

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY  
MEETING MINUTES**

**MARCH 2, 2009  
6:00 P.M.**

**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: Ellen Cousins, Bunny Robinson, Peter St. Peter, Brad Wiersum and Bill Yaeger. Tony Wagner and Dan Duffy were absent.

Staff Present: Julie Wischnack and Elise Durbin.

**3. APPROVE MINUTES OF FEBRUARY 10, 2009 EDA MEETING**

Yaeger moved, Cousins seconded a motion to approve the February 10, 2009 meeting minutes. Cousins, Robinson, St. Peter, and Yaeger voted yes. Wiersum abstained. Wagner and Duffy were absent. Motion passed.

**BUSINESS ITEMS**

**4. STAFF REPORT**

Durbin and Wischnack reviewed items concerning:

- Southwest Transitway Station Area Study. In response to St. Peter's question, Wischnack stated that matching funds for the Southwest Transitway Station Area project are currently being planned to be included in the city's capital improvement budget.
- Southwest Transitway DEIS Study.
- TIF Management Study.
- Opportunity City Pilot Program. Durbin presented a report on the change in demographics in Minnetonka from 2004 to 2007. The data shows that Minnetonka's housing stock in the upper-age categories is not turning over. Wiersum noted that there are pros and cons of the housing turn over issue. He requested scenario playing regarding why Minnetonka is distinctive compared to other communities. Wischnack noted that for the consultant to consider. The consultant will provide analysis of pros and cons and strategies that could be utilized. St. Peter commented that Edina went through a similar process. Wischnack had asked for data regarding Edina and five other cities.
- Upcoming events and meeting agenda items.

St. Peter called for a five-minute recess and reconvened the meeting.

Wagner joined the meeting.

**5. Resolution approving an Amended and Restated Contract for Private Redevelopment between the City of Minnetonka, the Economic Development Authority in and for the City of Minnetonka, and Glen Lake Redevelopment LLC**

Wischnack gave the staff report and reviewed tax increment financing (TIF).

St. Peter asked if newly subsidized rent levels meet the metropolitan council affordable housing guidelines. Wischnack responded that it would not meet affordability in regard to an unbundled unit. When able to document service costs and rents, one is able to count the unit as affordable. Wischnack provided an example that met the minimum.

Wagner and Wischnack reviewed services included in the rent and services that would have additional charges.

Wischnack continued with the report.

Wagner asked if the EDA could do something to address the pedestrian crossing at Tree Street and Woodhill Road and also the ability install a temporary trail on the Kinsel Point property. Wischnack noted that Hennepin County denied approval to install a crosswalk on Excelsior Boulevard. The planning commission directed staff to construct a crosswalk on Tree Street. That will be a condition of approval when the city council reviews the proposal. Wischnack stated that the developer has agreed to create a temporary trail.

St. Peter questioned if the crosswalk at Woodhill Road and Tree Street would need to be included in the development contract as reimbursable TIF or if the city would have to pay for it with other funds. Steve Bubul, attorney for the city, stated that such a cost would be eligible, but there are already sufficient qualified costs to use up the TIF funds and other funds are likely necessary.

Robinson asked for more detail regarding the master development fee division and how the city would use the money. Wischnack stated that the money could be designated for any project or write down the costs of a unit. Mark Ruff, financial consultant for the city, explained the agreement directs TIF funds be used for qualified public improvements. There was \$500,000 in TIF funds set aside as master developer fee. The amount of TIF funds available cannot be determined until something has been built and assessed. If Kinsel happens before 2012, then there is some chance that money would be received back. If it is not developed until later, then it is less likely that that money would be seen. If

the legislature would approve extensions of the TIF districts, then time would be provided to collect the TIF funds given the delays. The agreement calls for the one-third of the master developer fee funds to be for the developer and the remaining two-thirds will be for the city.

Wiersum appreciated Wischnack's description of TIF. If nothing gets built, then there is no increment paid. The increment comes from the difference between the minimal amount of taxes being collected on the properties now and the increase in the property taxes generated by the new buildings. That increase in property tax is what is used by the developer for a certain period of time and up to a specified dollar amount for approved public improvements such as infrastructure. He has received calls from residents who did not understand TIF and believe TIF funds are traditional tax dollars.

Mr. Ruff explained that state law dictates what TIF funds can be used to finance. TIF cannot be used to pay a developer profit. The sale of the land provides a developer profit. TIF will pay to cover what has been spent on public improvements; relocation of tenants; demolition costs; and land acquisition above and beyond the market rate of the property.

Yaeger questioned staff regarding the \$413 monthly difference between subsidized units and market-rate units. He wanted to know where the money would be held and parameters for what the money could be used to finance. Wischnack felt the best form would be for the city to receive documentation showing how the money is used each month and to what affordable unit the money is being allocated and the income associated with each unit. Some flexibility is beneficial so those in most need would be assisted.

Yaeger asked if the \$413 would be used for rent. Wischnack answered affirmatively.

Cousins wondered about the marketing to residents and if 60 days would be enough time. Wischnack clarified that it should read 90 days.

St. Peter confirmed with Wischnack and Wagner that building construction must begin by June 30, 2012 and be completed by June 30, 2013. St. Peter asked what the remedy for default would be if the deadlines would not be met. Mr. Bubul stated that the remedy would be to withhold any TIF from that phase.

St. Peter asked if thought was given to having the option to acquire the Kinsel site if there would be a default. Mr. Bubul responded that that is not in the contract, but could be negotiated. Mr. Bubul said that it may be in the EDA's best interest to not fix a price at which the city would purchase the Kinsel site. If a bank gained ownership of the property, then the purchase price could be seen by the seller. The city would still control the land use and TIF on the site. He will revisit the issue based on tonight's comments.

St. Peter is concerned with the St. Therese's default language. The obligation under the development agreement will expire if a bank or lender obtains ownership. He is worried a non-profit organization may disregard the obligations, reconstitute itself, and move forward. Mr. Bubul explained that a lender such as HUD would require the city subordinate those types of covenants to them.

St. Peter did not see the condition starting the 15-year time period once the building would be occupied by 50 percent to 80 percent in the agreement. Mr. Bubul said that could be added. The covenants now begin upon completion of the building, but it could be postponed. While it is true that it postpones the beginning of the 15 years, there could be quite a long period where it would not be in effect yet. His recommendation follows almost all affordable rental housing program agreements which require those covenants to be in effect as soon as a certificate of occupancy has been issued for the building.

Wagner asked when park dedication fees would be paid. Wischnack explained that it would be broken out by each property. Wagner requested it be redocumented prior to the city council meeting.

Wiersum had requested the affordable housing 15-year time period start when the last affordable housing unit is filled rather than the first. He understood that there may be some pros and cons, but he favored the opportunity to have the majority of affordable housing units filled and get a full 15 years for those.

St. Peter noted a goal discussed previously by the EDA was to look for opportunities to provide 20 percent affordable housing for 30-years. He wants to make it clear this proposal is an exception, not the rule, to the EDA's goal. Wischnack stated that staff started discussion with the developer at the 30-year time period and 20 percent affordable housing goal.

Wagner clarified with Wischnack that the master development fee and total overhead related to the \$500,000. Mr. Bubul explained that the look back would take place at the time the project would be completed. The tax increment to the developer is reduced if more profit was made than anticipated. The city could use those funds for future affordable housing projects.

Wagner asked if the TIF wrap would allow for the city to get the funds faster than a traditional pay-go note. Mr. Ruff acknowledged the complexity of the proposal. TIF wrap is a new idea in response to the market for a traditional TIF drying up considerably. The federal government would upfront the money and guarantee financing of the entire St. Therese project. The entity paying the taxes would be tied to the entity doing the financing. The financing would be wrapped into the mortgage. St. Therese put in its HUD application last week and the process could take three to four months to move through, therefore it will not be known for awhile if the financing would be approved.

Wagner reviewed that the split of tax increment. Mr. Ruff explained that it would be split 80 percent to the developer and 20 percent to the city.

St. Peter invited the applicant to speak.

Mike Pagh, CEO of St. Therese, stated that he was present to work to find an approach that would allow the project to move forward during an increasingly difficult and challenging economic development. He continues to believe that the site and neighborhood is good for the proposal. St. Therese provides housing for seniors who are in need of different types of care, supportive services, and a socially stimulating environment. St. Therese is a proven high-quality provider of senior housing. He looked forward to answering questions.

Cousins asked what he anticipated the demographics to be and how soon he expected the facility would be at 80 percent occupancy. Mr. Pagh stated that the underwriting standard would be 93 percent of occupancy. At their existing facility, there is a waiting list for the memory care, and the assisted living and independent living is at or above 93 percent occupancy. The facility has operated in the mid 90 percent range for most of the last 10 years. He anticipates the care suites would operate at 85 percent because the turn over occurs at a higher rate. Conductors of the market-rate studies have found a great demand for that type of care. Cousins agreed that residents had to travel to find that high level of care.

Cousins wondered what would happen to a senior who moved into an affordable unit in year 13 of 15. Mr. Pagh said the question would be, as a non-profit organization, how that would be addressed. It might be based somewhat on economics. If the project is operating successfully, it would be likely that those dollars plus more would be put back into the project to make it affordable.

Mr. Pagh stated a most leases are for 12 months, but shorter leases would also be available. There is a 6-month option to cancel a lease and counselor available to help a resident find other care if another type is needed.

Yaeger said Mr. Pagh stated previously the draw would be a three to five mile radius from the facility. He asked if most of this would be from Minnetonka and west. Mr. Pagh answered yes. The feasibility study showed that the facility would appeal to all of Minnetonka and some points further south and west. The existing facility draws from Edina and Hopkins. The national standard is three to five miles. Seniors want to stay in the same community that is familiar to them.

Wiersum was interested in the March proposal and increase in affordable units. He questioned the rate of affordability, and the rationale for the differences in the levels of affordability. Mr. Pagh explained the goal was to keep the cost for the unit consistent with 60 percent of median. The majority of dollars come from the one-bedroom, one-bath unit. The assisted affordable would be kept at \$849 and

service fees would be charged in order to cover the operating costs. The numbers do meet metropolitan council requirements.

Wagner thanked Mr. Pagh for his work on the project. He asked if he would be comfortable managing the \$413 difference. Mr. Pagh responded yes.

Robinson asked how the rent would compare with the existing building. Mr. Pagh stated that the \$413 would be taken straight off the market rate prices.

John Herman, attorney for Glen Lake Redevelopment, LLC, stated that:

- He had not thought about the number of units and the pricing in the way that he should particularly in respect to independent living.
- The services received for \$256 a month for an independent living unit would be moderately priced higher if purchased separately elsewhere. The services include transportation, regularly scheduled bus rides for shopping and entertainment.
- He is very excited to have St. Therese as a partner. The very high price of apartment units would cross subsidize within the project itself with lower prices on some of the apartment units. Now 20 percent of the site would be at 60 percent of median because St. Therese is a nonprofit and creative with financing. St. Therese is bringing a lot to the table by agreeing to bring \$78,000 of subsidy for the affordable units. Seniors usually have a low income but some net worth.
- In the St. Therese independent living, the average rent is \$1.95 a square foot. The market rent for upper end market housing in Glen Lake is \$1.40 to \$1.50. So, \$.50 per square foot of the rent is paying for the services. The cost of subsidy would be more than to reach much lower income levels. The idea is to spread it more across the board and have a few extra dollars for St. Therese to devise a program to work with those people who do not have much net worth or low income and help them with the bundled service cost.
- The proposal is a real estate development more than a service delivery element.
- There was enough money to raise the number of affordable units from 20 units to 30 units, with more large units in the independent living portion. It would be 16 percent with the memory care beds. Without the memory care beds, the whole project would be 20 percent. The outcome is pretty good all the way around.
- The modification of the developer fee provided a little bit of an upside for the developer if the project would be successful. If there would be sufficient tax increment produced, that would occur way down the road. Some of the tax increment could be used to enhance and continue the affordability with St. Therese beyond the 15 years and do additional affordable housing elsewhere in the city. The city can choose what it will do with its two thirds.
- There are many cities asking for this project because project after project has been stalled by the economic climate.
- His client has worked hard on the project. He is disappointed the condominiums are not able to happen, as it affects the profitability dramatically. He was committed to the project. St. Therese would be a great partner and help the area.

Wiersum appreciated Mr. Herman's work. Mr. Herman stated that the Gold Nugget is under construction. The walls, floors, plumbing, and electrical are almost all in. He was hoping it would be completed in April. He had been unable to finish the financing in part because of all of the pieces of the entire debt for the land being held for St. Therese and financing of the Gold Nugget. Because of his commitment, Mr. Wartman went ahead and took the risk of proceeding before that closing would happen. He does have the commitment of a bank willing. The Gold Nugget will be a fabulous destination even more so than it was before.

Wagner asked if a temporary trail would be allowed on the Kinsel Point property. Mr. Herman has said that it would not be a problem. It could be constructed this spring and available through the season. It could be marketed with the restaurant and St. Therese; it would allow safe pedestrian access to the adjacent park.

The public hearing was opened.

Claudia Ryan Mosley, 18034 Tamarack Drive, stated that:

- She supports the proposal.
- She is amazed at the controversy and emotion regarding the proposal. The \$25 million project is viable and is essential in a challenging economic time.
- She encouraged the EDA to do everything possible to move the project along.
- She provided a letter from Jim Martin in support of the project.

Jane Guyn, 4838 Woodridge Court, supported the project. She liked that the proposal would be senior housing because it would be safer for her kids to walk and ride bikes in the area than if condominiums had been built.

Barry Bonoff, 5352 Mayview Road, was thrilled when Fresh Seasons opened. It is an amazing feat for Tom Wartman to obtain financing for the proposal. It would be nuts not to do everything possible to support it. It is amazing to get the Gold Nugget back and St. Therese. He commended the EDA for listening, favored it voting for the project and getting it going as soon as possible. The businesses need all the help they can get.

Susan Wahl, 5208 Williston Road, grew up in Minnetonka and is raising her kids here. She is thankful for the Glen Lake area transformation. She shops at Fresh Seasons and works out at Snap Fitness. The businesses support fundraisers and provide financial generosity. The seniors will shop in the area and bring further financial stability for the community. She hopes the proposal will be approved.

Randall Neal, 14203 Glen Lake Road, was very much in favor of the proposal. He was glad to hear the walkway will be constructed. He visits a number of residents at the existing St. Therese, and it is a quality place. He is more pleased

with the St. Therese concept than condominiums. He supports a walkway on Woodhill Road. He echoed all of the positive support of the project.

Larry Larson, 15225 Wildwings, wants to continue living in Glen Lake and he is a baby boomer who may take advantage of St. Therese. He supports the facility. He is thankful to Mr. Wartman and Mr. Riley for saving Dragon Jade and bringing in Fresh Seasons. The senior housing facility is vital for the community. To have this type of development during the economic time is amazing.

Ivan Fox, 6008 Pinewood Lane, stated that:

- The purpose of the Metropolitan Council's Family Affordable Housing Program is to help families with low and extremely low incomes obtain quality, affordable housing. Housing choices are defined by the Met Council as affordable rental housing or affordable ownership housing. St. Therese does not fit that definition because the residents are not renters or homeowners, but patients. Except for the independent units, the assisted living and memory care units require St. Therese services as part of a complete package. The only St. Therese units that can be considered are the independent units.
- The 10 assisted living units should be changed to affordable housing to match the definition.
- The Met Council bases qualification of affordability on household income. St. Therese's residents are retirees and depend on their assets, savings, and investments. This is a much harder income to measure.
- He was not aware of the Met Council having seniors included in the definition.
- How wanted to know how rich people would be prevented from being subsidized for the affordable housing units.
- St. Therese does not accept Medicare/Medicaid-dependent seniors. Seniors must be able to afford the costs in order to be accepted as a resident. He questioned how seniors living on social would afford it. He wanted to know how wealth and ability to afford St. Therese would be audited.
- In 2005, 2007, and 2008 he was promised that owner-occupied housing would be provided for young families and young adults.
- Households in Minnetonka are aging. TIF needs to be used to bring in young families.

Ann Malm Hossfeld, 14616 Glendale Street, stated that:

- She has attended most of the meetings since 2005 and provided an additional set of eyes to challenge each aspect of the proposal.
- Tonight's meeting's topic is the contract.
- She supported Mr. Fox's comments regarding supporting the intent of affordable housing in the original proposal.
- Trying to make a senior housing affordable is trying to fit a round peg into a square hole.

- She acknowledged that the number of affordable units has increased and the city is trying to adapt to the times.
- Site C is still a phase to be done in the future.
- She disagrees with those who feel there should be no opposition to the project. It benefits the proposal to have people involved who read the packets and attend the meetings.
- Her family has lived in Glen Lake 80 years.
- The proposal is not the type of development she wants. She acknowledges there are others who support it.

Maurice Ansolabehere, 14908 Glendale Street, stated that he and his wife, Carol, are in strong support of the development. They both volunteer to bring seniors to doctor appointments, meals on wheels, and are ecumenical ministers. They were thrilled that they might be able to live in the proposed St. Therese. Two of their sons and six grandchildren live in Minnetonka. He applauded the effort and admired the EDA for their time and decisions. He hoped it would be approved.

Michael Gallow, Eden Prairie resident, owner of Snap Fitness in Glen Lake, supported St. Therese. He understood the changes from the original proposal. He still favored the project. He requested it be approved.

Dale Riley, co-owner of Fresh Seasons Market, thanked Wagner and Wiersum for meeting with him and the due diligence of the commissioners. He thanked residents for attending the meeting in support of the project. There has been a vocal minority and silent majority, and agrees there needs to be respect on both sides for everyone's opinion.

Mr. Riley stated that a restaurant could have been open some time ago with a smaller restaurant. Mr. Wartman took the time to listen to the community and duplicate the Gold Nugget. He was with Mr. Wartman when he spoke to different restaurant owners trying to persuade them to take on the task. He wanted people to understand and appreciate that Mr. Wartman is taking time to do the project right. The end result is commendable and sustainable for the community. Mr. Riley urged the proposal be approved. He thanked staff for their work.

The public hearing was closed.

Wischnack reviewed that a follow-up meeting will be needed to approve the contract with the new changes.

Wagner thanked Mr. Herman, Mr. Wartman, Mr. Pagh, and Mr. Riley for the meeting. His concerns have been addressed. He supported the project originally because it would add density to the area to support the businesses, remove blight, improve walkability and streetscaping, and provide affordable units. It will be a stimulus package for Glen Lake. He appreciates the master developer fee being split two thirds/one third. The proposal will also meet the long-term goal of

freeing up housing for families. He is not as concerned with having 30 years instead of 15. The TIF wrap benefits the city and protects the development and developer.

Wagner requested that the costs of installing a temporary trail and additional landscaping and benches on the Kinsel Point site and a crosswalk at Tree Street/Woodhill Road be included in the city council report. There should also be a Kinsel Point purchase option based on default of the notes, but no specific amount identified. He would give the developer an additional 30 days to open the Gold Nugget because he knew opening a restaurant in the winter is not a good time to do it and the application was delayed 30 days. He supports the project.

Wagner moved, Cousins seconded a motion to recommend that the city council adopt the resolution approving an amended and restated contract for private redevelopment between the City of Minnetonka, the Economic Development Authority in and for the City of Minnetonka, and Glen Lake Redevelopment LLC, with the addition of a temporary trail on Kinsel Point, stripe a crosswalk for Tree Street and Woodhill Road, a purchase option for Site C to be negotiated, the revised affordable units, the developer fee split, and delay of the Gold Nugget opening from 04/31/09 to 05/31/09, and establish a park dedication fee payment schedule.

Wiersum appreciates all of the comments which help the project be the best that it can. The redevelopment efforts are paying off. Glen Lake needs it and the area is improving. There is space and room for senior housing. A senior facility that has meal and social aspects is exciting for many. He supports the project.

Yaeger supports the project. He is a baby boomer and wants to continue to live in Minnetonka. His father lived in St. Therese in Hopkins and it was one of the most wonderful experiences he had in his life. When his time comes, that is exactly what he wants to do.

Robinson and St. Peter concurred with commissioners. They support the project.

St. Peter requested that there not be a motion forward if a final report is not available at noon on Friday before a meeting.

Wischnack confirmed the items included in the motion.

Wiersum recommended that the 15-year time period start when half of the affordable units are rented and occupied if that is not too obscure.

Cousins clarified that the EDA would impose a snap-back penalty to January 31, 2009 if the May 31, 2009 deadline is not met for the Gold Nugget. Cousins would be comfortable removing the penalty.

Cousins, Robinson, St. Peter, Wagner, Wiersum, St. Peter, and Yaeger voted yes. Motion passed.

St. Peter stated that the EDA will review the final contract March 23 at 5:30 p.m.

Wagner thanked staff for dealing with his questions.

Wiersum and Yaeger stated they will not be present March 30, 2009.

**5. ADJOURN**

Wiersum moved, Robinson seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 8:45 p.m.