

MOUND CITY COUNCIL MINUTES
July 28, 2020

The City Council of the City of Mound, Hennepin County, Minnesota, met in regular session on Tuesday, July 28, 2020 at 7:00 p.m. in the Westonka Schools Performing Arts Center in Minnetrista.

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

Members absent: None

Others present: Fin Dir/Clerk/Treasurer Catherine Pausche, Community Development Director Sarah Smith, City Attorney Joe Sathe, Ben Landhauser, Tim Nichols, Debbie Salazar, Danelle Bonilla, Sindi Donett, Venus Steffensen, Michelle Herrick, Johan Chemin, Nicholas Wilcox, Jeremy Blous, Anna Peters, David Siler, Greg Jenks, Leigh Maurstad

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 7:00 p.m.

2. Pledge of Allegiance

3. Approve agenda

Mayor Salazar thanked the Westonka School District for accommodating this meeting in the Performing Arts Center.

Pausche noted additional pages for item 7 Purchase and Development Agreement with Lifestyle Communities including tonight's Power Point presentations and additional public comments.

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

4. Consent agenda

MOTION by Velsor, seconded by Pugh, to approve the consent agenda. Upon roll call vote, all voted in favor. Motion carried.

- A. Approve payment of claims in the amount of \$421,029.58.
- B. Approve minutes: 07-14-20 regular meeting.
- C. Approve Pay Request No. 1 and Final in the amount of \$21,452.00 to MP Asphalt Maintenance, Inc for 2020 Crack Seal Repair Project PW-20-06
- D. Approve 2020 Planning Commission Work Plan and Staff Project List

E. RESOLUTION NO. 20-65: RESOLUTION APPROVING PUBLIC GATHERING PERMIT TO MN B.A.S.S. NATION FOR USE OF SURFSIDE PARK AND BEACH AS WEIGH STATION FOR FISHING CONTEST ON LAKE MINNETONKA ON SUNDAY, AUGUST 30, 2020

F. RESOLUTION NO. 20-66: APPROVE RESOLUTION APPROVING MINOR SUBDIVISION OF 5190 LYNWOOD BOULEVARD

5. Comments and suggestions from citizens present on any item not on the agenda.

Johan Chemin, 6039 Beachwood Road, noted the Commerce Place Shopping Center redevelopment was voted down by the Planning Commission and he wants this property reserved for something significant.

Venus Steffensen, 1838 Commerce Blvd, complemented the actions of the Planning Commission and their ability to take in more information and concerns and act as they did and she hopes the Council will do the same. Steffensen does not want the work of the 2030 and 2040 Comprehensive Plan to be wasted. Steffensen does not have an issue with the condos, just has an issue with the sales price, location and all the investments that have been made to date. Steffensen said the Council should not want to make a permanent mistake and encouraged the Council to take a step back and listen to all concerns. Steffensen said the public is against losing the retail and docks and questioned how are we going to realize the return on investments on the parking deck and encouraged the EDA to be reestablished.

6. City Engineer Brian Simmons requesting discussion and actions on Cooperative Agreement and Contract award to Northwest Asphalt in the amount of \$201,910.50 related to Surfside Park parking lot improvements City project PW-20-01

Simmons said bids were opened in May after receiving council approval to request bids. Simmons said this is the first phase of the Surfside Park master plan and Chapman Place was interested in being bid as an alternate. Simmons said low bid from Northwest Asphalt was 12% lower than engineers estimate at about \$202K for the city portions. Simmons said the layout is substantially the same with some buffers added to delineate the parking from the beach area for safety and maintenance reasons. Simmons noted the COVID-19 on-line bid submission format seems to be increasing competitiveness.

- a. Approve Resolution Approving Cost Sharing Agreement for Surfside Park Improvements Project in Mound, MN

MOTION by Bergquist, seconded by Velsor, to adopt the following resolution. All voted in favor. Motion carried.

RESOLUTION NO. 20-67: RESOLUTION APPROVING COST SHARING AGREEMENT FOR SURFSIDE PARK IMPROVEMENTS PROJECT IN MOUND, MN

- b. Approve Resolution Accepting Bid for Surfside Park Improvements City Project No. PW-20-01

MOTION by Velsor, seconded by Pugh, to adopt the following resolution. All voted in favor. Motion carried.

RESOLUTION NO. 20-68: RESOLUTION ACCEPTING BID FOR SURFSIDE PARK IMPROVEMENTS CITY PROJECT NO. PW-20-01

7. Council Development Committee requesting discussion and action to approve a Resolution Approving Purchase and Development Agreement with Lifestyle Communities, LLC

Pausche presented a Power Point presentation highlighting the purpose of Tax Increment Financing (TIF), investments in the district to date, the implications of the 2009 recession and the city's response, and two financial scenarios showing the impacts of no further development and the impacts if the Lifestyle Development proceeds. Pausche noted that the remaining public spaces of 2.1 acres of Lot 1 Block 1, 1 acre of the Dakota Regional Trail, and 0.25 acres of the Veteran's Memorial Plaza equates to 3.3 acres of public spaces which puts it among the largest in the City parks inventory compared to Surfside Park and Beach and Philbrook Park with 3.3 acres, Crescent and Swenson parks with 3 acres and Highland and Three Points with 2.4 acres each.

Pausche said Scenario 1 with no further development shows taxpayers funding \$2.835M of the debt service and whatever is required to make the desired improvements in the public space. Pausche suggested that based on Surfside Park & Beach being a fully developed park ready for a refresh at a projected cost of \$700,000 including the parking lot and the fact that the Harbor District is in need of significant turf work to establish just the grass foundation, taxpayer responsibility could realistically reach \$4M total through 2031.

Pausche said Scenario 2 assumes the Lifestyle Development proceeds and the land acquisition price, projected TIF through 2031, park dedication, sewer and water trunk charges as well as just the base fees of the utility bills (before inflation and variable usage), would create an additional \$3.6M in revenues. Pausche said proceeds from the sale and park dedication can be used for improvements to the public spaces and excess TIF beyond the debt service could repay the tax levies, reducing the taxpayer responsibility from \$4M to \$1.235M.

Ben Landhauser from Lifestyle Communities gave an overview of who Lifestyle is and what the cooperative community model is all about. Landhauser said they have a joint partnership with Ecumen's One to One property management. Landhauser said the partnership creates communities under the Zvago brand which he said is comparable to a hotel brand like Residence Inn. Landhauser showed a slide of all the properties developed or currently under development. Landhauser discussed the difference between a condominium and cooperative which is mainly one master mortgage with each owner having an equal share of the building including common areas, noting the cooperative has much more community common spaces compared to condominiums. Landhauser noted it is age restricted with one member of the household needing to be at least 62, but noted no healthcare services are provided so this is not assisted living. Landhauser noted that because it is limited equity with a smaller amount down and members paying a monthly membership fee similar to rent, it makes it more accessible. Zvago typically targets local residents; typically, 40% are from the surrounding geography or moved away and move back once this product is offered. Landhauser said typically the first time occupants don't turn over for 8 – 10 years and that Lifestyle/Zvago's interest in this site is because it is highly walkable and they want to help complete the remaining improvements to the public spaces.

Landhauser showed a video of the Zvago Glen Lake residents. Landhauser showed the progression of the proposals since the original response to the RFQ/I in January. Landhauser said they landed on a smaller building foot print that maximizes the green space based on feedback received from the Council and Development Committee. Landhauser said they will program some of the private property for use by the community at large and maintain only pedestrian connections and not vehicle access within the inner areas as suggested. Landhauser noted Auditor's Road remains intact based on Council feedback. Landhauser noted this is a concept plan and the 6-month due diligence period is to allow for further refinement based on feedback. Landhauser said Lifestyle tries hard to work with cities to ensure their satisfaction.

Landhauser showed a slide summarizing the proposal and the time line.

Bergquist commended Lifestyle for adapting the concept plan based on the feedback received from the City Council and Development Committee and encouraged the audience to attend all the meetings to be fully informed.

Salazar asked Landhauser to give an idea of the cost of a unit. Landhauser said the units are priced to comparable to a mid-300K to 500K single family residence with the equity level being about a 1/3 of the cost and then the ongoing payments that incorporate the ongoing payments for operations, a portion of the mortgage payment, and maintenance reserves. Landhauser said there is a nominal fixed appreciation value of 2% which makes it affordable down the road for future occupants. Landhauser said the management company handles all transfers and most properties have waitlists, noting a 49-unit property in St Louis Park as a waitlist of 110. Landhauser noted the maintenance includes labor for repairs and only materials like a garbage disposal are charged. Landhauser said amenities include a great room large enough to accommodate every resident at once with a large kitchen while also arranging furniture in such a way to make these large spaces feel small. Landhauser said the social room has a few arcade machines for grandchildren, a pool table and seating that can accommodate a movie night. The wellness room has multipurpose space for yoga, palates as well as fitness equipment. There is a communal office work room and conference room and a shared guest sweet available for rent for a nominal price. Landhauser confirmed there is one underground parking space for every unit.

Bergquist asked about the long-term maintenance plan and if the HUD mortgage (40 year fixed fully amortized mortgage) actually requires reserves for long-term maintenance and Landhauser concurred and said Lifestyle actually goes above and beyond the requirement and includes allocations for periodic maintenance within the units.

Salazar asked about any other HUD requirements and Landhauser said there are many checks and balances to ensure proper governance including audits.

Salazar invited any citizens who may wish to speak on this topic.

Venus Stephenson, 1838 Commerce Blvd, said she has a degree from Purdue University, asked what kind of HUD grant funds are at play here. Stephenson says the city can do better and questioned why the city can't do anything about the Williams store. Stephenson said the quarterly newsletter sells what the council wants and the website is confusing. Stephenson asked what has been done to attract new businesses and restaurants, noting businesses like Ms. Kasual, hairdressers, and other businesses would love to have a store front. Stephenson asked the Council to support the people and look for a better way.

Tim Nichols from Lifestyle Communities said the HUD insured mortgage acts the same as a government sponsored insurance company that ensures a successful development and noted it is not subsidized in any way. Nichols said these properties have nothing to do with TOD grants or low income housing tax credits, and that the development just takes advantage of 40 year fixed financing. Nichols said they have very high standards that respond to what the communities ask for. Nichols said limited equity cooperatives require long-term fixed rate master mortgages and all of the Lifestyle Properties are built with them.

Danielle Bonilla, 5142 Waterbury Road, said she grew up in the lakes area and for a long time Mound was perceived as the low-end city. Bonilla said that has been put behind us and the schools are the best and said Mound could be more than it is and could rival Excelsior and Wayzata who also enjoy community owned waterfront. Bonilla said she is afraid that if housing is allowed, this potential focal point will be lost.

Mayor Salazar noted the property was acquired 20 years ago and much marketing has been done in the past but the Mound Marketplace was built as the fourth shopping center and then on-line exploded. Mayor Salazar asked Bonilla what she thinks should be put there knowing that new construction would require high rents. Bonilla recommended that this project be moved to Commerce Place. Bonilla said the highest use would be a park.

Mayor Salazar said the proposal is to develop less than half of the space and keep the remaining as public space. Salazar noted the cost of improving parks and the cost to run the city. Salazar said Surfside renovations will cost \$500K - \$700K, lift stations are \$400K, etc. Salazar asked if the proposed public space of 3.3 acres is enough and Bonilla said no. Bonilla reminded the Council they work for the taxpayers and she has talked to many people who feel the same.

Johan Chemin, 6039 Beachwood Road, said he has several questions and he said he agrees with the public comments that we need more of a focal point. Chemin suggested flipping the two parcels and developing the parcel abutting Shoreline Drive. Chemin asked why the cooperatives only allowed shareholders to pay up to 95% of equity and why is it now 4 levels instead of the original three.

Nichols said the 95% ensures everyone is participating in some level of the master mortgage and that shareholders can buy in at 35, 60, or 95% of the value in order to ensure no-one is sub-financing the equity mortgage.

Landhauser said after discussions with the Development Committee and the full Council about the trade-offs between a smaller footprint to maximize the surrounding greenspace, it seemed the 4-story with more green space captured the most desirable traits and met the most criteria set out in the RFQ/I, including keeping Auditor's Road.

Leigh Marsted, Minnetrista Resident, said she owns several properties in Mound and has lived in the area for over 25 years. Marsted said the City dropped the ball on the website and the time of today's meeting was not on the website until 10:00 am today. Marsted encouraged the Council to include more people in the conversation. Marsted said the original blighted buildings were not empty blighted buildings noting Mrs. Moy is still in business and is back in business today. Marsted said Walgreens got rid of many desirable active businesses. Marsted said the City could use ordinance enforcements to insist on property owners maintaining their properties. Marsted asked why no other businesses know about this property being available and why the

RFQ/I only went out to residential. Marsted listed multiple possible businesses that the city should be trying to attract. Marsted said the obvious solution seems to keep it greenspace to buy time to get out of COVID pandemic. Marsted said a temporary dog park would not need that much of improvements. Marsted suggested maybe this is something that should be on the ballot in November.

Salazar asked about how the City could communicate better. Marsted said although a public hearing is not required, she recommends it. Marsted questioned Lifestyle's option on the Meisel property. Nichols said they do not have an active purchase agreement on the Meisel property and only explored it as an option. Landhauser said there was a contract in February, but it expired as COVID-19 has changed the current environment.

Salazar said regarding the Walgreens development, John's Variety was very pleased with the offer and his ability to retire. Salazar said the sporting goods store closed well in advance of Walgreens when they consolidated to their main store. Salazar said the library is not going away and will be reopening if it has not already. Salazar said Hennepin County is reviewing whether it is better to scrape and replace or renovate. Marsted said it would be great to form another EDA to reevaluate all that is going on.

Michelle Herrick, 2630 Westedge Blvd, thanked the Council and the Planning Commission for their work and said she would like to see better communication. Herrick asked how we can invest \$1.7M only to sell if for \$700K.

Salazar said in addition to the comments on social media, the Council has also received text messages and emails. Salazar said the last time there was this much interest was in 2012 when the city contracted for police services with the City of Orono.

Herrick said there are difficulties in showing up including COVID-19 and people assume their elected leaders are going to do what is best financially and economically. Herrick wants the Council to reimagine what this community could be and acknowledge residents have a lot of expendable income and there is a need for more services. Herrick said letting the clinic go was a huge mistake.

Salazar said he followed up with the CEO of Ridgeview after hearing they may want to return, but the CEO confirmed they do not plan to return to Mound. Salazar assured the audience the Council wants the very best for our town, noting they are all parents, residents and tax payers.

Herrick asked about the purchase agreement of \$700K with debt service of \$1.8M and asked about the approximate \$1M loss. Pausche said tax increment financing (TIF) is designed to fund the investments made to clean up blighted property and that investment does not represent the market value and that in the right situation and market, no debt levy should be required because the TIF should be more than adequate. Pausche said total investments were \$9M to do all the clean-up and public improvements and of that the City bonded \$4M. Pausche said those investments were made up front, which is typical, but based on the assumption the entire district would be redeveloped and to date, only the Villas on Lost Lake and Caribou are generating any TIF. Pausche said that is why the Council is seeking a reasonable compromise to leave some public space and develop a portion to generate additional TIF and relieve the levy.

Herrick said from the Hennepin County property tax assessor said the 4 properties are worth \$1.665M and now we are selling them for \$700K. Pausche said they were purchased at the top

of the market before the 2009 recession and sometimes like with Eminent Domain, you pay a little more to move forward the objectives of the community. Pausche said those investments were made when the assumption was the full 5 acres would become a massive development and not to divide it and leave ½ public. Herrick said the 4 properties were not part of the public space being discussed. Pausche said the City was viewing the site holistically but shortly after the recession, the City stopped acquiring properties. Pausche said multiple developers were sent to try to assemble the remaining properties with no success so the City decided to focus on what the City owned which is where we are today.

Herrick said the City is asking the residents of Mound to eat a \$1M loss. Pausche said the developer values the land at \$1.2M but is financing the \$500K in soil remediation so the net payout is \$700K. Pausche said that is what TIF is all about, that this developer invests in a project that will create tax increment of \$192,500+ per year and will pay almost \$1M in base utility fees by 2031. Pausche said that is the win-win. Herrick said so the TIF will pay the debt service. Pausche said yes, TIF will cover the remaining \$850K that would have been levied and repay at least \$750K of the \$1.9M that has already been levied. Pausche said with a project the net expense to the taxpayers is \$1.2M and without a project it is \$4M through 2031. Pausche said she is always happy provide more details or talk with anyone. Pausche noted the website will be upgraded in 2021 but with the small staff, things have to be prioritized. Pausche said the information is all on the website and anyone can call to be directed or to receive it via email. Pausche noted the also Laker covers these issues in depth.

Herrick said the community needs to have a better understanding of the finances and what happens to the \$1M loss although she does understand the clean-up cost. Pausche said in response to the question of why this was only marketed as residential, the development site was simultaneously marketed on Loopnet, a commercial real estate website, and a mailing was done to micro-breweries to try to leverage the success of Back Channel and recognize the significant investment in a commercial kitchen required for a restaurant made that less likely. Pausche said the Development Committee met with two interested breweries, but they wanted the City to build the building for \$1M and they could pay rent of \$5,000 a month, which was not a realistic payback and would equate to the City subsidizing a restaurant. Pausche said that is the challenge of new real estate and Ms Kasual is where it is because it probably can't afford Mound Marketplace/new storefront rents.

Herrick said more time should be taken and the community needs a better understand the finances but noted she does like what she heard about the cooperative model. Herrick again asked the City Council to reimagine Mound for what it could be and not what it has been.

Velsor said in response to the request for the Council to reimagine Mound, he wanted to respond that he has been on the Development Committee since he started and he thinks doing nothing would be to leave it as is and he says he thinks this is a win-win in order to make improvements and help Mound thrive. Velsor said people are not going to come to Mound to look at our grass and absent a windfall that does not seem likely, we have to sell a portion to make the improvements we desire and can be proud of. Velsor said the financials of not doing anything have been considered and Velsor said he has had sleepless nights weighing the pros and cons. Velsor said he responded to someone who sent him an email and he spent 3 hours talking to him about Mound in general and said he is just as passionate and excited about Mound as others. Velsor says he has three kids whom he wants to be able to enjoy all of Mound. Velsor said he thinks the Council is trying to reimagine Mound and he thinks this project is a way to get us where we want to be.

Salazar asked for a friendly poll. Larson said she is absolutely not in favor of this project and she has been fighting for this for 20 years to keep our central area as a nice place for our community activities. Larson said there are different ways to skin a cat and there is another way to do this and the money can be there. Salazar asked how so. Larson said running a business, our family budgets and running a government entity are not compatible and her suggestion is to look at our other parks and think of selling some of them. Larson said in 2018 the Laker asked candidates questions, and noted they were answering the questions to get voted in, and one person on the Council said their long term vision for Mound is that they would like to see Mound as a lakeside destination like Excelsior, and put in a destination park and maybe an ice rink by the ramp. Velsor said that was him and he has not changed his mind noting the area that will remain can still be something great and having green grass sitting there is not a destination. Velsor said Farmers Markets can be anywhere like Excelsior who uses their main street. Velsor said when he talked about maximizing the water front he was talking about Surfside and he would like to see year round docks there with signage advertising local restaurants and services. Velsor said if he thought this could be done without development that would be one thing, but he acknowledges that retail is not coming back so residential is the realistic option.

Larson said she is the only one who ever started a business in Mound and she knows how it can be done if you have the skills to be a business person. Velsor said he just doesn't want her to put words in his mouth and that he knows what he wrote and what he meant by it.

Larson read another candidate submission that talked about the potential of the Harbor District and how it can be a family friendly destination and boaters, bikers and walkers could stop and dine. Larson said no one is going to change her mind and for 22 years she has been dealing with this space and said this Council is dealing with the bad judgement of prior councils.

Larson said she thinks it should be tabled for a couple of months to see how other things shake out in the next 4 to 6 weeks. Larson said she likes Lifestyle and does not want to see them go away. Larson said she is not on the Development Committee but questioned why it is made up of two elected officials and three staff who do not have voting authority are making decisions on our town. Velsor said the committee just makes recommendations.

Salazar noted he does not have a business in town because there was already a Subway franchise in Mound. Larson said she was just making the point she was the only one who has operated a business in town and does not like the criticism of the retail industry and how Mound is not desirable.

Salazar said as far as Mound being a destination, he feels even with this project, it will be a destination with this park where people can boat, walk and bike to. Salazar does not understand how 3.3 acres is not sufficient for public space and the proposed development seems like it would be a valued community asset. Salazar says he hears from people who are interested in the development and downsizing. Salazar said this is an opportunity to generate funds to improve the public spaces and he thinks this will achieve the desired destination park. Salazar noted the city can't legally sell existing dedicated park lands so selling off other parks is not an option.

Bergquist said the land has sat there for 22 years empty was that it was supposed to be developed and he feels it should be developed. Bergquist said the Council tries to do what is best and please everybody and he thinks this will please a lot of people although he acknowledges some will not be pleased. Bergquist said he is for the project because he does not want taxes to go up and Mound has a lot of parks already, many of which need a lot of work

with no money to do it. Bergquist acknowledged the compromises and trade-offs necessary and said being on the Council is a challenging job and it is difficult to please everybody. Bergquist said he has lived in Mound for 15 years and he wants to see something nice and he hopes this will create a snowball effect that will encourage others to invest. Bergquist said he is for the project and agrees with Council Member Velsor's statements.

Pugh said she has a great deal of frustration with this conversation. Pugh said she has spent 35 years being a servant leader, including as a City Council person where she listens and hears what people are saying, noting she is hearing a lot of fear. Pugh said her parents signed a purchase agreement in the Philbrook/Dutch Lake area in 1966 and the neighborhood held an emergency meeting because a black family was moving in. Pugh said she hears fear of agencies like the Met Council and HUD, noting cities rely on entities like Met Council and Hennepin County to bring resources to build parks and public spaces. Pugh said she chairs the Governor's Council on an Age Friendly Minnesota. Pugh said this product is needed for people to remain in their community. Pugh has many friends whose parents have to move away in order to downsize for lack of this option. Pugh said we have to value seniors as much as the youth and that we can do both with this. Pugh said the park can have splash pads and pickle ball. Pugh said the area is a destination with folks using it as a trail head and the Farmers Market buzzes on Saturdays. Pugh said she does not feel we are giving up the lakeshore with this development, just a little of the land to help pay for the improvements to create a community welcoming to all ages and people. Pugh added her family has lived here for 54 years.

Salazar said he has lived here for 28 years. Salazar said he has received a request from many callers and texters to table this discussion to the next Council meeting. Staff noted that the Public Hearing for the Commerce Place redevelopment is scheduled for August 12. Salazar asked for a friendly poll and the majority (Salazar, Pugh, Bergquist and Velsor) voted no to table and Larson voted yes to table.

MOTION by Velsor, seconded by Pugh, to adopt the following resolution. The following voted in favor: Salazar, Pugh, Bergquist and Velsor. The following voted against: Larson. The following abstained: none. Motion carried.

RESOLUTION NO. 20-69: RESOLUTION APPROVING PURCHASE AND DEVELOPMENT AGREEMENT WITH LIFESTYLE COMMUNITIES, LLC

Salazar thanked all participants both in person and via email and text. Salazar said he heard many suggestions and plans to follow-up on better communication, the website which will be upgraded in 2021, and reinstating the EDA. Salazar gave some anecdotal comments from conversations with residents, noting many of them were seniors, saying once he explained the project and the plans for a park, they were in support. Salazar reiterated that he hopes this is a catalyst for future development.

Bergquist suggested Staff get the numbers to the citizens. Pausche noted everything presented is on the website but she will find a way to make it more understandable.

8. Information/Miscellaneous

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

- B. Reports: Finance Department – June 2020 YTD
Engineering – June 2020 YTD

Fire Department – June 2020 YTD

C. Minutes:

D. Correspondence: WeCAN School Supply Drop-Off Day Flier

9. Adjourn

MOTION by Bergquist, seconded by Velsor, to adjourn at 10:27 p.m. All voted in favor. Motion carried.

Mayor Raymond J. Salazar

Attest: Catherine Pausche, Clerk