

**MINUTES OF THE CONCURRENT MEETING OF THE MOUND CITY COUNCIL AND
MOUND HOUSING AND REDEVELOPMENT AUTHORITY**

February 27, 2018

The Mound City Council and Mound Housing and Redevelopment Authority in and for the City of Mound, Minnesota, met in concurrent special session on Tuesday, February 27, 2018, at 6:30 p.m. in the council chambers of the Centennial Building.

Members present: Mayor/Chair Mark Wegscheid, Council Members/Commissioners Kelli Gillispie, Jennifer Peterson, Jeff Bergquist, Ray Salazar

Members absent: None

Others present: City Manager and Director of Public Works Eric Hoversten, Finance Director/Clerk/Treasurer Catherine Pausche, Community Development Director Sarah Smith, City Planner Rita Trapp, Tom Bakritges, Mike Kevitt, Scott Kevitt, Jeff Habish, Skip Johnson, Terry Purcell, Candice Anderson, Cody Anderson, Shelly Zimmerschied, Karla Skeie, Bart Skeie, John Binder, Don Dedon, Shari Erickson, Colin Schwartz, Trofim Borisov

1. Open meeting

Chair Mark Wegscheid called the meeting to order at 6:33 p.m.

2. Approve agenda

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

3. Request for Qualifications and Interest in a Townhome Development in the Mound Harbor District in Mound, MN: Presentations of concept plans and development proposals from respondents

Catherine Pausche, Finance Director, repeated a presentation from the November 28, 2017 meeting that summarized the history of the Mound Harbor District, including original concept plans, a 2013 market study, a 2016 TIF analysis, and a revised concept plan that was used to develop a Request for Qualification and Interest in a townhome development in the Mound Harbor District. Pausche said the objectives of the townhome development include: (1) obtain a competitive price for the land and maximize the market value of the completed development; (2) balance the intensity of use with preservation of public enjoyment of the area; and (3) complete the development in a timely manner with the developer independently financing all improvements.

A. Tom Bakritges, Director of Land Development, Homestead Partners

Tom Bakritges, Director of Land Development for Homestead Partners thanked the Council for the opportunity. Bakritges said they are proposing 21 units and will pay \$660K cash to seller subject to final plat approval. Bakritges walked through other terms including the use of developer equity and bank financing, and listed closing contingencies. Bakritges gave a project summary, including 21 units, +/- 2,490 square feet minimum lot size, 2 stories, 2,600 finished square feet, 2+ tandem garage and 3 bedrooms and baths for a total estimated market value of \$550-700K per unit or \$11.5 – 14.7M for the development. Bakritges said the proposed site plan is comparable to the original site plan but it adds one more unit and noted they are not worried that 20 slips will be an issue. Bakritges noted all the garages face inward, and not toward the commercial, and that they were able to add more green space between the townhomes and the commercial facing Commerce Boulevard.

Bakritges said the target market will be active adults and that 2 cars can be parked in front of each garage with 11 additional off-street spaces. Bakritges described the base layout with a 2 car garage which is considered adequate for active adults but noted a tandem would be optional. Bakritges said it

functions like a rambler walk out, but the difference is the stairs to the kitchen/main living area with a dumbwaiter and optional elevator. Bakritges showed the front elevation and said the garage, family room, and bathroom are on Level 1 and the upper living space and bedrooms are on Level 2. Regarding the Homeowners Association (HOA) structure, Bakritges said they have a good relationship with management companies, including Omega and First Service, and that all units would be owner occupied with no rental.

Bakritges reviewed the proposed timeline, saying that site work would begin after land use approvals by March of 2019 with the objective to be in the 2019 Parade of Homes with the development completed sometime in 2020. Bakritges said Homestead Partners has been around for 33 years and its affiliate, JMS Custom Homes, donated a parcel in the Harbor District. Bakritges listed past developments which are primarily single family homes, townhomes, and apartments/condos. Bakritges noted there are 7 JMS homes currently in the Parade of Homes all over the metro, including Minnetonka, Hanover, and Deephaven. Bakritges said Whitten Assoc. are the architects that design the projects and noted the awards and acknowledgements their team has received.

Bakritges showed examples of previous and current developments, including Meyer Place condos in Wayzata with values between \$650K and \$2.4M, single family homes in the Parade of Homes with values between \$400k – \$2.4M, and Waypoint in Wayzata, which Bakritges said is a good example of architectural features.

Bakritges expressed excitement and said he is looking forward to working on the project. Mayor Wegscheid asked for his professional opinion on any challenges in what is being proposed. Bakritges said the biggest challenge is not knowing what is in the land since there have been no boring samples, but he knows the utilities are there. Hoversten said info on the new Auditors Road and Phase I was known, but other areas like Old Shoreline have not been evaluated. Bakritges said the engineer thought some soil correction would be needed, and that they assumed \$660K for the land with another \$650K to prepare the land. Wegscheid asked how long he thought it would take to prepare the lot and Bakritges said if we close in the fall he did not think it would take more than 1 month to prep the lot for the first building, which will take a good six months to complete with the idea of being in the Spring or Fall Parade of Homes.

Wegscheid asked if construction was based on presales and Bakritges said they would build a 4 unit building and start selling, but they prefer to sell before moving on. Gillispie asked if all the units would be built whether they were sold or not. Bakritges said that it is a loaded question, but the intent is to build them all, noting you can't control the economy.

Gillispie asked if the price will be different based on location. Bakritges said there will be some variation but since it is just 2.3 acres, it will lessen the disparity and the range is projected at \$550K – \$700K. Gillispie asked how and if the restaurant will be disclosed. Bakritges said yes, the entire concept plan/area will be shared. Salazar asked if any projects were abandoned in the last recession. Bakritges said JMS had some large developments in the northwest quadrant that were restructured, but did not go bankrupt. Bergquist asked what the approximate height was since it appears to be a fairly steep roof. Bakritges said no more than 35 feet, and Bergquist noted the code is less than that and Bakritges said it can be adjusted. Salazar said he likes the design, dumbwaiter, tandem option, option for elevator, and that it is good for lifecycle housing. Salazar asked about the lower level and whether the den will have a slider door to a patio. Bakritges said yes. Gillispie asked what is their internal process to respond to a RFQ. Bakritges said they meet with staff about expectations and then conduct internal market analysis and prepare an engineering cost estimate, and then the architect designs the product based on what market could bear. Salazar asked if this is all done under one roof and Bakritges said the engineer services are contracted.

B. Mike Kevitt, Vice President of Land Development, SVK Development, LLC

Mike Kevitt, Vice President of Land Development for SVK Development, provided background on SVK and said the owner and operations director are present. Kevitt said the team has over 40 years of development experience and that luxury townhomes are their niche. Kevitt said they worked on projects in Plymouth, Eden Prairie and St. Louis Park, and he feels this project is well suited for what they do. Kevitt said SVK's mission is to boast community and take advantage of area amenities and that they would not build it unless wanted they would want to live in it.

Kevitt said SVK's proposal is to build 16 units and pay \$50 – \$70K per lot, but that he feels they could add one more lot depending on potential variances and structure layout. Kevitt said the lot sizes would be 5,400 – 8,400 square feet and the style would be a rambler look out, with 2,300 – 3,000 finished square feet, a 2+ oversized garage, 3 bedrooms and baths with a value of \$650K – \$750K for units near the water's edge (higher lot premium) and then units facing the trail would be similar but the lot value lessened so the value would be in the \$550K – \$650K range. Kevitt said the total estimated market value for the development is \$10.4M and noted he did not account for common space in the estimated lot size.

Kevitt showed examples of developments including the Marsh in White Bear Lake, Curtis Lake in Plymouth, and examples of the interior finishes. Kevitt said SVK is a turnkey operation and does all the earth work, public and private improvements and design and build, providing one seamless management team to manage the entire lifecycle of the project from design to build. Kevitt noted the interior finishes shows their focus on high end amenities and that the example of the elevation shows not a walk out, but a look out. Kevitt emphasized the design includes lots of windows to take advantage of the natural sunlight, which is not common in side by side townhomes and that they will work closely with the architect to ensure they take advantage of the views and the units are aesthetically pleasing to the eye. Kevitt said the 2 car garage is 28 feet wide and deep enough to accommodate a pickup truck or SUV, noting the deeper lot sizes make this possible. Kevitt said the target market is active lifestyle, executives, empty nesters and/or young couples. Kevitt said all the main amenities are on the main floor and noted the lower level has a rec room and additional bedrooms.

Kevitt said the concept plan was created with input from the engineer from the Walgreens and Dakota Junction project, so they know the site extensively. Kevitt said they tried to create a concept that would leverage the existing park space and noted that he lives in Mound within walking distance of the site and that they want residents to partake in community events and for those events to continue. Kevitt said closing the road will remediate traffic concerns. Kevitt said the villa style with no shared walls creates yard space, with lots over 100 feet deep and 45 ft wide with 10 foot setbacks, therefore they were not able to fit all 20 units. Kevitt said they wanted to maximize the views of the water and amenities and that the road cycles around to facilitate traffic flow. Kevitt said they observed parking/traffic issues in the Lost Lake neighborhood. Salazar asked if there were other off-street parking spaces besides the driveways and Kevitt said no. Salazar asked about the width of the streets and Kevitt said 22 feet wide. Kevitt said they looked at a possible 17th unit with a side load driveway closer to the pond, but noted a variance may be required.

Kevitt said SVK is an earth company as well and they would increase the elevation slightly to buffer from the commercial spaces and the trail. Kevitt said the east side elevation could be achieved many different ways, and that the approximately 4 foot elevation could also be achieved by landscape, and noted that SVK would work closely with the engineer and landscape designer. Kevitt said the engineer noted that the parking pad of the restaurant may be able to be reduced to open up additional park space. Kevitt highlighted the features of the concept plan and noted that quality control that tends to set them apart and that the HOA would be established that incorporates the City of Mound requirements.

Gillispie asked for Kevitt to describe a standard HOA agreement and Kevitt said it typically provides for snow removal, lawn care, landscape, and garbage, and that SVK works with a management company. Salazar asked if the pond would be maintained and Kevitt said yes and that it was really for storm water

but that they can develop a plan. Bergquist asked if the units would be owner occupied and Kevitt said SVK has done both, but that they are planning on them being owner occupied, and Wegscheid responded that the City prefers that.

Kevitt said they are proposing an aggressive timeline with the developer's agreement by mid April, ground work started in early May, and prep done by end of July, all of which is an advantage that they can move pretty quickly. Kevitt said if the market supports sales, then all could be built out with the idea of having a model/initial units done by December of 2018. Gillispie asked about customization options and whether they would wait for each one to sell before building. Kevitt said the goal is to complete the build out by 2021 but that it will be market driven. Salazar asked what happened with SVK's developments during the recession and Kevitt said they were actively developing during the recession, noting they did not have to take loan or hold back because of their conservative approach.

Kevitt went through a summary of previous developments, including Rose Garden in Plymouth which is leased by their property management division for \$2,800/month, mostly to young executives, and Hidden Meadows in Plymouth which was an infill project and also leased. Kevitt said Hidden Terrace in Plymouth were sold for \$400K – 500K in 2009 and 2010. Gillispie asked if developments are one or the other, lease or sale? Kevitt said mostly yes, but Wild Marsh in White Bear Lake was built out during the recession and leasing proved more robust, so it has both.

Wegscheid asked if there are any current model homes available and Kevitt said no townhomes, only single family. Salazar asked if they prefer lease or sale and Kevitt said they prefer to sell but got into leasing because of the downturn.

Gillispie asked about the question to the City as the offer was "as is" and if it changes the offer price. Kevitt said no and clarified what was meant by the question was that some cities have not been overly engaged in dealing with the major utilities, so SVK just wanted to know Mound would be and that it was not asked in relation to finances. Hoversten said it is more about the third party utilities in our major corridors, primarily gas and telecommunications, and noted that the City has some leverage with franchise agreements.

Bergquist asked what is the typical rent of \$550K unit and Kevitt said \$2,600 - \$2,800 plus utilities. Gillispie asked if this development would be comparable and Kevitt said yes. Salazar recommend they build the 17th unit and said that he likes the units which he thinks are very attractive with no shared walls, and that the company boasts community, which are buzz words for him.

Wegscheid asked about any concerns with the proximity to public spaces. Kevitt said the engineers have extensive knowledge on how to mitigate storm water management and Wegscheid said he was thinking more about the social interaction. Kevitt said that is where elevation and landscaping would come in. Hoversten asked about the grade changes. Scott Kevitt, SVK owner, said the thought is there could be some steps to get to the main floor and that the patios represent decks and they can make design adjustments if there were any water table issues. Gillispie asked if they would be slab on grade and Kevitt said they will be a rambler style with full stairs to the lower level, but that there may be steps up from the garage or entry as well. Bergquist asked if you could see the pond from the trail in the center and Kevitt said no and Bergquist thought that was a good idea. Kevitt said a fence was considered. Gillispie asked what are the internal processes SVK goes through to evaluate the feasibility of this kind of opportunity and Kevitt said they work with the engineers and noted that he liked the site and felt the concept he used in St. Louis Park that was near commercial would be suitable. Kevitt clarified that St. Louis Park site was located near 28th & Texas and consisted of 72 townhomes that were built between 2001 and 2004.

Mike Kevitt thanked the Council and said they were very excited about this opportunity and that it fits well in their area of specialty.

4. Discussion and action to select the preferred developer for a townhome development in the Mound Harbor District

Mayor Wegscheid thanked the developers for the quality of their presentations and participation. Wegscheid invited discussion and encouraged the Council to continue to ask the developers questions, but said he wanted to note that the City gets one shot at this and in order to ensure it is properly considered, he proposes to direct staff to come back with their reflection and thoughts and put the action items on the next meeting agenda. Gillispie agreed that it was a lot to digest and would appreciate more time. Salazar said they were both great proposals and that the City has had this property a long time and that it is the crown jewel, so the City wants to do it right and not just fill it in. Salazar said he would like to do some site visits and more research. Bergquist said both proposals were very similar and yet very different would like to more time and Peterson agreed. Wegscheid asked if this approach works for staff and Hoversten said yes and that it is important for the Council have the time for a respectful decision process. Hoversten requested any additional questions or information requests to be relayed to Staff by Friday who in turn will forward them to both developers.

Council Action: MOTION by Wegscheid , seconded by Salazar, to direct staff to do a summary reflection of their analysis of the presentations, to provide Council the opportunity to ask more questions, and to work with the developers to see if site visits are possible and table the remainder of the agenda items to the next meeting on March 13, 2018. All voted in favor. Motion carried.

HRA Action: MOTION by Wegscheid , seconded by Salazar, to table the agenda items and reconvene the concurrent meeting with the Mound City Council and Housing and Redevelopment Authority on March 13, 2018 immediately following the regular City Council meeting that begins at 7:00pm. All voted in favor. Motion carried.

Council Action: MOTION by Wegscheid , seconded by Salazar, to reconvene the concurrent meeting with the Mound City Council and Housing and Redevelopment Authority on March 13, 2018 immediately following the regular City Council meeting that begins at 7:00pm. All voted in favor. Motion carried.

5. TABLED Council Action: Action on a resolution authorizing staff to negotiate the terms of a purchase agreement for consideration by the HRA Board and City Council (insert selected developer name)

RESOLUTION NO.18- : RESOLUTION AUTHORIZING STAFF TO NEGOTIATE THE TERMS OF A PURCHASE AGREEMENT FOR CONSIDERATION BY THE HRA BOARD AND CITY COUNCIL

6. TABLED HRA ACTION: Action on a resolution authorizing staff to negotiate the terms of a purchase agreement for consideration by the HRA Board and City Council (insert selected developer name)

RESOLUTION NO. 18- H: RESOLUTION AUTHORIZING STAFF TO NEGOTIATE THE TERMS OF A PURCHASE AGREEMENT FOR CONSIDERATION BY THE HRA BOARD AND CITY COUNCIL

7. TABLED Council Action: Action on a resolution approving amended and restated Master Subordination Agreement and Estoppel Certificate related to the Indian Knoll Manor Project

RESOLUTION NO. 18- : RESOLUTION APPROVING AMENDED AND RESTATED MASTER SUBORDINATION AGREEMENT AND ESTOPPEL CERTIFICATE RELATED TO THE INDIAN KNOLL MANOR PROJECT

8. **TABLED HRA Action: Action on a resolution approving amended and restated Master Subordination Agreement and Estoppel Certificate related to the Indian Knoll Manor Project**

RESOLUTION NO: 18- H: RESOLUTION APROVING AMENDED AND RESTATED MASTER SUBORDINATION AGREEMENT AND ESTOPPEL CERTIFICATE RELATED TO THE INDIAN KNOLL MANOR PROJECT

9. **Adjourn**

MOTION by Salazar, seconded by Peterson, to adjourn at 8:22 p.m. All voted in favor. Motion carried.

Chair Mark Wegscheid

Attest: Catherine Pausche, Clerk