

**MOUND CITY COUNCIL MINUTES
FEBRUARY 26, 2020 SPECIAL MEETING WORKSHOP**

The City Council of the City of Mound, Hennepin County, Minnesota, met in a special meeting workshop session on Wednesday, February 26, 2020 immediately after the regularly rescheduled meeting that began at 7:00 p.m. in the council chambers of the Centennial Building.

Members present: Mayor Ray Salazar; Council members Phil Velsor, Jeff Bergquist, Paula Larson, and Sherrie Pugh

Members absent: None

Others present: City Manager Eric Hoversten, Fin Dir/Clerk/Treasurer Catherine Pausche, City Engineer Brian Simmons, City Planner Rita Trapp, Tim Nichols, Ben Landhauser, Ann Chemin, Johann Chemin, Kevin Johansen, Bob Aland, Scott Gates, Steve Zielinski, Joanie Zielinski

Consent agenda: All items listed under the Consent Agenda are considered to be routine in nature by the Council. There will be no separate discussion on these items unless a Councilmember or citizen so requests, in which event it will be removed from the Consent Agenda and considered in normal sequence.

1. Open meeting

Mayor Salazar called the meeting to order at 7:52 p.m.

2. Approve agenda

MOTION by Bergquist, seconded by Larson, to approve the agenda. All voted in favor. Motion carried.

3. Tim Nichols, President and Ben Landhauser, Vice President of Development of Lifestyle Communities presenting concept plans /proposal submitted in response to the Request for Qualification and Interest (RFQ/I) in a Residential Development in the Mound Harbor District and requesting feedback and discussion on possible next steps

Mayor Salazar announced that this special meeting workshop is being held in order to allow the entire Council the opportunity to participate and provide feedback on the development proposal.

Ben Landhauser, Vice President of Development of Lifestyle Communities introduced the topic. Tim Nichols, President of Lifestyle Communities, said every development has had input from City Council and staff and all benefit from the feedback. Nichols said Lifestyle Communities has been around for years, in the form of Real Life Cooperative, Gramercy, Summerhill and now Zvago. Nichols said his family owns all the previous properties and this proposal is in partnership with Ecumina. Nichols said the target is an active aging population who is not in need of services but who wish to stay in their community. Nichols said 100% of the people who moved within their community said they would not have moved had this type of property not been developed. Nichols said they target walkable locations, close to restaurants and shops, and noted residents engage and contribute to their communities, in addition to taxes. Nichols gave an overview of cooperatives, which is an owner occupied form of residential development, but not rental and not condos. Nichols said condos have a bunch of people taking out different mortgages who are more focused on one unit. Nichols said a coop owner is a shareholder arrangement where there is one master mortgage for the entire development and all shareholders have exclusive use to the common areas, which are highly valued by the

members. Nichols noted the model by design focuses on the sense of community created with 5 times the community space of a typical condominium. Nichols said movement of 62 and better allows for resale of existing homes.

Nichols said there are Limited Equity Cooperatives (LEC) or Market Rate Cooperatives and this would be a LEC where shareholders contribute perhaps \$100K in equity that is guaranteed to grow at 2% annually and participate in \$200K of the mortgage. Nichols said costs per unit range from \$300K - \$450K depending on the development and the mortgage is for 40 years at a fixed-rate with monthly payments covering a cooperative living manager, on-site maintenance, internet and cable TV, and exterior/interior reserves that are established from day one at a rate higher than a typical condominium association in order to maintain the high quality standard. Nichols said shareholders are only responsible for the separate contents insurance and telephone which makes this the best of owning and renting with maintenance available within the unit. Nichols said a typical share is \$100K down, \$1800 a month (zero sum budget - not profit), noting there has been no increase within the first three years at any of the developments, and some not until 10 years. Nichols said there are three options of 35% 60% or 95% equity payment that determines the monthly payment. Nichols said there is a maximum fixed price you can resell at so overtime it becomes more and more affordable and many sites have waitlists that exceed the amount of units in the development. Nichols said the niche is unique and boutique. Nichols said there is a \$500 refundable fee to be on waitlist noting turnover is low, often only after 8 – 12 years of opening. Nichols said everyone is active, independent and younger and the key for them is Mound's walkable community, noting they have discretionary income and like being able to walk to grocery, restaurants, etc. and add vitality to the community. Nichols said many skeptics come back and say to him 'it is just what you said it would be.' When asked about the name, Nichols said vago is Italian for 'fun and leisure' and 'Z' makes it unique.

Landhauser played a video that was an unscripted video of Zvago Glen Lake residents in order to give an idea of the resident experience and the fit and finish of the development.

Landhauser discussed the existing conditions of the Mound site and said they started with townhomes but that they could not offer money for the land, tackle soil conditions and build the product with the amenities they think townhome owners would expect, and also noted their passion is cooperatives. Landhauser gave an overview of the original proposal and described utility locations and noted owners would like pickle ball courts and they would develop them as public. Landhauser said there is 1.4 spaces of underground parking per unit that works really well, noting the projected tax value is \$16.2M with a \$26M cost and 40 year fixed-interest HUD mortgage. Salazar questioned the relationship of tax value to the mortgage. Landhauser said this is a snapshot of the value in 2022 and that even a new \$400K home would be valued at \$300K by the county. Nichols noted this financial model tracks with every other Lifestyle development.

Landhauser said that based on the Development Committee's feedback, two additional options at both ends of the spectrum were created, including one with more units to cover additional costs (Explorative Option A – bigger footprint – knew costs would go up closer to lake but that higher density was not necessarily desired – higher tax value and cost).

Landhauser said Explorative Option B is three story and touches the least amount of green space, noting St. Anthony Park is 49 units. Landhauser said the smaller development will create higher demand and seems to meet more closely the City's goals, noting the only

difference in the financial model is \$680K for the land (vs \$800K) in order to tackle infrastructure issues with lower number of units.

Salazar asked if the townhomes were a coop and Landhauser said no, that they are for sale. Landhauser said the tuck under garage is partially visible because the topography changes but from most views it will appear 3 stories.

Velsor asked about the utilities as they were not discussed previously in his recollection. Hoversten said the City did not address until the project was known. Landhauser said it was all clearly depicted in the plat, etc. Velsor asked about Centerpoint. Hoversten said it will be resolved either by an easement or partial relocation but again it was difficult to nail down not knowing what the project was. Simmons added the utilities in the area are left-over with the exception of the storm water which will be a benefit to the development. When asked about parking, Landhauser said the are 1.4 spaces inside with surface parking bringing it up to 1.7 which is more than sufficient based on how other communities perform. Salazar asked if they allow recreational vehicles and Landhauser said it depends on what and where and then possibly in the garages, but not on the exterior. Nichols said there are very good governing documents that are time tested and gave an example of pets (that are allowed but tend to be the exception).

Bergquist asked whether the Council could narrow the options. Salazar suggested starting with Exhibit A. Pugh said she thinks the mass is startling but likes the preservation of Auditor's Road. Landhauser said 4 stories is approximately 45' in height. Nichols said it wouldn't be as stark with the parking ramp and noted the original Mound Visions was planned to be high as well. Pugh said she does not like Option B and her Concern with C is the loss of Auditor's Road and the closeness to the shoreline.

Bergquist said B is out of question, and asked about Auditor's Road public parking. Landhauser said the development would not rely on those spaces but that they would recommend speed traffic calming controls by raising intersection platforms. Hoversten said implementing those may create tension with the people who use it as a slip road and the City may just want to close it off as that is the first thing we do when there are events and the desire is to create a space with more vibrancy. Pugh said our town needs to be more pedestrian friendly and slowing traffic down is a reasonable solution. Salazar noted a concern that there is no U-turn allowed at 15 and 110. Bergquist said he likes keeping the road open so he likes A the best. Pugh asked if it is common to have one way in and Landhauser said yes and Nichols said a simple approach and one point of entry to the garage is optimal for security reasons. Nichols said they were respecting comments on mass and density and look and fit. Bergquist said he likes A and C and that he likes C because it appears smaller and has more green space.

Larson said she would like to hear from the Development Committee. Salazar reiterated the concerns noted in the cover memo. Velsor said he is hearing that closing Auditor's Road is a concern but that it is not as big of a deal to him as we do shut it down during events. Velsor said his concern about urban looks was based on criticisms of Commerce Place but he acknowledged you will never make everyone happy. Velsor said regarding height, when he looks at the hardware store it gave him pause but he is having less of an issue in hindsight with the height. Velsor said he is not opposed to any of the drawings and that he is trying to maintain an open mind. Salazar said he too is trying to maintain an open mind and while he did not like the original proposal initially, he thinks they are all nice. Salazar said with one point of entry in B & C it seems to be blocking/secluding the development. Salazar likes A's mass balancing with the parking deck. Salazar thinks A.

Pugh asked if Auditor's would be realigned at 110 in Exhibit A and Landhauser said yes. Salazar asked if the townhome project is still a possibility and Landhauser said depending if and where the cooperative is built. Salazar asked about flipping the townhomes and coop and Nichols said they thought long about it but the improvements in the Harbor District were too costly and they would not be able to offer the city anything for the land.

Larson said she would like the entire area to remain green space but she understands the need for tax dollars. Larson said she recalls when the high school and the fields were downtown and people gathered. Larson suggested selling the Longpre property to fund the improvements of the green space but added she is only one vote. Salazar asked what further consideration Larson feels is needed and Larson said sell other city property to fund the improvements. Larson told the developers of all the plans she has seen, she is most impressed by this development, noting she talked to a developer familiar with the project and he held high regard for Lifestyle Communities.

Larson she said she feels the entire Council will do the right thing for the City and she reminded the audience the festival was originally held in this location. Larson said the farmers market is wonderful and Velsor said they are incorporating the public spaces and it will still be a very nice area.

Larson said she wants the Harbor District renamed as Lost Lake Landing. Larson said Mound was built because of the train and the depot and the boats would pick up the passengers in Lost Lake and that we need to remember our history. Larson noted Lord Fletchers was built on a swamp. Salazar asked about the conversation last June when Velsor said it costs a lot of money to build parks and we could sell a portion and develop a nice park. Salazar said it will take \$500K to make it okay and \$1M to make it really nice. Salazar said the Surfside parking lot alone is \$280K and the park improvements are estimated at another \$450K. Salazar noted the pavers are very expensive and are already in need of replacement. Salazar said the additional property taxes will help and the additional consumers will help support our retail establishments.

Pugh said she feels the Harbor District is a place for celebration and community. Pugh said she sees how this could be the best of both worlds but we have to make the improvements and Velsor agreed and said we have to be able to show the residents the plan and it has to happen. Pugh noted her neighbors expressed interest in the cooperative housing as it is not a product we have and it gives people an option.

Yohann Chemin, 6039 Beachwood Road, said the Mayor said he does not support senior housing and putting in a pocket of development does not create a community. Chemin says he loves seeing the people enjoy the green space. Chemin says these people are going to have everything they need and they won't mix with the city. Chemin asked where can people eat their ice cream. Chemin said he read cooperatives can be dangerous because if one defaults the others have to pay for it (Star Tribune 02-05-09). Chemin suggested making it a space for community and not for making profit.

Nichols said every limited equity cooperative model follows the same format of a non-recourse mortgage. Nichols said reserves are created for both the physical and financial aspects and have only come into play when there is a death and there is an estate to close-out in which case reserves are used to cover the timing issues and reimbursed as part of the equity close-out.

Scott Gates, 4363 Wilshire Blvd, thanked the council for listening and the open-mindedness he is seeing to other uses. Gates said he is still a fan of mixed use residential and retail. Gates said he thinks this is a no-brainer and he thinks the original proposal is best and the 4th story with Auditor's Road remaining open leaves the best options. Gates said a 4 story with a flat roof is similar to a three story with a pitched roof. Gates said portions of the roads can be shut down for the farmer's market, etc. Gates said he suggests the starting point is agreeing on the number of stories.

Hoversten said regarding next steps, the council needs to be genuine and that if the direction is to continue with the process a project is likely to result. Hoversten said Staff can bring back a formal resolution for action at the next meeting to indicate the Council's intent – either to continue a dialogue or to discontinue the relationship at this time.

Salazar polled the Council to see who was in favor of having staff prepare a formal action for the next regular meeting to authorize continued discussions with Lifestyle Communities and the following agreed: Salazar, Velsor, Bergquist, Pugh. Larson said no.

Bergquist recommended that the discussions should go back to the Development Committee to work with Lifestyle Communities on the next phases since everyone had their chance to ask questions and give input and all agreed.

4. Adjourn

MOTION by Bergquist, seconded by Velsor, to adjourn at 10:40 p.m. All voted in favor. Motion carried.

Mayor Raymond J. Salazar

Attest: Catherine Pausche, Clerk