WAYZATA CITY COUNCIL
BOARD OF APPEAL AND EQUALIZATION
MINUTES OF CONTINUED MEETING
April 24, 2017

AGENDA ITEM 1. Public Meeting.

a. Resume Local Board of Appeal and Equalization Meeting

Mayor Willcox reconvened the meeting of the Local Board of Appeal and Equalization at 7:30 a.m. Members present: Willcox, McCarthy, Plechash, and Tyacke. Councilmember Koch was absent and excused.

b. Hear Appeals

The Council considered the appeal of the valuation of 739 Lake Street (PID #06-117-22-42-0014).

David Weigman, 3834 Lindon Road East, Medina, and representative of the property owner and the lessee of the property, Gavin Kaysen and Bellecour Restaurant, reported his concern related to the downtown parking situation and who should pay for it. He noted that in 1966, an assessment was levied against certain businesses, and it ended with a compromise where businesses were allocated parking spaces in exchange for agreeing to pay an assessment. Additionally, in 2015 the City did a parking study and showed the central business district as being one large parking area that was going to benefit from this parking facility, not allocating specific benefits to businesses that happen to be adjacent to the new parking ramp. Historically, the parking facility is meant to be used City wide and not as a benefit to one business. He argued that it is unfair to allocate the value only to the businesses that are adjacent to it.

Mr. Weigman provided some additional comparables, which he stated contradict sale amounts outlined in the materials in the meeting packet. The Gold Mine facility sold for $925,000, the Regatta sold for $96.38 a square foot, and the Garrison sold for $74.77. Based on these and all the other comparables on Lake Street he provided for the last five years, the average price was $82.60 per square foot, which is a $120.00 difference than what is being proposed.

Gavin Kaysen, Bellecour Restaurant, commented when he first considered expanding his restaurant to Wayzata, he looked at the Goldmine property on the corner. The price per square foot plus the asking for percentage rent was so wrong mathematically, they did not even consider it as an option. The property he is on now is feasible because the of the occupancy costs he can create for the space. His restaurant is bringing people out to Wayzata.

Mr. Tyacke inquired about the Bellecour lease and if the value of the outdoor dining area is impacted by the ramp construction. Mr. Weigman responded it is a full triple net lease where Mr. Kaysen pays the rent and all the costs associated with owning the building. Mr. Kaysen commented they are putting a lot of money into the back patio to cover the sight of the ramp, which includes a $10,000 awning. The cost to maintain the back patio will take six to eight years to get back.

Mayor Willcox inquired what a fair valuation would be. Mr. Weigman stated using the current established land value, which already increased $104,000 in 2016, they are proposing their increase be at $1,048,000.

Mayor Willcox inquired about the discrepancies between the land values that were listed in the memo from the County Assessor's office and the values Mr. Weigman provided. Mr. Weigman stated the land value amount calculated by the assessor is wrapped up in the adjacent parking ramp.

Mr. Tyacke inquired when the Bellecour improvements will be included in the tax base. Mr. Weigman stated he assumes they will be included next year. Mr. Kaysen commented he has put $1,600,000 into the building.

Mr. Plechash inquired what the assessed value of the property was when they decided to develop it, and the anticipated value after development. Mr. Weigman responded in 2015, it had a land value of $834,000 and a building value of $209,000. In 2016, it had a land value of $947,000 and a building value of $1,000. This year, the land value is $1,535,000 with a building value of $1,000.

Chris Bennett, Hennepin County Assessor's Office and Assessor for the City, reported there are eight properties on Lake Street that have no onsite parking. This is a benefit to the property owner because it allows for a higher density of building on the site. It is not that the property has a higher land value, it is just divided into two separate pieces. With the Beltz property, the owner has 12,379 square feet of land and offsite parking benefits of 27,900 square feet, which is a total land size of 40,279 square feet. The value is then only $70.00 a square foot. With the Bellecour property, when land and offsite parking are added together, the value comes out to $48.45 a square foot. It looks like a smaller value because the parcels are small, but it is not because it includes the offsite parking.

Mr. Plechash inquired if it is fair that a property on the cusp of development have its assessed value go up by 50 percent in one year. Mr. Bennett commented he is supposed to equalize the properties in the area and it is fair because he is following the State statute.

Mr. Plechash inquired what the value would be if they were to take out the arbitrary use of parking lot value. The parking lot should not be assessed for the properties because it is a community amenity. Mr. Bennett commented they would not be able to have that business on that site if they did not have public parking.

Mayor Willcox commented new developments are required to have adequate parking, which can be public, street, or ramp parking. If there is not sufficient parking nearby, the property is required to provide it. In this case, there is ample public parking available and it should not be part of the valuation.

City Manager Dahl added the Beltz property is different. It was developed in 2004 and there is an agreement that included improvements for parking. Mr. Plechash pointed out it should not be used as a comparable if it is not the same type of valuation.

Mr. Bennett stated all the properties are valued based on them having adequate parking. The eight properties on Lake Street have a small component on site and a larger component off site. Both components divided back into the land value come to about $200 a square foot. It is not valued higher, there is just less square footage on sight.

Mr. Plechash requested to know the property's value if the parking valuation was removed from the overall property valuation. He inquired if parking is included in Caribou's valuation. Mr. Bennett stated Caribou has some parking onsite.

Mayor Willcox commented a majority of the Council does not think parking should be included in the valuation calculation. They need to take parking out of it and look at the percentages other properties in the area increased and determine why this property went up so much more. Mr. Bennett stated the property is valued appropriately and whoever buys it is going pay based on it having adequate parking. Mayor Willcox pointed out all the buildings in that area have adequate parking because it is public parking.

Brett Hall, Hennepin County Assessor's Office, offered another perspective as to why the parking is relevant. Hypothetically, if the building was not on the site, and public parking was not available, he inquired if that property could be developed. Mayor Willcox responded they would work around it and require proof of parking. Mr. Hall commented they could not put that use on that parcel because there would not be enough parking.

Mr. Plechash commented it is a benefit to the entire community to provide parking for both visitors and residents, not any specific business. The public parking available adjacent to this property should not be considered. Mr. Hall commented if they adjust the numbers without the parking as part of the site, it would not reflect market value.

Mrs. McCarthy stated the highest and best use was determined a long time ago as a restaurant. It has not changed and the parking demands have not changed. The ramp is not yet completed, but the City is providing it as a benefit to everyone. When looking at the properties on the 700 block of Lake Street, there is just over a 10 percent increase in their valuation. This would put the Bellecour Property at $1,048,140.

Mrs. McCarthy made a motion, seconded by Mr. Plechash, to reduce the valuation of 739 Lake Street East (PID #06-117-22-42-0014) to $1,048,000.

Mr. Dahl requested clarification if the amount in the motion included the land and the property. Mrs. McCarthy confirmed it was for both.

City Attorney Schelzel inquired if the valuation of the land and of the building needed to be separately specified in the motion. Mr. Bennett stated it did not need to be specified.

Mr. Tyacke commented from the City's perspective, the construction of the ramp used TIF money from another development to spur new development around town. The businesses were not assessed for the ramp and that shows the ramp is for everyone, not just specific businesses. He referenced three similar properties which included the Carisch property, Bellecour, CōV. There was no increase with the land value at the Carisch property, but a 14 percent overall increase due to improvements. With Cōv, there was a 30 percent increase that was split between land and building. The proposed 62 percent increase for Bellecour seems unreasonable based on these other two properties. It is important for businesses coming into Wayzata to have some predictability on the taxes.

Mr. Hall suggested that the idea that the public parking has no contributory value to a parcel that lacks its own parking is not correct. He stated that an investor could come in and purchase parking from the City for $10,000 per stall, or provide parking on their own site which would cost them between $100 and $200 a square foot.

Mr. Tyacke stated there was public parking back there, but it is just being increased in size with the building of the new ramp. There is a special services district that will assess certain businesses for parking, but that is separate charge from the City.

Mr. Hall stated he wanted to leave the board with the idea that public parking can be purchased very cheaply from the City as compared to providing parking on their own site.

Mayor Willcox stated he agrees with the Council and a property should not have to look at a 60 percent increase in one year.

The motion carried 4/0.

c. Adjourn Local Board of Appeal and Equalization Meeting

There being no further appeals to consider, upon motion, Mayor Willcox adjourned the Local Board of Appeal and Equalization Meeting at 8:23 a.m.

Respectfully submitted,

Becky Malone 05-16-2017

Becky Malone
Deputy City Clerk

Drafted by Shannon Schmidt
TimeSaver Off Site Secretarial, Inc.