

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

**September 11, 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, September 11, 2018, beginning at 6:00 preceding the Regular City Council Meeting that begins at 7:00 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, Administrative Assistant Rebecca Kress, Tom Bakritges, Paula Larson, Peter Meyer, Erik Trooien, Bob Hutchins, Dan Boll, Donald Boll, Greg Pederson, and Kevin Gillis.

**1. Open meeting**

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

**2. Approve agenda**

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

**3. Council Action: Approve minutes:**

**-August 15, 2018 concurrent meeting**

**MOTION** made by Bergquist, seconded by Peterson, to approve the August 15, 2018 concurrent meeting minutes. All voted in favor. Motion carried.

**4. HRA Action: Approve minutes:**

**- August 15, 2018 concurrent meeting**

**MOTION** made by Salazar, seconded by Peterson, to approve the August 15, 2018 concurrent meeting minutes. All voted in favor. Motion carried.

**5. Eric Hoversten, City Manager and Public Works Director, requesting discussion on a purchase and development agreement with Mound Harbor, LLC to build a townhome development in the Mound Harbor District and requesting the following actions:**

City Manager and Public Works Director, Eric Hoversten, presented a recap of the Mound Harbor TIF District purchaser and proposed project. Hoversten reviewed the previously discussed process to get to this point with the developer to build a townhome development in the Mound Harbor District.

Mayor Wegscheid asked if the Council had any questions or discussion. Gillispie expressed her concern and dissatisfaction with the developer and the proposed plan. Gillispie said that she doesn't believe 21 is a good number of units at this price point and believes they will not sell in 3 years. Gillispie said she thinks more tiers are necessary to sell faster since the RFP asked for a 18 month to 2 year timeline and she thinks that some in the upper 300s to lower 400's could still be a good product that would expedite completion. Peterson said that she believes that the developers that came in and presented options have done their research and know what the market can support. Salazar stated that this developer is very experienced and knows their business. Gillispie asked Tom Bakridges from Homestead Partners/JMS Custom Homes how long the Myer Place in Wayzata project took. Bakridges said that Myer Place began about 3 1/2 years from the time the purchase agreement process began to the time it was finally approved in the fall of 2017 but noted that it was a private transaction and there

were some unique circumstances. Bakridges added that the footings are just being installed. Salazar asked what price point the Myer Place Condos and Bakridges stated they range from \$650K-\$2.4M.

Gillispie said the City has no control over the developer needing more time as \$35K is nominal. Peterson said that this is a prime area with docks and lakeshore that helps to support the proposed price point and that there are other areas in Mound for townhomes for the product Gillispie is talking about. Gillispie asked where in Mound.

Mayor Wegscheid said that he understands Gillispie's logic in her concerns, but there is always a level of risk in any business agreement. Salazar also asked why the developer would propose to build a product that is going to be priced at \$550K- \$700K if it wasn't going to sell. Gillispie said they won't be able to build them all as proposed because the interior lots and ones by the deck/trail will force them to reduce the price, whereas everyone is banking on what was proposed. Wegscheid questioned Gillispie if her fear is a lower priced product, isn't that what she is proposing? Gillispie said the counts/square footage may have to change and be reconfigured but value of \$11M - \$12M is still possible.

Wegscheid asked to go down the line to see where the Council is at. Salazar said he thought the developer presentation was the most comprehensive of the two finalists. Gillispie noted there were three finalists. Salazar said the third did not accept the invitation to present. Salazar asked why would they put significant investment in the land and then just sit on it. Salazar said that it is likely a letter of ownership is difficult to come up with at this point as they still have to form the limited partnership with investors who may want privacy. Gillispie strongly encouraged the affidavit of ownership so the City knows who they are dealing with at all times.

Bergquist said he would like to see the lower price points, but he believes that the price points are set by the developer in relation to cost for the land. Gillispie disagreed and noted that she thinks the third developer bowed out because they had the impression staff did not want to hear what they wanted to say. Salazar said he did not want to prolong this decision. Peterson said that is not what the community wants and noted this developer is presenting a quality product that has great community support and noted that the City has controls in place for the Council to oversee any changes and approve them once the plans come in. Peterson stated that the developer would not present something and build something that they didn't think would sell and noted that they did do market research.

Salazar said as far as clawback or reverter, he would not want the land back as the bank still pays taxes in the event of default. Salazar said that this process began back in 1998 and he would like to see this land finally developed and the City to focus on public safety, streets and utilities. Salazar said he asks people who want commercial what they want to be put there and they can't answer. Salazar said the biggest retailer in the world does not have a store front. Mayor Wegscheid said he wants to keep on the townhome issue and asked what Gillispie proposes if the current actions are not passed tonight. Gillispie said she would like to see a new RFP and change the wording to allow the developers to provide different options instead of dictating luxury townhomes and that this could still be done by the end of the year. Salazar said he thinks we put the developer through the ringer and he has answered the questions very well and questioned what other developers would think of the City if we started over. Gillispie said the City has a proven track record with developers and that this is just doing our due diligence. Salazar said that should have been decided months ago. Mayor Wegscheid said that if the current actions are not passed then Gillispie's recommendation would be up for discussion as another option to move forward. Gillispie noted that there is a separate development agreement that will be created in addition to the purchase and development agreement on tonight's agenda.

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

**MOTION** made by Salazar, seconded by Peterson, to approve resolution providing approval for conveyance of land in Mound Harbor District to City of Mound. Peterson, Salazar, Wegscheid, and Bergquist voted in favor. Gillispie voted against. Motion carried.

**RESOLUTION NO: 18- 06H: RESOLUTION APROVING PROVIDING APPROVAL FOR CONVEYANCE OF LAND IN MOUND HARBOR DISTRICT TO CITY OF MOUND**

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

**MOTION** made by Salazar, seconded by Peterson, to approve resolution approving purchase and development agreement with Mound Harbor, LLC. Peterson, Salazar, Wegscheid, and Bergquist voted in favor. Gillispie voted against. Motion carried.

**RESOLUTION NO: 18-90 RESOLUTION APROVING PURCHASE AND DEVELOPMENT AGREEMENT WITH MOUND HARBOR, LLC**

**6. Adjourn**

**MOTION** by Bergquist, seconded by Peterson, to adjourn at 7:02 p.m. All voted in favor. Motion carried.

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Chair Mark Wegscheid

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Attest: Catherine Pausche, Clerk