUSINESS ITEMS

3. GLEN LAKE REDEVELOPMENT PROPOSAL—REVISED CONTRACT FOR PRIVATE REDEVELOPMENT.

Rankin recapped the latest with the Glen Lake redevelopment proposal. He said this item went to City Council on January 23 and in a revised form was approved. Rankin said the concerns about the size and density and Site C led to the building now to be 18 feet shorter on the east side and have five less units. He said the five units to be dropped from Site C will be the affordable units; however, the city felt that this is okay. Rankin said in return then, the developer committed that for three of the affordable units in Site A they will be 2-bedroom units and for another three affordable units in Site A they will be 1-bedroom plus den units. He said the remaining 14 affordable units in Site A will be 1-bedroom units. Rankin said because of this change there are some consequences on the budget and the Contract for Private Redevelopment that the EDA needs to review.

Ruff went through the revised budget with the changes that occurred because of the drop in the five units. He said the land revenue in Phase II (Site C) for the developer is now \$125,000 less. Ruff said this is because the five affordable units had a land value of \$25,000 each. He said ultimately because of the loss in

revenue from the land sales then more TIF needs to be used to fill this loss, and therefore the subordinate debt for the developer increases. Ruff said the total TIF has increased \$50,000 from before because of the higher unit values assigned to Site C. He said these changes are at the developer's risk, and that the city's risk is if it does not get repaid from the Alano relocation.

Ruff said at the City Council meeting Wagner brought up the fact that Minnetonka uses TIF conservatively and asked what that means. He distributed a handout that compared where Minnetonka is at in terms of captured tax capacity compared to other Hennepin County cities.

Duffy asked what the average sales price for Site C is expected to be. Ruff said it is estimated at \$460,000, which is more conservative since typically around 93 percent of the sales value is assessed.

Larson asked if there will be any housing covenants for the Site C condominium units. Ruff replied no since it will be market rate.

Larson confirmed the two properties which have not been acquired yet and where eminent domain may need to potentially be used. John Herman, attorney for the redeveloper said that the appraisal for the Zachman parcel came in at \$305,000 and his client has offered \$400,000; however, Mr. Zachman has asked for \$625,000.

Wagner asked what happens to the contingency if it is not used. Ruff said it will go back to the city since less money is needed for the developer's subordinate note.

Larson asked what is likely to happen with the legislature and eminent domain. Bubul said Representative Jeff Johnson is likely to introduce a bill on March 1 which proposes to cut back on cities' abilities to use eminent domain. He said something is likely to happen, but how much is unknown. Rankin said what is expected to happen on this project is that negotiations will continue and the EDA, at their February 21 meeting, will authorize the start on eminent domain and the City Council will review it at their February 27 meeting. Thomas asked if it will be filed then on February 28. Bubul said yes.

Rankin said in addition to the changes in the TIF budget, that there are also some changes in the Contract for Private Redevelopment. He noted that Section 4.3 on page 25 regarding the minimum improvements has been changed to reflect the number of units in Phase II. Rankin also pointed out that Section 4.6 has been changed to reflect the change in the percent of affordable housing units to be built, and the additional sizes of the affordable units for Phase III.

Wagner asked who will work on the eligibility criteria for the larger size affordable units. Rankin said the city will work with the developer to put larger size households in the larger affordable units.

Larson asked for an explanation on how the housing covenants work. Rankin said this is the indexing policy the EDA revised a few years ago.

Walker asked what happens for the EDA if Site A is not built. Rankin replied only 77 units will be built, with 15 percent affordable. St. Peter said if Site A is not built then the developer receives no TIF and the EDA could acquire the property. Walker asked if there is a penalty to the developer though. St. Peter said the developer will not be reimbursed through the TIF, and Bubul added that he will no longer hold the right to develop the property. Herman said because of the way project costs are distributed, there is an incentive to complete Site C. Ruff added that no TIF will be distributed until the demolition of the north half of the shopping center is completed.

Bubul mentioned there were other minor changes in the Contract for Private Redevelopment, and reviewed these briefly with Commissioners.

Thomas moved, Duffy seconded a motion to adopt the resolution approving the revised Contract for Private Redevelopment. All voted yes. Motion passed.

4. OTHER BUSINESS.

It was announced that the next regular EDA meeting will be held Tuesday, February 21.

5. ADJOURN.

Thomas moved, Larson seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 5:50 p.m.