

1 HRA members present: T. Shaver, B. Ambrose, R. Wothe and S. Fox
2 HRA members absent: B. Petit
3 City Staff present: City Clerk Becky Malone, Executive Director Jeff Dahl, City Attorney
4 David Schelzel
5 Others present: Stacie Kvilvang, Ehlers & Associates
6

7 Chairman Shaver called the meeting of the HRA to order at 7:33 am.
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10 **APPROVAL OF AGENDA**
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12 Ambrose motioned to approve the July 26, 2018 meeting agenda as presented,
13 seconded by Fox. The motion passed 4/0 by voice vote.
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16 **APPROVAL OF MINUTES**

17 a. Special Meeting Minutes of February 22, 2018
18

19 Ambrose stated there was a reference to Hughes in line 42 and line 44 of page 2 and
20 the spelling was incorrect.
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22 Fox motioned to approve the minutes of February 22, 2018 as amended, seconded by
23 Ambrose. The motion passed 4/0 by voice vote.
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25

26 **OLD BUSINESS**
27

28 a. Receipt of HRA 2017 Financial Report
29

30 Dahl provided a recap of the HRA financial report. He noted for the record
31 Commissioner Wolthe is a voting member of the board but he is sitting in the audience
32 at this time due to a bad cold. The HRA has three separate funds to report activity on:
33 314 Widsten Tax Increment (TIF 3); 316 Bay Center Tax Increment (TIF 5); and 305
34 Downtown (TIF 6). He clarified TIF District 2 is still open and collects funds only to be
35 used for affordable housing purposes. TIF District 3 has completed its original purpose
36 but obtained special legislation that would allow for broader use of existing and future
37 tax increment. Future increment will be used to pay for debt services related to the
38 Municipal Ramp. TIF District 5 will be used to fund pay as you go notes totaling #23
39 million and approximately \$520k of annual debt services cost on the new Municipal
40 Ramp. Currently there is a fund balance deficit of \$8,091 but this should be eliminated
41 in 2018 with further increment collection. TIF District 6 currently has a fund deficit of
42 \$17,950 resulting from the initial costs to establish the district and should be eliminated
43 when increment begins in 2020. The financial activities of the HRA are consistent with
44 the City expectations and there appears to be adequate resources to fund future
45 activity.
46

47 There being no further comments Chair Shaver asked for a motion.
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1 Fox motioned to approve the 2017 HRA Financial Report as presented, seconded by
2 Ambrose. The motion passed 4/0 by voice vote
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5 **NEW BUSINESS**
6

7 a. **Development Update**
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9 Kvilvang stated Tax Increment Financing (TIF) is the ability to capture and use most of
10 the increased local property tax revenues from new development within a defined
11 geographic area for a defined period of time without approval of the other taxing
12 jurisdictions. TIF is used to encourage certain types of development or redevelopment
13 that would not normally occur without assistance. She explained the building blocks of
14 TIF and TIF equals the captured tax capacity times the tax rate. TIF funds must be cost
15 associated with new development and can be used for items such as land acquisition,
16 demolition and relocation, site improvements, utilities, streets, sidewalks, environmental
17 clean-up, parking, buildings, and administration. The City approved TIF District 6 on
18 December 19, 2017 for the downtown area. Brad Hoyt has submitted the first TIF
19 application to the City.
20

21 Shaver clarified in creating the boundaries of the TIF District to meet the blight test, all
22 the properties with the set area are aggregated to ensure they meet the requirement.
23

24 Kvilvang stated to meet the blight test at least 51% of the buildings in the designated
25 boundaries must be blighted. She explained the Hoyt application. The land market
26 value for the property at 253 Lake St E is \$2.417 million. The project is proposing to
27 construct 16 condos on the property with an average sale price of approximately \$1.1
28 million. Wayzata uses a value of 95% of sale price to estimate market value and this
29 would be approximately \$1 million per condo or \$16 million for taxable market value and
30 a total tax capacity of \$214,000. Items excluded from TIF are the market value taxes,
31 the base value taxes, the Office of the State Auditor (OSA) fee, and a 10%
32 administration fee that would go to the HSA. That translates to the developer receiving
33 \$0.64 from every tax dollar.
34

35 Dahl asked how this would change if the development were commercial.
36

37 Kvilvang stated commercial properties pay into the fiscal disparities and statewide tax
38 system. There would be a reduction in the amount of increment available and this
39 would be less beneficial for developers. She reviewed the project proposed by Brad
40 Hoyt for redevelopment at 253 Lake St E including the acquisition costs, construction
41 costs, demo/environmental costs, professional services costs, financing costs, and the
42 developer profit. Based on the detailed analysis, in order to assist the Developer in
43 obtaining a typical market return of 8%, he would need \$1,950,000 in assistance, which
44 is nearly \$200,000 more that generated over the term of the TIF district. Ehlers
45 recommends providing the Developer a PAYGO TIF Note for \$1.759 million at a 5.00%
46 interest rate (full term of the TIF District). Ehlers would also recommend a "look back"
47 provision be incorporated that looks at the actual costs and sales prices to determine
48 the final sizing of the TIF Note.

1
2 Wolthe asked if there was a fund balance for a TIF District if it had to be used within that
3 TIF District.

4
5 Kvilvang stated in a redevelopment district the City is allowed to pool up to 25% of the
6 increment that is collected up to the term and use this outside the boundaries of the TIF
7 District.

8
9 Ambrose asked if the “look back” provision was to encourage the developer to seek out
10 the best pricing and efficiencies for the project.

11
12 Kvilvang stated developers are motivated to do well because they are not paid for 26-
13 years.

14
15 Shaver pointed out the district was established in 2017 and the 26-year time limit for the
16 district was established when the district was approved.

17
18 Kvilvang stated the final certification date for the district was June 2018 and the City has
19 5-years from that date to establish the work that would be undertaken and the City’s
20 obligations in place.

21
22 Dahl stated the development agreement is not ready for the Hoyt project. The project is
23 also being reviewed by the Planning Commission on August 20 and will go to the City
24 Council shortly thereafter.

25
26 He stated the goal of the TIF District is primarily to removed blight and produce public
27 parking in the back of the Hoyt building, the Hughes building. Wayzata Blu is currently
28 under construction and they have sold approximately half of the 18 condo units
29 available with the project. The Meyer Place project is moving forward and the City has
30 approved the demolition permit. This property is requesting TIF but they are part of the
31 TIF District. Wayzata Blu is partnering for the public parking in the rear of the property.
32 The Hughes project and the Zitzloff project are both commercial projects and they are
33 expected to be heard by the Planning Commission and City Council in August and
34 September. The Hughes project is expected to submit a TIF application and the Zitzloff
35 project has submitted a TIF application but they are still working to complete the data.
36 The City is planning to move forward with a public parking area that would primarily be
37 surface and located behind the Hoyt, Hughes, and Wayzata Blue projects. Mr. Hughes
38 has expressed interest in constructing the parking lot and the City would reimburse him
39 but this has not been worked out at this time. The City Council did approve the land
40 donation from the Hoyt project.

41
42 Regarding other items going on, Dahl said that staff has been working on amendment
43 application for Broadway Place to use the elevator and stairwell for the existing building.
44 They are expecting to move forward with the project this year. They would not be able
45 to meet parking requirements on site with this project so they would be utilizing the
46 City’s Fee-In-Lieu of Parking Policy. These fees would go into the Downtown Parking
47 fund and would be used for public parking needs in the City.
48

1 The City is still looking into a Special Services District to assist with paying for items
2 such as parking maintenance, snow plowing and removal, and landscaping in the area.

3
4 The City is also working on getting directory signs in place for the parking ramp.

5
6 The Comprehensive Plan Task Force is working on a draft Comp Plan to send to the
7 Met Council in the next couple of months.

8
9 Ambrose stated the Task Force discussions have been informative and the outcome
10 should be a good plan for the future of the City.

11
12 Dahl stated additional development and construction in the City includes the Wayzata
13 Blvd and Superior intersection and the City Council is expected to provide direction to
14 their July 31 meeting. The Lake Effect project is moving forward. Lake Street Plaza
15 would remove 44 parking stalls and these are being replaced with parking in the ramp
16 and along Lake Street for a net gain of 14 additional stalls. The project is expected to
17 start in 2019.

18
19 Ambrose asked if the walkways and other features of the Lake Effect project would also
20 begin in 2019.

21
22 Dahl stated everything north of the railroad tracks is going forward in 2019 and the City
23 is paying for this and includes enhanced railroad crossings. Everything south of the
24 railroad tracks are intended to be paid for through the Lake Effect Conservancy which
25 are private philanthropic funds.

26
27 Fox asked how much funding has been raised at this time.

28
29 Dahl stated currently there is about \$200,000 in the bank and pledges totaling about \$1
30 million. The goal is \$10 million.

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33 **RECOGNITION OF RETIRING CITY CLERK, BECKY MALONE**

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35 HRA thanked Ms. Malone for her hard work and wished her the best.

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38 **NEXT MEETING DATE: OCTOBER 25, 2018**

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41 **ADJOURNMENT**

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43 There being no further business; Wothe motioned to adjourn at 8:36 a.m., seconded by
44 Fox. The motion passed 4/0 by voice vote.

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46 Respectfully submitted,
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- 1 Becky Malone/Kathy Leervig
- 2 City Clerk
- 3 City of Wayzata
- 4 Drafted by Tina Borg, *TimeSaver Off Site Secretarial, Inc.*