MOUND CITY COUNCIL MINUTES
June 11, 2019

The City Council of the City of Mound, Hennepin County, Minnesota, met in regular session on Tuesday, June 11, 2019 at 7:00 p.m. in the council chambers of the Centennial Building.

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

Members absent: None

Others present: City Manager Eric Hoversten, Director of Finance & Admin Services Catherine Pausche, Community Development Director Sarah Smith, Tim Litfin, Hennepin County Commissioner Jan Callison, Susan Hoversten

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. <u>Open meeting</u>
Mayor Salazar called the meeting to order at 7:00 p.m.

2. <u>Pledge of Allegiance</u>

3. <u>Approve agenda, with any amendments</u>
MOTION made by Velsor, seconded by Bergquist, to approve the agenda. All voted in favor. Motion carried.

4. <u>Consent agenda</u>
MOTION made by Larson, seconded by Pugh, to approve the consent agenda. Upon roll call vote, all voted in favor. Motion carried.

A. Approve payment of claims $164,594.67

B. Approve minutes from 05-28-19 regular meeting

C. RESOLUTION NO. 19-39: RESOLUTION APPROVING LIQUOR LICENSE RENEWALS FOR 2019 - 2020

D. **RESOLUTION NO. 19-40: RESOLUTION OF SPONSORSHIP AS RELATED TO THE SOUTHWEST TRAILS SNOWMOBILE ASSOCIATION**

5. <u>Comments and suggestions from citizens present on any item not on the agenda.</u>
None

6. <u>Hennepin County Commissioner Jan Callison providing discussion on forthcoming County activities and issues</u>

Callison reviewed the information contained in handouts she provided that included changes to population, housing and property value assessments for all of Hennepin County and also specific to Mound. Callison said ORD 21 had a hearing earlier today which recommends changing the legal age to buy tobacco from 18 to 21 and those who can sell from 16 to 18 and to restrict where flavored tobacco can be sold. Callison said planning for library upgrade is underway with construction slated for 2021. Callison noted planned improvements to Shoreline Drive and Shadywood Road intersection and said the Tanager Bridge improvement project calls for the old bridge to remain open during construction. Velsor asked if the Arcola Bridge will also be done. Callison said it will follow Tanager. Hoversten said the resurfacing of Arcola will also allow for traffic flow.

7. <u>Tim Liftin providing the annual Tour de Tonka presentation to City Council</u>

Litfin distributed TourdeTonka pillows and shared a Power Point highlighting counties and states where participants originate from, age demographics, cities, ride routes, and sponsors. Liftin emphasized it is a ride, not a race, and is immensely popular.

Litfin said last year was cancelled due to inclement weather and that this year's ride is scheduled for Saturday, August 3. Litfin thanked the City for all they do to support the ride.

8. **<u>City Manager Eric Hoversten presenting discussion on downtown development options and recommended future actions</u>**

Hoversten began by saying a motion was made at the April 23, 2019 regular council meeting to have the Development Committee work with staff to formulate a discussion topic on the evolution of Mound redevelopment. Hoversten said his intention is to walk the Council through the history and invite the council to ask any questions, noting he will end with some staff recommendations for next steps and areas staff would appreciate direction. Hoversten noted no formal action is called for tonight, just direction on how staff might guide interested developers and proceed with next steps.

Hoversten began with aerial photos of the downtown from 1957 and 1979, noting retail/ commerce along CR 110 and the site of the old high school. Hoversten said when Tonka Toys moved operations and Toro (who followed) did not last, community leaders recognized the impact of the loss and the need to explore ways to strengthen the downtown business community. Hoversten said in addition to responding to the depleted employment opportunities that kept people in town, the goal was to improve aesthetics as well as make functional improvements like reopening the channel and cleaning up a debris dump.

Hoversten identified four major public improvement projects including the 2000 completion of the Lost Lake dredge, the 2002 relocation of the Post Office, the 2004 creation of the Lost Lake Greenway and the 2005 relocation of Auditors Road and CR 15.

Hoversten showed aerials from 1997 before the construction projects began and a timeline of major developments. Hoversten said the old high school site was meant to be a community space, but in the early 2000's a private developer made it commercial and residential instead, eating up much of the commercial capacity originally contemplated for the Harbor District. Hoversten showed aerials from 2009 and 2018. Hoversten says it is a fine line to walk telling existing businesses they are valued while planning guidelines in the Comp Plan call for redevelopment. Hoversten said only one of 4 phases of the Mound Harbor Renaissance redevelopment plan was completed, which was the Lost Lake Villas project, and noted it took years due to the recession.

Hoversten said an AUAR (Alternative Urban Areawide Review Process) study was completed in 2006 while the market was still expanding. The AUAR was designed to show the environmental carrying capacity of the area, or the highest use and value before becoming a burden. The 2006 AUAR study identified capacity for 86 attached condos/apartments, 113K SF of retail, 80K SF of office, and an 80-unit hotel. The study was followed by a development proposal from Mound Harbor Renaissance, LLC (MHR) which included 4 phases, going from east to west from Super America to Lake Langdon. The plan called for 5 townhomes, 327 attached condos/apartments, 114K SF of retail, 25K SF of office, 20K SF of service, and a 78-unit hotel. Hoversten said key lessons were learned particularly after the recession.

Hoversten showed a timeline of actual events, stating the Mound Marketplace development on the old high school site picked up 99 units of residential and 65K SF of commercial. Hoversten noted Mound Marketplace has experienced some long term occupancy distress, including two retail spaces with vacancies exceeding 48 months. Hoversten said these units are being professionally marketed through a national real estate commercial brokerage to no avail.

Hoversten said the City/HRA assembled much of the property in the Harbor District, but not all. Hoversten said MHR built 11 of the 37 planned townhomes and much of the infrastructure for Phase I when the recession hit, and they went bankrupt. Commerce Place lost anchor tenants Walgreens and the Ridgeview Medical Clinic, but managed to avoid real distress until 2016, when the Walgreens lease was up. Hoversten said the remaining lots in Phase I were bought from the bank in 2012 but 10 less units were developed than planned for a total of 27 townhomes. Hoversten noted that e-commerce began to impact local retail as early as 2013.

Hoversten said the MHR development agreement was terminated in 2015 to allow the City to consider other options. Hoversten provided background of a 2018 study that said 20% of all retail occurs over the internet and it is expected to be 25% by 2020. Hoversten said small town/small franchise opportunities from the 1990s are gone, including such services as movie rental, photo lab, Radio Shack, lumber yard, and music shop. Hoversten said towns like Mound are now lucky to still have a hardware and grocery store. Hoversten noted small business generational succession trend is a thing of past and these businesses are cashed out with closures outpacing new starts.

Hoversten said the City has met the Metropolitan (Met) Council's affordable housing targets with Aeon's expansion of Indian Knoll Manor and Harrison Bay's affordable component. Pugh asked to clarify. Hoversten said the structured and managed affordable targets are met, but that the community more than makes up with the naturally occurring affordable housing as well. Pugh asked if the City knows how many Section 8 vouchers are utilized in our community and requested staff to find out those numbers.

Hoversten said post-recession, developers were still approaching the City and some common themes emerged: developers said they would build commercial on street level as long as they can build as much as they want above it to offset the losses of vacant commercial space. Hoversten asked if the community would want more commercial space sitting vacant on our main street, just as is occurring at Commerce Place. Hoversten said it takes 160-180 units of housing to support commercial and when you take parking into consideration, the mass and scale is going to chop off the existing businesses' access to the

lake, including real businesses like Mound Marketplace vs. 'new' businesses in the Harbor District that are just 'hope.'

Hoversten said another roadblock is the City not assembling all the property in the Harbor District since you can't sell what you don't own. Hoversten said the drawback to assembling properties and renewing/rebuilding existing buildings is it may prevent existing businesses from being able to remain in place, or cause them to seek more affordable/older real estate elsewhere. Hoversten added if the Mound Harbor Renaissance Phase III had been implemented, the City would have removed those small businesses from the City and be left with vacant commercial space. Hoversten noted most developers wanted the land for $1 and any remaining TIF (Tax Increment Financing) available or were seeking new TIF by adding a possible affordable component for the proposed multi-family housing. Hoversten said the amount the City would receive for the land and the ability to leverage future tax value should not be thrown off the table, but all priorities and expectations need to be established up front. Hoversten noted the value of intervening public use of the Harbor District as open space but questioned if all of it is necessary, or could a portion be developed to support improvements throughout. Hoversten said the City can leverage the value of what it has in the Harbor District and with financing tools to get what it wants for the Harbor District. Hoversten said there is 100,000 square feet (nearly three acres) of redundant or abandoned asphalt in the Harbor District and the existing road and landscape in the area will need investment whether the area is developed or not.

Hoversten noted the trend analysis that took place as part of the Mound 2040 Comp Plan was informed by years of developers saying the City needed to ask for what it wants since it appeared the 2030 Comp Plan was no longer relevant. Hoversten said the community is asking for more commercial than what the market is willing to provide, and the market wants higher density residential than what the community desires. Hoversten noted the trend analysis showed retail consolidation will continue to impact small cities such as Mound (ie., big box – Menards, Lowes, Home Depot - replaced local lumber yards, e-commerce, etc.), while strong demand in residential will continue as multi-family residential housing starts in the metro are lagging population growth by a 10:1 ratio. Hoversten said the conclusion to this scenario in the decline of the retail market place is the short-term removal of some existing retail with multi- family housing similar to what is being proposed for Commerce Place with the thought that adding residents will provide support to existing or future retail. Hoversten suggested based on the market trends, Mound could choose any level of housing density and be able to fill it. Hoversten said the 2040 Comp Plan called for giving flexibility in the uses in the downtown area since it is not clear the commercial will materialize. The conclusions/priorities included: preserve existing business prospects and opportunities, preserve community space and uses to the extent functional and practical, preserve connections/circulation corridors, maximize character, value in use-interactions across district, and balance the tradeoff between current land value and ability to increase tax base.

Hoversten walked through other considerations in 2040 Comp Plan creation, including to not require developers to build commercial when there is no apparent demand and they have no intent or desire to fill, but rather guide commercial along existing commercial corridors while avoiding a 4th shopping center. Hoversten noted this is a progression of activities (allowing flexible uses so residential can be built before commercial) that sets us up for options down the road without forcing the outcome today (forcing mixed use commercial/residential) when success is unknown. Hoversten noted there is not a demand in the market for additional retail and questioned if there is somewhere else where retail can be placed other than the

Harbor District, or put another way, what is the next best move by the City which allows the City to meet future retail needs and future success.

Hoversten discussed traditional concentric population market analysis which showed where mixed use has worked vs. Mound's concentric zones being surrounded by water while the majority of residents who commute out of town for work and are not available to do business during the day in Mound. Hoversten noted that even communities that fit the concentric formulas well are now experiencing stress, including Edina's 50th & France and St Louis Park's West End, as national chains are closing doors.

Hoversten said the focus turned to activity on City owned land such as the recent City Townhome RFQ process with the thought that initiating medium density residential may generate commercial interest activity while leaving ample public space. Hoversten said Auditors Road adds value to the community only if it provides access to commercial/retail as originally contemplated verses the slip road it serves as today. Hoversten also noted there would have been conflict between cars and pedestrians if the retail development had occurred similar to areas on the commons where there is a road between the abutters and the lakeshore. Hoversten said communities all over America built out infrastructure pre-recession for development that did not materialize.

Hoversten said the transient dockage in the Harbor has been underutilized. Hoversten added he saw eight boats moored on the transient slips during the Fish Fry. He said eight was the most he had ever seen at one time and there was still capacity for six more boats to be moored. Hoversten said the City took action to transfer 10 of the transient slips to rented overnight use to increase the value of the townhome project similar to the Lost Lake Villas.

Hoversten showed the original Mound Visions plan with vertical mixed use across the site with mass and scale and a large amount of parking. Hoversten highlighted the table that shows the 250K SF commercial, retail, office, and hotel. Hoversten compared the 2030 Plan to the Comp Plan 2040 draft that has similar functions but much less intensity to allow for the intervening public uses that we have come to enjoy and that allow us to preserve the social connections in the circulation corridors. Hoversten said the 2040 Comp Plan mixed use zoning districts provide flexibility across the downtown area by breaking it up from vertical to horizontal scale while allowing for different phases as residential which will likely lead commercial. Hoversten said the planning process was an attempt to respond to lessons learned in the RFQ process and to respond to feedback received from the public input processes of the 2040 Comp Plan. Hoversten said this was an effort to reimagine what we think will work for us as a community, with smaller format/lower-intensity multi-family on lands that we own which would be similar to the successful Villa townhomes project while providing balance, value and continuity with the existing Villa townhomes. Hoversten said the townhome development RFQ was based on these lessons and the City tested the market and had a project until the developer wanted the City to contribute more funds to the project based on environmental factors.

Hoversten suggested performing a Phase II environmental assessment across the entire Harbor District site would be helpful in determining the City's risk regardless of the ultimate use of the land for public space and/or development. Hoversten said knowing the environmental factors of the Harbor area will provide the scale of clean up needed at the site. Hoversten said the Phase II assessment would inform the City if clean up would be a couple of dump trucks removing surface debris or a more extensive cleanup. Hoversten mentioned the CenterPoint Energy (CPE) gas line runs along the Andrew Sisters Trail but

crosses Auditors Road. Hoversten said the gas line is not in an easement so Hoversten suggested cleaning this issue up by working with CPE. Hoversten said Auditors is a road, not a right-of-way, therefore CPE should be notified of potential future intent to vacate Auditors Road and possible required relocation of the gas line.

Hoversten also recommended the City finalize the preliminary/final plat actions for the Harbor District. Hoversten said these actions make an adjustment for lessons learned on the northern line Met Council easement and north boundary of Old Shoreline Drive. Hoversten said the City can also create outlots of the parcels which the City owns but are not contiguous with the main portion of City owned property. Hoversten said outlots will trigger replatting if future development occurs and the city maintains flexibility to make adjustments in the future as well. Hoversten added this cleans up all of the title work done in anticipation of the townhome project. Hoversten said cleaning up the plats allows the City to control the geometry of the development space and prepare a parcel in advance of development in case a desirable project is received which meets community objectives.

Hoversten requested Council discussion to inform City Staff on how to proceed with the City response to potential developers. Hoversten said the lesson learned by the City leads to recognizing that small-form multi-family residential and not commercial/retail is what the market is likely to bring forward. Hoversten noted the City is preserving lands to be available for future commercial retail/development along Commerce Blvd. Hoversten said staff will need Council input to prepare for future development in the Harbor District.

Salazar asked for a review of the Adjustments to Draft Preliminary Plat slide and clarified if the proposal for the plat reflects the townhome project which was withdrawn. Hoversten said generally the parcel is the same. Hoversten the withdrawn townhome project final proposed plan needed more space and crept to the north of the parcel. Hoversten the plat Salazar noted was a revised ‘box’ for future development which is respecting the curb of Old Shoreline to preserve access corridors that the City determined as valuable. Hoversten said it would be up to a future developer to work within the ‘box’. Hoversten noted that the restaurant pad was in the Harbor concept plan but is unlikely to materialize and that portion of the parcel is valued as open space.

Bergquist said he is concerned about being too rigid about lot lines to make a project unfeasible for developers. Hoversten offered that this is a preliminary plat that would telegraph expectations but would not prevent the City from offering a landscape easement or boundary adjustment or even re-platting the lines if a desired project comes along that needs a little more land to achieve it.

Hoversten said the City took a wait and see approach to the Harbor development in the 2000’s but the City now has specific plans and defined boundaries for development. Hoversten added the City will now set expectations for conditions and criteria which will take a big piece of the guess work out of future development.

Pugh said she likes the idea of setting boundaries because the community wants a defined public space and the City then can improve the public space. Pugh asked if the City would consider just townhome developments or would 3-story multifamily be considered. Hoversten said the RFQ for townhomes was based on managing the intensity of density. Hoversten said there are breakpoints that require at least 40 – 50 units to support a multi-story development and that another component was the number of city docks that were available, which is 20. Hoversten said the slips in the Harbor will add value to the land.

Hoversten added the number of slips informed the number of single level residences which could be built with the amenity of access to boating on the lake. Hoversten said the next breakpoint was 90 – 110 units which would have eliminated the character of spaces around it. Hoversten said he struggles with a tall multi-family building and the impact on the character of the space we are attempting to create. Hoversten said a developer who responded to the Harbor RFQ has a proposal for a 50-unit development and is interested in looking at the parcels along Langdon Lake as well.

Salazar said in 2010, a developer presented a senior living project with 3 – 5 floors in the Harbor District and it was not well received. Salazar said the Harbor District is the City's crown jewel and it can be even prettier. Salazar said to put in a Mist-like complex in the Harbor creates a separation and barrier, so he prefers lower level.

Salazar said the question for the Council is whether 2.4 acres is reasonably buildable and if so, should we build it and if so why, and as representatives of the citizens, do the citizens have the appetite? Salazar said the developer withdrawal was an opportunity to reevaluate, but Salazar emphasized retail is not an option with Amazon and our existing vacancies. Salazar asked what would be the reason for wanting to develop it. Would it be taxes? What do citizens want? Salazar said he can envision partial development of luxury townhomes and ample public space. Salazar says he agrees with all the staff recommended activities to consider even if we do nothing there and noted nothing has to be decided tonight.

Pugh said grants may be available for environmental and noted that she wants to be sure a significant space is reserved for public space and committed to. Bergquist said public space was always envisioned during the townhome development discussion.

Discussion ensued on next steps for preliminary plat process, obtaining quotes for environmental work, and notifying CenterPoint of future intent to vacate Auditors Road.

Larson said she has been intricately involved in the Harbor District redevelopment since the mid-1980s and plans have changed over and over. Larson said she thinks we need to start all over again with a clean slate and we could invite citizens to bring forward ideas.

Larson asked whose idea was the environmental assessment and re-plat plan. Hoversten said it was a collaborative effort with the prior City development committee, staff and consultants. Larson asked if any of the consultants live in Mound and questioned their ability to understand how unique Mound is. Hoversten said the contracted City Planner and commercial real estate analyst specialize in these types of projects and this work is what these consultants do for communities. Hoversten added that the City needs to understand and be informed by the struggles of Colliers Commercial Real Estate trying to market Mound Marketplace and Shaffer Richardson also trying to market several properties across the metro area. Larson said she thinks the community needs a shot in the arm and added she thinks the environmental assessment should be done before the re-plat or anything else is done. Hoversten said efforts were made to hear from as many sources as possible as part of the Comprehensive Plan process and other community discussions and it is necessary to recognize not all concerns and desires are realistic for this property at this time.

Hoversten said options for the Harbor District were narrowed based on what is actually doable:

1. Find way to finance the improvement to the land to leave as open space

2. Large building format development
3. Small building format development
4. Assume any redevelopment would be residential only in the near term.

Larson asked if Staff have sent out RFQ's at this time. Hoversten said there are no RFQ's out at present because Staff have not been authorized to do so and any proposal from the City should be a serious proposal. Pugh said she supported Larson's idea to include more community discussion in the Harbor development and emphasized the Harbor is the center of the City. Pugh said the City needs to think about how we walk, drive, and live in the community and likes the idea of rethinking the plan for the Harbor District.

Larson reiterated that the environmental assessment should be completed and the Harbor District remain as open space. Larson asked Hoversten if the City was only asking for residential development and Hoversten said residential is the only development which is realistic at this time or leave the land as open space. Salazar reiterated he thinks the Council agrees that some public space will remain, either in entirety or a portion. Salazar said he thinks doing the environmental study/Phase II is needed now.

Velsor said in order to do something nice with the space you need money and a space for townhome development was identified to generate revenue to make the park improvements in conjunction with the townhome development. Velsor said City residents will get an open space which they want with a townhome development. Velsor said he goes to Maple Grove Central Park all the time and the same with French Lake Preserve. Velsor said we have parking capacity with the deck and a park/open space for dog days and the farmers market is his vision. Velsor said he has been to farmer's markets on grass, too. Velsor said he likes the idea of development and was ready to support the townhomes and could do it again if there is a good proposal and the remainder of the plat could be made a year-round destination.

Bergquist said he agrees with Velsor and he thinks we should develop the west side of the property. Bergquist noted he is on the Parks Commission and that Mound has a lot of parks and not a lot of money. Bergquist said he thought the open space could be developed first. Hoversten cautioned that the development might disturb the improvements but noted a storm water chamber exists that could support sprinkled grass.

Pugh mentioned using an agency like the Trust for Public Land Institute to leverage grant monies to augment the improvement of the open space. Hoversten said that the Phase II assessment and any corrective actions stemming from the Phase II would need to be done before any requests or grant research is undertaken.

Salazar said there seems to be agreement to develop the west side of the Harbor with the east side reserved for improved open space.

Larson asked about the remaining lots along Commerce which are privately owned. Larson asked has the City reached out to the property owners to gage their interest in selling their parcels. Hoversten said the purchase of those properties was going to be addressed by MHR and that Hoversten did not know if MHR made any offers before its bankruptcy. Hoversten said Trident Development spoke to owners on the west side of Commerce and got varying degrees of realistic market expectations from the owners so Trident looked elsewhere. Hoversten said another developer in 2016 inquired with property owners on the

east side of Commerce Blvd. and ran into challenges and discontinued their effort. Larson said this is a lot of information to receive the Thursday before the meeting and asked that the rest of the Council get an update after any developer meeting. Larson said she is not asking for names or specifics. Hoversten said it gets dicey when concepts are presented because the proposal is considered proprietary/ intellectual property and wouldn't become public unless a formal application or proposal is made. Larson requested a generic update from Staff if there are inquiries. Hoversten said Staff have learned not to overload an agenda when possible after two major development applications were presented at one Planning Commission meeting, but timelines and the requirement to make information public prevail. Bergquist suggested Larson can call staff anytime for updates. Larson said she struggles with what questions to ask.

MOTION by Salazar, seconded by Bergquist, to instruct staff to pursue/prepare the activities to consider as outlined on page 1181 of the packet for Council action. Pugh asked if exploring the public space should be added, but Salazar said he thinks that would come after. All voted in favor. Motion carried.

Hoversten clarified with the Council the second plat proposal which includes Outlot A would be the plat which would be pursued and all Council Members concurred.

9. <u>Information/Miscellaneous</u>

A. Comments/reports from Council members/City Manager:

Hoversten highlighted the Spirit of the Lakes Festival on July 18 – 20 and noted the Fourth of July holiday is Thursday, so City Hall will be closed Friday as well and staff will take vacation time.

Salazar noted the LMCD representative typically presents the budget which was just in the other info portion. Pausche said she should have invited them and will do so at a future meeting.

Bergquist said he made the motion at the April meeting for staff to prepare the development discussion/history and wanted to note they did a great job and everyone agreed.

B. Reports: Liquor Store – May YTD
Finance Department – April 2019

C. Minutes:

D. Correspondence: LMCD – Preliminary 2020 budget

9. <u>Adjourn</u>

MOTION made by Bergquist, seconded by Pugh, to adjourn at 10:06 p.m. All voted in favor. Motion carried.

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Mayor Raymond J. Salazar

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Attest: Catherine Pausche, Clerk