HRA members present: T. Shaver, B. Ambrose, D. McGill, B. Petit, R. Wothe
HRA members absent: None
City Staff/HRA Executive Director present: Heidi Nelson
City Staff present: Becky Malone and Bryan Gadow
Also present: Stacie Kvilvang, Ehlers & Associates; Bill and Ben Beard, The Beard Group; and, Patrick Seeb, St. Paul Riverfront Corporation

Chairman Shaver called the meeting of the HRA to order at 7:37 am.

APPROVAL OF AGENDA
McGill motioned to approve the October 31, 2013, meeting agenda as presented, seconded by Wothe. The motion passed 5/0 by voice vote.

APPROVAL OF MINUTES – MINUTES OF SEPTEMBER 5, 2013
McGill motioned to approve the September 5, 2013, minutes as presented, seconded by Ambrose. The motion passed 5/0 by voice vote.

ANNUAL MEETING 2013

a. Election of Officers

The HRA reviewed the 2013 slate of HRA officers. Chairman Shaver called for nominations for the 2014 officers.

McGill motioned to appoint Tom Shaver to the office of Chairman; Roger Wothe to the office of Vice Chairman; and, Dr. McGill to the office of Secretary for 2014, seconded by Petit. The motion passed 5/0 by voice vote.

b. Appoint Executive Director

Ambrose motioned to appoint Heidi Nelson to the office of Executive Director for 2014, seconded by McGill. The motion passed 5/0 by voice vote.

c. Receipt of Financial Report

Shaver said the financial report is customarily reviewed at the annual report and asked for questions.

McGill asked about the 440 housing category. Nelson explained a fund was set up several years ago to provide low interest loans for housing improvements. She said a couple of loans remain outstanding and there are still dollars available. Nelson talked about the City's crime free rental housing program and the Council's discussion about how to spur improvement of rental housing stock to assure it is maintained. Nelson stated there is not yet a policy direction.

Shaver asked how the Council determined what was rental stock versus residential housing stock. Nelson explained that because of the rental inspection program, the City has good knowledge of the status and the focus was more on the older apartments to encourage investment in those properties.

McGill asked about if the individual home was licensed and the terminal date for the outstanding amount. Nelson said the homes are individually licensed and she would

get additional information on the terminal date. She indicated the outstanding amount was small. The HRA acknowledged it had promoted this program and affordable housing for years but been met with a low-level participation. Shaver noted the high land values are a challenge.

McGill asked about the unamortized bond premium. Nelson said the report probably reflects expenses and premiums associated with TIF district bonds but she will get more specific information.

Hearing no additional comments or questions related to the financial report, Shaver moved to the next agenda item.

d. Confirm 2014 Meeting Schedule: January 23, April 24, July 24, and October 23

Shaver asked members to confirm availability for the 2014 meeting schedule. McGill said the only scheduled meeting is the annual meeting and the other meetings are considered to be scheduled special meetings.

McGill motioned to accept the 2014 meeting schedule as discussed, seconded by Wothe. The motion passed 5/0 by voice vote.

NEW BUSINESS

a. Discuss Developer Feedback re: Meyer Dairy Site

Nelson reported on efforts related to the Meyer Dairy site, which is the HRA's and City Council's priority site for redevelopment. She noted that she and Kvilvang met with three developers and The Beard Group offered to come forward and discuss their thoughts on what is feasible for the Meyer Dairy site.

Kvilvang said they did meet with several developers in an attempt to spark some dialogue and focus on the bigger picture/focus for the end use, parking, and building heights for this site. Kvilvang said they want to keep discussion going back and forth with the HRA to provide guidance to staff and the development community.

Bill Beard, principal with The Beard Group, introduced his junior partner, Ben Beard. He stated their real estate company is based in Hopkins and was started 25 years ago. Beard described redevelopment projects they have completed including market rate rental, retail, urban rowhouses, and residential over retail. Beard said they have some ideas for the Meyer Dairy site and take the approach that this would be a concept approval with the understanding the layouts and budgets would change.

Beard presented the charge statement to extend the vitality along Lake Street that would incorporate the historic character. They prepared an economic analysis to determine the level of public and private participation. In that effort, they looked at three alternatives: a one-story; three-story; and, five-story building with retail and housing above. Beard noted some of the challenges along Lake Street include that the land is very expensive and there are height restrictions with a limit of three stories. However, they also prepared a five-story alternative to consider the impacts on economics.

Beard stated they also looked at historic preservation, noting the Meyer Dairy building does not lend itself to easy redevelopment. He explained they presumed that there are poor soils and there may be something hidden in the ground that was built upon. Parking is a challenge so they ended up with the idea of parking behind and creating a ramp to service both residential and retail.

Due to the challenges with parking, Beard said they also looked at the importance of the proposed product mix and tenant mix, noting hospitality uses generate a lot of traffic. This results in the need to limit other uses. Beard said staff desires a medical facility and that would fit with a hospitality center and there is a need in Wayzata for lunch opportunities. He stated there is limited street parking and this site is next to an elevated residential neighborhood to the north. Beard described the uses along Lake Street and its change in character as it approaches Ferndale.

Beard stated as they put the numbers together, they found Wayzata has lower average rents when a large geographic area is considered. After analysis he believed the rents should be higher than received in downtown Hopkins, in the $1.90 to $2.00/foot range.

Beard presented a breakdown of what the product mix would look like. He felt if a hospitality element was included, it would attract the “Gen Y” (34 and younger) and “Baby Boom” groups and probably more will be younger people. Beard reviewed the groups involved with obtaining and analyzing this data.

Beard displayed and described drawing boards for the redevelopment of the Meyer Dairy site, noting all the concept drawings show level one as retail and above levels as residential. With the three- and five-story buildings, retail parking access would be off Lake Street and residential parking access would be off Ferndale.

Ambrose asked whether the car wash property was included. Beard said it includes both the Meyer Dairy site and the car wash.

Beard explained levels two through five would all be the same with an elevator down to retail on the first level. He stated they think there should be a rooftop amenity for the hospitality and/or residential uses.

Ambrose asked if there would be Lake visibility if three stories in height. Beard said in the wintertime when the leaves are off, there would be some visibility. He noted from the third level on down it would be an angled view with not much of a Lake view during the summer months.

Beard explained redevelopment always cost more than starting from bare ground. He said in this case to attract investor capital, they sized the owner equity based on a 12.5% return. Beard explained how they determined the public assistance, cash flow, and capitalized return.

Shaver asked if the net income used was $18.50/square foot. Beard said they looked at that but based on current vacancies, it did not pass the “smell test” and was increased

to $22.50/square foot throughout all scenarios on a triple net basis. He believed the effective gross rents are $34 to $36, which is not too far out of the market.

Beard explained that acquiring the property and constructing the retail complex with one level of parking is estimated to cost $10 million and it would create a taxable market value of $5 million. This analysis shows that a developer would ask the municipality to bridge the gap of about $2.3 million. Another problem is that this scenario creates almost no TIF, in the best case about $20,000/year. This means the project would not create enough value to support itself and the HRA would have to find another means to finance it. Beard stated economics is part of the consideration but there are other issues, such as the impact of a successful redevelopment.

Beard stated a three-story project is estimated to cost $20 million and would create a taxable market value of $9.6 million and TIF of $2 million to assist the project. In this scenario, the developer would ask for assistance of $3.9 million. This scenario would provide a return to investors of 12.49%

Shaver clarified the City would have to come up with $1.9 million to fill the gap with a three-story project. Beard said there would be $2 million from TIF so $1.9 million would be needed from other sources.

Beard stated they know there are issues of values and priorities and a three-story limitation but they wanted to show a five-story alternative to address the issue of high land costs. He stated a five-story project is estimated to cost $31 million and would create a taxable market value of $24.5 million and TIF of $3.7 million to assist the project. The five-story alternative would result in a smaller funding gap of $4.4 million. If the City was comfortable with a five-story alternative, rents could be adjusted to create enough TIF to become a balanced project.

Shaver referred to the scenarios and estimated taxable market value compared to the actual costs, noting it seems like a huge disparity. Kvilvang explained they have seen big disparities where construction costs are up to double when compared to the actual market values placed by the Assessor. She stated $250/square foot for retail is within the realm of this project when compared to area rates. With the apartments, she felt the numbers were a bit more conservative. Kvilvang stated they put a market value of $115,000 per unit on the apartments, which may go up to $125,000 per unit. She suggested having discussions with the City's Assessor relating to these market values. Kvilvang agreed with Beard that with a five-story building, adjustments to rents can be considered so the funding gap is 100% covered by a TIF district. Depending on value, this may also be the case with a three-story building.

Ambrose asked about the hoped-for sales price. Kvilvang explained if a project moves forward, they will get into more detail about available public assistance, tax increment, potential grant funding through the Metropolitan Council's Local Community Grants, and DEED redevelopment funding. These public dollars will offset the City's and private investment. She noted the intent is to look at a bigger picture and where you get a return on the public's investment. In addition, the end market value matters because it goes to the tax base and tax dollars generated when the TIF District ends. It was

acknowledged that the numbers presented are estimates and the focus is on three-level versus five-level, meeting the parking demand, options for retail, and thoughts on the building's façade.

Petit clarified that $235/square foot for retail includes all the construction costs including parking. Kvilvang stated that is correct, it includes land and development and associated parking. Petit asked about a project with only the Meyer Dairy site and not the car wash. Kvilvang said she did not know if they could only do something with the Meyer Dairy site, that was part of the challenge.

Petit stated he would like to talk more about the concept because at one time there was discussion about having a lot more retail, but that has not occurred and he is not overly interested in additional retail at the west end of town. However, he would love to see a model where this was all housing.

Shaver explained that retail will typically carry the value of the housing because housing cannot support the overall equation. He stated that retail was needed to be financially feasible. Shaver commented on the cost to purchase an on-going business (car wash), which is a challenge to the model presented. Shaver said he likes the idea of a medical office being a small portion of the square footage.

Beard said there is about 20,000 square feet of retail on the first level. He noted it would be about 8,000 square feet hospitality, 8,000 square feet for the medical office, and 4,000 square feet of common spaces for the apartments above.

Shaver asked about a condominium versus rent. Beard said they looked at that and found the weakness for condominiums is no Lake view. If there is hospitality, the residential portion is less forgiving (i.e., residential above a restaurant).

Petit questioned if the construction would be wood or concrete. Beard said it would be masonry on the first level with a precast plank and stick frame above that.

Ambrose stated the long-term goal was to spread retail down Lake Street to at least Ferndale. He agreed people would not walk from the new development at the east end so it would be a two parking concept. Ambrose stated part of the context includes the Lake Effect projects and increased activity along Lake Street, which hopefully happens.

Shaver said retail or office, if complementary to residential, is interchangeable to him but it may not be the vision of the City.

Petit asked if the Lake Effect will further short-circuit this as it is not part of the "loop." He stated the end may be the Boatworks. Ambrose noted some may use the Dakota Trail and go to "Wayzata Surlys" afterwards.

Petit stated he likes the idea of rental, noting people are leaving at this time of year and those residents are worried about repairs/costs. He thinks they would support high-end apartments if not stick construction. Petit stated he thinks there is a market and

demand because there is nothing like this in the region. He doubted that market would care if there is a restaurant on the first floor.

Beard said no one knows what the "Boom Generation" is going to do but they have been driven by owner-occupied homes. He stated he lived in Edina for 30 years, just sold their home, and are now renting a condominium in the north loop. Beard stated there is a difference between living in an apartment and a condominium and the "Boom Generation" wants different things than "Gen Y." He explained that "Gen Y" wants high internet connectivity but the "Boom Generation" looks at opportunity for socialization. However, both want walkability and connectivity trail amenities. Beard reviewed the other amenities that attract the "Boom Generation" and "Gen Y."

Petit commented that many also have big dogs. Beard said in Hopkins they allow dogs only on the second floor but there is a higher demand than can be met on the second floor. He stated their renter is often a woman aged 28-34 years with a big dog so restricting dogs cuts out many tenants.

Shaver said they need to find out what is feasible from an incremental standpoint. He stated they need community feedback and felt this was a good starting point. Beard said almost every project starts very similar to this.

Beard commented on the difference with Wayzata where people are willing to pay an enriched premium due to the offered lifestyle. If the City determines to assist in some form, it strategizes to attract the type of person looking for a lifestyle more than having the economics make sense.

Shaver stated he appreciates what has been presented and knows the modeling depends on the increment that can be derived from the project. He stated the HRA will need to continue working with Ehlers on this model and determine how to push the amount of increment to determine what is feasible from the term of land acquisition. Shaver stated more input is needed but this presents a Framework and he appreciates the work by The Beard Group. Beard stated this is how most projects start and he hopes Wayzata will remember these concepts when it is ready to more forward.

With regard to next steps, Petit said it would be interesting to get more refined data in what they want everyone to consider and he would like it as a higher end rental, starting with a different type of construction to assure they are soundproof. He suggested starting with the cost for that type of facility because people will notice a higher-end product and that will become the brand of that project and rent structures will be different.

Ambrose stated he is unsure if this site can support that type of construction because there are no Lake views.

Petit said he does not want this to be part of an association and thinks there is market for a very lean lifestyle in terms of finances; people shifting have a lot of equity in their homes and would rather have it in the bank. Beard noted when he moved from Edina to

the north loop, the property taxes were three-fourths of what they now pay so it is cheap when compared to what they were paying for a single-family home.

Shaver commented on the construction quality. He stated he lives along the railroad tracks and agreed that noise transfer can be significant but he does not think the market study will dictate rents. He felt the young professional in Wayzata can afford more of the rental component so pressing rents higher with construction quality is appropriate. However, it may end up with the same NOI. Beard agreed the quality of construction for this project should be in keeping with the trajectory of the community, on the better end.

Petit stated Presbyterian Homes is using concrete with wood construction on the residential side so it will be interesting to receive feedback from those residents.

Ambrose noted the Presbyterian Homes units will have a Lake view with a grocery store on the main level. Petit stated with rental, it is a short-term commitment and if you do not like it, you move out. Beard noted it also brings a housing type that there is not much of and people want to remain connected to their community, family, and church with a lower financial investment.

Shaver suggested meeting with Ehlers to consider the underwriting and come up with recommendations to the City Council. Kvilvang said the two other developers (George Sherman & Associates and Kent Carlson of Anderson Builders) have interest but they have not taken the time to put anything together. Kvilvang stated they are also watching where Presbyterian Homes sets rents and the Assessor sets the market value

Nelson commented on next steps and said it would be good to bring in Ehlers for discussions prior to making a recommendation to the City Council. She noted an RFQ could be done; however, this is incredibly preliminary discussions and the path to property acquisition will not be an easy one with this project. Nelson said they also need to wrestle with the level of density to make it financially feasible. She stated the issue of having some retail on the west end of Lake Street is a policy decision of the HRA and City Council.

McGill asked whether there may be interest in an owner-initiated project. Nelson stated that would surprise her.

Petit felt one big issue with a denser and taller building is that it seals the fate of Lake Street. He asked what is the appetite for a taller and denser building on that end of Lake Street. Nelson felt it would be a big push but the good piece is that it works within the ordinance at three stories.

Shaver said he does not recommend breaking the 35-foot height restriction knowing the resistance and precedence that would be set. Gadow said from a zoning perspective, the City would get “knocks on doors” from every other Lake Street property owner asking for the same thing. He noted the Wayzata Bay Center’s uniqueness is the site and PUD requirements.

Shaver said they could talk about this topic at the next meeting and address the modeling.

Petit said he would like to see what happens if they jettison the retail component and have three stories of housing with parking.

Wothe said the medical office and restaurant are retail but not the same kind of mix that are on the east end of Lake Street because they are destinations. He stated he does not have any objections to that kind of retail and the rest being residential.

Petit said he thinks it will be a harder sell to bring in residents with retail and has concerns if it remains vacant and does not fill. McGill stated time is the issue. Shaver said they need a baseline case, noting City funding and TIF needs to be a long-term (10-20 year) perspective.

b. Wayzata Lake Effect – Review Draft Framework

Gadow stated the intent is to provide an update on the Lake Effect and gain input on Scenario D.

Patrick Seeb, St. Paul Riverfront Corporation, said they are non-profit and their focus has been primarily in St. Paul to reconnect to the Mississippi River. They have a 20-year history of community engagement coupled with design expertise, and they have brought that capacity to the City's interest. Seeb noted the Lake Front Task Force spent two to three years studying the community's appetite to connect to the lakefront and the City Council is committed to a community engagement process to assure a long-term plan succeeds. Seeb described the events held since they began in July of 2012 including public events. He explained there are three phases. The first phase developed community values that were translated into a Framework and then into the actual plan. He noted the set of nine values was introduced in February of 2013 and supported by the City as being reflective of the attitudes of Wayzata. Those values became the lens and set of intentions that identify how the community wants to develop in the future.

Seeb commented on the outcome of four design workshops with citizen "designers" and professional designers to capture ideas and turn them into illustrations. He said those ideas were developed into a Lake Effect Framework. It was organized into nine activity areas and characterized how those areas could function. Seeb presented Scenario D and described activities within each area including a performing space, the Boatworks site potential as a boat museum, pedestrian bridge over/under the railroad tracks to connect the TCF site, an at-grade crossing at Minnetonka creating a strong boat landing site at Minnetonka, a Lake walk (6-16 feet in width) respecting current regulatory requirements, naturalized shoreline between Minnetonka and Broadway, transient/seasonal docks, and a stronger pier at Broadway.

Ambrose said he was very familiar with the area and left the meeting at 9:12 a.m.

Shaver stated all have reviewed this information and are interested in providing feedback.

Petit stated it is a fascinating process but the sooner the shovel is in the ground, the happier he is. Seeb stated they are also fans of getting "shovel in the ground" and the first opportunity for the values of the Framework to be realized is with the roundabout and improvements at Eastman and Circle Drive. They believe there is a prioritizing the community ought to be making but it is opportunistic when things are happening to apply this in real time. Petit stated he has a theory that bad design ruins good planning and ultimately it is an opportunity, not a priority. Petit left the meeting at 9:15 a.m.

Shaver said this is more of a master plan with a strategic component and there is a particular cornerstone that has not yet been addressed relating to the boardwalk and process with jurisdictional approvals to gain a concept approval. Gadow explained a group of technical partners meets on a quarterly basis to provide a "fatal flaw" analysis on concepts. The boardwalk component was brought to the DNR, LMCD, and Minnehaha Creek Watershed District. It was heard clearly from the DNR that it would prefer something on piers rather than a fill-in-the-Lake component.

Shaver asked if they have been supportive of the direction the community is taking. Gadow reviewed the components supported by the jurisdictional agencies.

Shaver commented on the critical boat slip component and asked if there are other public boat slip components beyond the location at Sunsets. Seeb said there are at least three areas and reviewed areas where they are looking to increase the amount of transient docking and the option of valet parking on mooring buoys. He talked about the continuation of the municipal boat docks and discovered opportunity with the Section Foreman's House to expand the lakefront.

McGill referred to the Framework and asked what would precipitate activity and what is the first priority. Seeb said the Eastman Lane improvements should be embraced in the community as the first "shovel in the ground" project and there should be a project ribbon-cutting event within the context of the Lake Effect.

Gadow noted that is the roundabout improvement and the potential to add trail sections along the north and south side of Highway 101. Nelson said they want to make sure what they do on the eastern portion/gateway to the community reflects the Framework and Lake Effect values.

Seeb commented on the next phase of the work that will center on the implementation strategy. He said one is to be opportunistic so when something happens, to assure it is consistent with the Framework. Secondly, techniques will be used to help stimulate projects. Seeb described potential projects and techniques they recommend to jumpstart projects to give people the experience. He said in the end, there will probably be a project that the community wants to make a priority, such as the Lakewalk/boardwalk concept, and there could be an international design competition to elevate attention and opportunity. Seeb stated there are three or four different ways to precipitate the plan.

Shaver thanked Mr. Seeb for his time and efforts.

OLD BUSINESS
None.

NEXT MEETING DATE: Thursday, January 23, 2014, and another special meeting in early December to continue the discussion regarding the Meyer Dairy site and the Lake Effect Scenario D.

ADJOURNMENT
There being no further business; McGill motioned to adjourn at 9:29 a.m., Wothe seconded the motion and the motion carried 3/0 (Absent: Ambrose and Petit).

Respectfully submitted,

Becky Malone
Deputy City Clerk
City of Wayzata

Drafted by Carla Wirth
TimeSaver Off Site Secretarial, Inc.