

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

**July 24, 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, July 24, 2018, at 6:00 p.m. in the council chambers of the Centennial Building.

Members present: Mayor/Chair Mark Wegscheid, Council Members/Commissioners Kelli Gillispie(6:03 pm arrival), 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, Administrative Assistant Rebecca Kress, Tom Bakritges, Jeff Thoele, Monica & Darren Kahmeyer, TQ White II, Tegan & Kevin Castellano, Frank Doherty, Barb Miller, John Smyth, Robert Sandom, Curt & Laura Wynkoop, Jim Gountanis, Michelle Herrick, Scott Gates, Cassy & Alex Hubler, Danelle Bonilla, Robert Stevens, Jesus Uitell, Gary Wambold, Arlyn Anderson, Rick Manion, Jack Harrison, Joe Bruns, S. Zimmerscheid, Dennis Johnson, Debbie Anderson, Christie Casey, Bethany Slicerson, Anna Peters, Desiree Meisik, Kim Blievernicht, Candi Stabeck, Brooks Chandler, Leigh Maustad, Sheri Buescher, Stephen & Suzanne Schmidt, Marc Doepner-Hove, Cathryn Fossing, and David Goode.

**1. Open meeting**

Mayor/Chair Wegscheid called the meeting to order at 6:00 p.m

**2. Approve agenda**

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

**3. Sarah Smith, Community Development Director, requesting discussion on a purchase and development agreement with HPH Mound Harbor, LLC to build a townhome development in the Mound Harbor District and requesting the following actions:**

Finance Director/Clerk/Treasurer Catherine Pausche, presented a background on how the City has gotten to this point in the development of the Mound Harbor District (MHD). Pausche stated that TIF, or Tax Increment Financing, is a popular development tool local governments use where the incremental property tax from development is used to fund the public costs of economic revitalization and growth. Pausche said no developer is going to pay for cleaning up blighted areas and these improvements are necessary to get the area to a build ready site, noting the public investment needed does not reflect the value of the land. Pausche went on to say that with TIF, the City is obligated to develop the land and that after 15 years, it will go back on the tax rolls either way, burdening the tax base even further if development does not happen.

Pausche said the initial concept plan was for vertical mixed-use development which would be similar to some of the new developments in Wayzata and to The Mist in Spring Park. Pausche summarized the \$7.2 million in investments through 2015, including: removal of the debris and contaminated soils from the City dump area, re-dredging Lost Lake to make it navigatable and giving lake access to downtown Mound, creating the greenway and trail, moving the historical pump house to create public bathrooms and buying some blighted properties. Pausche added that out of that \$7.2 million, the City only had to issue \$4 million in bonds with the rest being paid by grants and developer in-kind. Pausche said Lost Lake Villas was phase one of a larger development plan, but when the recession hit, the other phases stalled and this is an attempt to restart it.

Pausche stated that a market study was commissioned in 2013 and performed by a very well known researcher. The study showed that there is some room for commercial but nothing like what was

contemplated in the original Mound vision, especially because Mound Marketplace Development was not contemplated when the original vision was created and consistent with the number of commercial vacancies in recent years. In contrast, Pausche said the study showed demand for housing is strong at all levels, including the luxury townhomes being discussed. The City also had the financial advisors determine how much development would be necessary to pay for the 2009D Bonds and repay the interfund loans. The answer was \$27.8 million which equates to 180 apartment units and 6300 SF of retail which is not desirable or 85 -120K of retail which is not realistic. Pausche said the City has been approached with concepts for 120+ units of high density affordable housing in the Harbor District which would have essentially eliminated public enjoyment of the area and significantly intensified use. Pausche said the City has observed the strong market for the Lost Lake Villas and determined that this type of housing is viable in Mound while also learning from the lessons of the Villas with regard to parking issues, design, and better separation between residential and retail.

Pausche stated that the City came to the conclusion that horizontal mixed-use would be the best solution, with commercial located on the busy roads (CR 110/CR 15) and a small area for residential in the center which will create \$12 - \$14M in taxable market value for the City. In putting together the Request for Qualifications and Interest in a Townhome Development (RFQ), the City wanted to respond to feedback from the Market Study and shifting economic forces, respect existing business as not to compete with key stake holders, compliment the Lost Lake Development by reducing intensity of use and allow for public enjoyment of the area, and create a competitive process to test the market while leaving all options on the table. Pausche went on to highlight the RFQ process which included being very specific on wanting high-end townhomes as high density was not the goal for the area. The RFQ was sent to 83 luxury home builders and affiliates, mainly from the Parade of Homes list of builders in the \$600K - \$1M category. Pausche said that 4 responses were received and 2 were selected for interviews based on their ability to meet the criteria of 17-20 luxury townhomes on 2.3 acres. Pausche said the City targeted luxury homebuilders and developers versus the mixed-use commercial/residential developers who focus on high density options which the City did not want to entertain. Pausche went on to say the City did consult professional commercial appraisers, but the City was advised that it only makes sense to appraise the property when the type of development is known.

Pausche explained that the RFQ/I process is a common tool used by Cities and Counties to ensure the market was tested as MN State Statute is fairly open about the requirements for selling land held for redevelopment. Pausche said the initial developer of the Villas on Lost Lake, Mound Harbor LLC, bought the land for \$1 and paid for and tuned over ownership of the Lost Lake Slips as well as made other improvements. Their original plan was to have 3 phases of development, but when the recession hit, development stopped and the remaining 26 lots went back to the bank and sat on the market for years during the recession. The second builder/developer paid approx \$800K for the remaining 26 ready-to-build lots with full utility, foundation and streets which is an average of \$30.7K per lot. The City has accepted an offer of \$660K for 21 lots which is \$31.4K per lot and that does not include the street/utilities/public improvements that will need to be made to make the site ready to build. Pausche stated the 21 townhomes have an estimated market value of \$550 - \$700M and that \$12M in property value will produce over \$100K in additional tax increment which provides critical relief to the levy. Pausche went on to say that 21 homes will create a minimum of \$15K in additional utility revenues and that the 10 new overnight slips generates over \$10K per year from slip fees and increase the value of the townhomes. Pausche noted the City will continue to own the slips and the new townhome owners would have right of first refusal with any surplus slips available to Mound residents first and lastly, non-Mound residents.

Pausche stated that Homestead Partners LLC and their affiliate JMS Custom homes, proposal came closest to what the City was requesting, including being able to stay within the 2.3 acre footprint offered by the City which will leave 47K square feet for a future restaurant/brewery and 57K square feet of green space. Pausche said the proposed luxury townhomes will target active adults and will have 3 bedrooms, 3 baths, 2 car garage with an optional 3rd tandem garage, and the lower level will have a family room, bedroom, and a bathroom. The main level would include a great room, kitchen, dining,

bedroom with a 3/4 bath and an owner's suite. Pausche concluded stating that if approved, land use approvals would take place this Fall with construction to begin in March of 2019.

Mayor Wegscheid thanked Pausche for her presentation and stated that he had some questions on the agreement. Wegscheid said he would like more time to review and the opportunity to have a discussion with the developer on some of the details in the agreement. Gillispie agreed that she has questions as well and would like to discuss this further. Salazar, Bergquist, and Peterson all agreed that more time and discussion is needed before acting.

**MOTION** by Wegscheid, seconded by Salazar, to table the proposed actions and remand back to staff for further discussion between Staff, Mound Development Committee and the developer and bring it back to the August 15, 2018 concurrent Council/HRA meeting in order to allow more time for public viewing and feedback. All voted in favor. Motion carried.

**A. TABLED HRA Action: Action on a resolution providing approval for conveyance of land in Mound Harbor District to City of Mound**

**RESOLUTION NO: 18- : RESOLUTION APROVING PROVIDING APPROVAL FOR CONVEYANCE OF LAND IN MOUND HARBOR DISTRICT TO CITY OF MOUND**

**B. TABLED Council Action: Action on a resolution approving purchase and development agreement with Mound Harbor, LLC.**

**RESOLUTION NO: 18- H: RESOLUTION APROVING PURCHASE AND DEVELOPMENT AGREEMENT WITH MOUND HARBOR, LLC**

**4. Catherine Pausche, Director of Finance and Administrative Services, discussing Tax Increment Financing Districts 1-2 and 1-3 and the Dock Fund and requesting the following actions:**

Catherine Pausche, Director of Finance and Administrative Services, presented information on the requested actions for the HRA and Council, stating that the Mound Marketplace and Village by the Bay was established in the early 2000's and came online before the recession and because of this, the tax increment has been quite healthy in this district. Pausche stated there are three debt issues related to TIF District 1-2 which makes it more complex, including a subordinate note with the developer where some of the excess TIF will be used for a 10% administrative fee to the City, 50% used to pay down the bonds and 50% will go to the subordinate note. Pausche noted that any time there is prepayment of a bond, a formal action is required.

Pausche went on to say one of the bond issues called for the City to levy a portion of the debt service, but that since tax increment is higher than original projections, there is an opportunity to recapture a portion of the debt levies for other purposes. Pausche is recommending transferring \$650K of the debt levies from TIF 1-2 to TIF 1-3 for a partial paydown of the 2009D bond issue, which will be refinanced in the Fall. Pausche also recommended transferring approximately \$350K from the dock fund in order to pay down a total of \$1M on the \$2.975M of 2009D bonds outstanding. Pausche said that would bring the total interfund loan from the Dock fund to \$550K, which is less than the original cost of the slips and dredge and equal to the amount of Lost Lake Slip fees received since 2007. Pausche noted that even if the Harbor District development occurs, any TIF generated will be insufficient to totally repay the debt levies and dock fund interfund loans.

**A. HRA Action: Action on a resolution providing for the prepayment and redemption of a portion of the Authority's Tax Increment Revenue Refunding Bonds (Metroplains Project), Series 2006**

**MOTION** by Salazar, seconded by Gillispie, to approve a resolution providing for the prepayment and redemption of a portion of the Authority's Tax Increment Revenue Refunding Bonds (Metroplains Project), Series 2006. All voted in favor. Motion carried.

**RESOLUTION NO: 18-05H: RESOLUTION PROVIDING FOR THE PREPAYMENT AND REDEMPTION OF A PORTION OF THE AUTHORITY'S TAX INCREMENT REVENUE REFUNDING BONDS (METROPLAINS PROJECT), SERIES 2006**

**B. Council Action: Action to authorize a \$25,000 payment on the Taxable Tax Increment Subordinate Revenue Note-MetroPlains Redevelopment Project (Series 2002B)**

**MOTION** by Salazar, seconded by Gillispie, to authorize a \$25,000 payment on the Taxable Tax Increment Subordinate Revenue Note-MetroPlains Redevelopment Project (Series 2002B). All voted in favor. Motion carried.

**C. Council Action: Action on a resolution authorizing transfer of funds**

**MOTION** by Bergquist, seconded by Salazar, to approve resolution authorizing transfer of funds. All voted in favor. Motion carried.

**RESOLUTION NO: 18-73: RESOLUTION AUTHORIZING TRANSFER OF FUNDS**

**D. Council Action: Action on a resolution authorizing transfer of funds and expenditures outside of budget**

**MOTION** by Salazar, seconded by Gillispie, to approve resolution authorizing transfer of funds expenditures outside of budget. All voted in favor. Motion carried.

**RESOLUTION NO: 18-74: RESOLUTION AUTHORIZING TRANSFER OF FUNDS AND EXPENDITURES OUTSIDE OF BUDGET**

**5. Adjourn**

**MOTION** by Salazar, seconded by Bergquist, to adjourn at 6:43 p.m. All voted in favor. Motion carried.

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Chair Mark Wegscheid

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Attest: Catherine Pausche, Clerk