HRA members present: T. Shaver, R. Wothe, B. Petit, and B. Ambrose
HRA members absent and excused: None
City Staff present: Jeff Dahl, Becky Malone, David Schelzel and Jeff Thomson.
Others present: Stacie Kvilvang with Ehlers and Associates

Chairman Shaver called the meeting of the HRA to order at 7:30 a.m.

APPROVAL OF AGENDA

Petit motioned to approve the November 29, 2016 special meeting agenda as presented, seconded by Ambrose. The motion passed 4/0 by voice vote.

APPROVAL OF MINUTES OF OCTOBER 13, 2016

Ambrose motioned to approve the minutes of October 13, 2016 as presented, seconded by Petit. The motion passed 4/0 by voice vote.

OLD BUSINESS

a. None.

NEW BUSINESS

a. Consider Resolution 03-2016HRA Adopting the Modification to the TIF Plan for Replacement Redevelopment TIF District No. 5 within the Central Area Redevelopment District

Dahl stated, in October, the HRA approved a resolution to transfer the Mill Street properties to the City for the purposes of building a public parking ramp to serve downtown Wayzata. Since then, the City received bids for construction of the parking ramp, and these bids were higher than expected. The City decided to allocate an additional $600,000 to cover the overages of the base ramp and has awarded the contract to Adolfson and Peterson Construction who has commenced construction with the goal of completing a portion of the ramp by July 1st with the final completion occurring in mid-August. The soil testing, corrections, and construction of the retaining wall made it difficult to meet the original deadline of Memorial Day 2017. In addition, staff has engaged its financial advisor and bond counsel on moving forward with financing of the project. In order to move forward with the financing of the project, the HRA will need to amend the TIF Plan to allow the City to issue the TIF bonds. The prior TIF Plan capped the amount of bonds the City could issue to the principal amount of the TIF Note that was issued to Wayzata Bay Development Company LLC. The modification also updates the TIF Budget to account for increment received to date and expected through the term of the district as well as bring the budget in line with updated Office of the State Auditor reporting requirements. Also, since the HRA administers the TIF district, it needs to approve a Pledge Agreement with the City, pledging the aforementioned TIF from the District for payment on the bonds.

Kvilvang stated the City had created a new TIF district in 2011 and at that time there was a section in the TIF Statute that required the City to state the amount that was bonded. If this amount is ever increased, then the TIF District must be modified. When making this specific modification, it requires a public hearing. The original bonded indebtedness was $22 million. Bonded indebtedness is defined as a pay as you go note, it is actual bonds that can be issued (in this case it is GO bonds), and in addition it can be inter-fund loans. She stated the amount of bonded indebtedness is increased up to $90 million. The City is not issuing this much debt but it is a correlation back to the costs of the project. The Office of the State Auditor has changed the reporting forms so they have brought the budget in line to comply with this. The HRA administers the TIF districts and is in control of the tax increment funds and the pledge agreement is that the HRA is pledging the revenues they receive for payment on the bonds that the City is actually going to issue. The City Council will approve this agreement at the time the bonds are issued. This will be going to the City Council on December 20 for a public hearing on the modification to the Tax Increment Financing Plan, approval of the Pledge Agreement, and approve the bonds that will be issued. She stated the 2015 and 2016 increments have been where the City projected them to be and they know what the tax increment would be for 2017. They did make assumptions for 2018 and 2019. They were conservative in these estimates and assumed no inflation. There is estimated annual $490,000 in tax increment for the East Block. The income generated should be sufficient to pay the bonds.

Wothe asked what would happen if the income was not enough to pay the bonds.

Kvilvang stated the City would have to levy taxes.

Wothe stated the Pledge Agreement states the City would cover the insufficiency but the HRA would have to pay that back. He asked if only this particular tax increment district could be used to pay these bonds or if all of the districts could be used.

Kvilvang stated only this tax increment district could be used.

Shaver stated he is familiar with these documents and is comfortable that the bond has been sized appropriately for the project.

Petit asked what would happen if retail was no longer a viable option and the space was turned into something with less value.

Kvilvang stated this is a mixed-use development and they will all have ebbs and flows in valuation and they should offset. If it does turn into something else, then it would be valued at what the use is. She stated residential housing generates the most tax increment and the first-floor retail is not carrying the TIF district and low retail increment will not affect the ability to pay the bond.

Shaver asked how Presbyterian Homes was performing compared to the original estimates for that TIF District.

Kvilvang stated they are performing as anticipated.

Shaver stated there is a fair amount of empty retail with that particular district and it is still performing as anticipated. The mixed-used provides an opportunity to capture revenues from the other uses that are valued higher.

Petit asked if condominiums or hotel would have a higher value.

Kvilvang stated the residential would be higher.

Ambrose stated that the Resolution states the HRA has requested the Planning Commission to review and comment. He asked if this has occurred.

Dahl stated this had gone to the Planning Commission when the TIF Plan was approved and the City's legal counsel has provided guidance that it would not be necessary to have them review the modification. This item can be removed from the resolution.

Schelzel suggested striking "the City Planning Commission to provide for review of and written comment on the Modification and" in the second sentence of the third Whereas in Resolution No. 03-2016HRA.

Wothe motioned to approve Resolution 03-2016HRA Adopting the Modification to the TIF Plan for Replacement Redevelopment TIF District No. 5 within the Central Area Redevelopment District with the amendment to the third Whereas in the resolution to strike "the City Planning Commission to provide for review of and written comment on the Modification and" in the second sentence, seconded by Ambrose. The motion passed 4/0 by voice vote.

Wothe asked if the HRA was covered by City's Errors and Omissions Policy.

Schelzel stated he would confirm this coverage at the next meeting.

NEXT MEETING DATE: Friday, February 3, 2017

ADJOURNMENT

There being no further business; Wothe motioned to adjourn at 8:05 a.m., seconded by Ambrose. The motion passed 4/0 by voice vote.

Respectfully submitted,

Becky Malone 02-03-2017

Becky Malone
Deputy City Clerk
City of Wayzata
Drafted by Tina Borg, *TimeSaver Off Site Secretarial, Inc.*