

1 **MINUTES OF THE SPECIAL JOINT MEETING OF**
2 **THE MINNEHAHA CREEK WATERSHED DISTRICT**
3 **BOARD OF MANAGERS**
4 **AND THE**
5 **HOPKINS CITY COUNCIL**

6
7 **June 17, 2021**

8
9 **CALL TO ORDER**

10
11 Mayor Jason Gadd called the Hopkins City Council meeting to order at 7:00 p.m. in the
12 council chambers of Hopkins City Hall, 1010 1st Street South, in Hopkins, MN. All
13 council members were present (Alan Beck, Rick Brausen, Kristi Halverson, and Brian
14 Hunke). He noted the purpose of the joint meeting is to conduct interviews with the
15 developer finalists for the 325 Blake Road redevelopment project. Mayor Gadd noted the
16 city's history of collaboration with the MCWD and thanked the Liaison Work Group for
17 all its efforts in this process.

18
19 President Sherry White called to order the special meeting of the Minnehaha Creek
20 Watershed District Board of Managers. President White noted that pursuant to
21 Minnesota Statutes 13D.021, and due to the COVID-19 pandemic and her previous
22 determination concerning the pandemic, it was not practical or prudent for some
23 members of the Board of Managers to be physically present at the meeting. She noted
24 that Managers Olson, Loftus and Hejmadi would be attending remotely. President White
25 noted that, pursuant to §13D.021, all votes will be by roll call. Present White noted that
26 325 Blake Road project presents a rare opportunity and expressed her thanks for the care
27 and time invested by the City and the MCWD in working in this partnership.

28
29 President White called the roll to note attendance:

30
31 Hejmadi: Present
32 Loftus: Present
33 Sando: Present
34 Miller: Present
35 Olson: Absent at this roll call, but joined the meeting in progress shortly after roll
36 call.
37 Maxwell: Present
38 White: Present

39
40 **DISTRICT STAFF AND CONSULTANTS PRESENT**

41
42 James Wisker, Administrator; Michael Hayman, Project Planning Manager; Gabe
43 Sherman, Planner-Project Manager; Chuck Lutz, development consultant; and Louis
44 Smith, District Counsel.

45
46

47 **CITY STAFF AND CONSULTANTS PRESENT**

48

49 Mike Mornson, City Manager; Kersten Elverum, Director of Economic Development and
50 Planning; Jan Youngquist, Community Development Coordinator; Stacie Kvilvang,
51 financial advisor; Scott Riggs, City Attorney.

52

53 **DEVELOPER PRESENTATIONS**

54

55 The City Council and Board of Managers received presentations and asked questions of
56 each developer team: Wellington Management, Sherman Associates, and Alatus LLC.

57

58 **COUNCIL AND BOARD DELIBERATION**

59

60 Ms. Kersten Elverum appeared before the board and council and thanked the developers
61 for their presentations. She reviewed the shared vision and guiding principles for this
62 site, noting that the concepts presented by the selected developer will evolve.

63

64 Council Member Brausen congratulated everyone on the hard work on this unique
65 opportunity.

66

67 Manager Sando stated that he felt all of the proposals were good.

68

69 Council Member Halverson stated that she felt all proposals were excellent and unique.
70 She noted that she is a strong proponent of home ownership and also appreciated
71 including affordable housing. She stated that she is leaning toward two of the proposals.

72

73 Manager Miller stated that he did not tour the developers' projects, and he did not want to
74 fall in love with pictures before he knows that the numbers will work. He said that he
75 saw huge financial questions concerning the Alatus proposal. It is a beautiful vision but
76 would involve enormous tax increment financing and ongoing operation and maintenance
77 costs. He said that he saw the other two proposals as not as flashy but do-able and
78 coming from incredibly experienced developers. He remained concerned with the Alatus
79 proposal because of the numbers.

80

81 Council Member Beck acknowledged the importance of water related design and noted
82 that the Alatus proposal is the most expensive and use the largest TIF. He stated that he
83 felt the Alatus project could be a once in a generation project that could be a standard for
84 the next 30-60 years.

85

86 Manager Olson noted the water elements in the proposals and stated that he ranked in
87 preference 1. Sherman; 2. Wellington; and 3. Alatus. He said that the size of the Alatus
88 project was a concern. He appreciated Sherman's approach by locating amenities close
89 to the creek. He ranked Alatus third due to his concern for financial risks.

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91 Council Member Hunke stated that he found all three proposals great with positive
92 features. He ranked the proposals in order of preference 1. Alatus; 2. Wellington; and 3.
93 Sherman. He stated that the Sherman proposal seemed to reflect another typical suburban
94 design and was concerned with a first attempt at senior coop housing, but also liked the
95 food hall idea. He said that he found the Alatus proposal to present a distinctive and
96 impactful design that uses the site well, with the tower and other buildings stepped down
97 from there. He noted that Alatus proposed the largest purchase price, tax base increase,
98 most affordable housing and most ownership housing.

99
100 Manager Maxwell stated that all proposals were good, and all will change. He said that
101 he felt Sherman did a good job of listening and communicating, and the TIF involved in
102 the Alatus proposal is expensive. He said that he was impressed with the tour of the
103 Wellington project. He said that it is important to be realistic; he saw Alatus and
104 Sherman as tied, and that Wellington is also good and came across better tonight. He
105 noted concerns with maintenance costs.

106
107 Council Member Brausen said that all three proposals presented tremendous opportunity.
108 He noted trends in housing, with his long-term goal of preserving single family housing
109 but also noting the growth in apartments. He said that the townhome element is
110 important. He stated that he liked the Alatus proposal the best and wanted to look into
111 the numbers. He sees an opportunity to dream big, and it is important to understand both
112 theory and reality. He recalled the art center project and the value of taking time to get a
113 project right. He said that he likes the Sherman and Wellington proposals also. He noted
114 that twenty years from now we can appreciate the increase in the tax base from this
115 project, and that the Alatus tower presents a lighthouse feature, something that the city
116 could use.

117
118 Manager Loftus stated that she felt we cannot go wrong. She ranked Alatus first, and
119 Sherman second, though she also liked the Wellington proposal. She appreciated
120 Sherman's sound financial approach and the food hall concept. She appreciated the
121 Alatus purchase price and the design vision, which spoke most to her. She liked the
122 stormwater features and the boulevard along the creek, which created a sense of a
123 destination and strong public realm. She noted a question about the ownership and
124 maintenance of the public spaces, and questions about safeguards to mitigate financial
125 risk. She noted that it would be important to understand the maintenance cost
126 responsibilities among the parties.

127
128 Mayor Gadd noted that this is not an easy choice, as there are three good proposals. He
129 stated that he appreciated the good collaboration together. He said that he wanted to
130 focus on the vision for the project, and the need to reach and stretch for the best project.
131 He noted the risk involved with the amount of TIF, but that the proposals were similar at
132 about \$30,000 per unit. He liked Alatus' approach to community engagement and the
133 creative use of open space and housing types. He stated that Alatus is on top for him but
134 that we need to crunch the numbers.

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135
136 Manager Miller noted that the Alatus proposal included \$5.7 million in projected grants,
137 whereas he would consider \$2 million to be a normal amount. He said that the Alatus
138 proposal is beautiful, but we need to be real.

139
140 President White noted that she felt we are not choosing a specific plan but rather a
141 developer. On financial grounds, she would prefer Sherman, for glam she would prefer
142 Alatus, but ranked Wellington first because their proposal best captured water concepts
143 and the balancing of interests; they have demonstrated that they can do hard projects.
144 She noted that she liked the Alatus proposal, but has questions about who will pay for it.
145 Her ranking is 1. Wellington; 2. Sherman; and 3. Alatus.

146
147 Manager Hejmadi stated that his primary concern is risk. He said that the Alatus vision is
148 incredible. He ranked Wellington first because of their remarkable experience at Bassett
149 Creek, reconciling the interests of two opposing groups. He stated that he was concerned
150 with the size of risk involved in the Alatus proposal, with a \$32 million gap and \$26
151 million in TIF, there remain important questions about what happens if not all of the
152 grants are received. He said that he is curious about ownership and operation of the
153 infrastructure and how much skin the developer would have in the project. He ranked
154 Wellington first, Sherman second, and Alatus third.

155
156 Council Member Halverson said that she ranked Alatus first and Sherman second, noting
157 that they both involved \$30,000 TIF per unit. She said that she felt that the Alatus project
158 had more bang, that we should dream big, go for it, and make a splash.

159
160 Manager Sando said that he ranked Wellington first, and Alatus second.

161
162 Manager Miller said that he was concerned with the numbers and was not used to the
163 numbers changing. He ranked Wellington first, Sherman second.

164
165 Council Member Brausen asked Manager Miller if he saw any reason that Alatus could
166 not deliver on its proposal. Manager Miller noted some delays in other projects of
167 Alatus, such as St. Anthony, though that could be due to other factors.

168
169 Stacie Kvilvang from Ehlers Public Finance Advisors appeared on behalf of the City and
170 stated that during the developer project tour President White asked about the purchase
171 price and the possibility of paying more up front. The revised proposal from Alatus was
172 in response to that request. Ms. Kvilvang stated that all developers have the financial
173 wherewithal to deliver the project.

174
175 Manager Maxwell stated that all the proposals were good. He noted that he was
176 concerned with the TIF and density in the Alatus proposal, but that TIF is the city's
177 responsibility. He ranked Sherman first, and Alatus second if the City wants to handle
178 the risk.

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180 At the request of Manager Hejmadi, Chuck Lutz appeared on behalf of the MCWD. He
181 reviewed the financial gaps for each of the proposals, including proposed TIF. He noted
182 that he had not previously known of the two phased purchase proposal from Alatus made
183 this evening. Council Member Brausen noted that Wellington had also revised its
184 payment schedule at this meeting, and noted further that his concern with Wellington was
185 that their TIF request is really low.

186

187 Manager Sando questioned whether fourteen stories is too tall for the tower in the Alatus
188 proposal and whether twelve would be better. Council Member Hunke stated that the
189 2040 Plan and Met Council are looking for this type of density, and that it would lead a
190 pattern of future development. Council Member Brausen said that he was struggling also
191 with fourteen stories; he was not in love with the idea, but understood the long range
192 plan.

193

194 Council Member Beck asked whether further information is needed from Ehlers about the
195 Alatus proposal. Manager Maxwell asked whether such information is needed for the top
196 two developers. Ms. Kvilvang stated that she had completed a TIF run for each proposal,
197 and none have gaps, and that all of the developers can produce a project. Manager
198 Maxwell noted that TIF is not the MCWD's responsibility. Manager Miller noted the
199 past experience with the park dedication fee in the earlier effort with Kraus Anderson,
200 and expressed his appreciation that the City is willing to spend through TIF to make the
201 project happen. Council Member Brausen commented that this is a better process; he
202 noted to Manager Miller that 'if you have a problem, I have a problem.' He said that he
203 was confident that taking more risk would create a bigger splash.

204

205 Managers Miller and Maxwell asked about more detail on maintenance costs. Ms.
206 Kvilvang said that the developers would have difficulty providing more details at this
207 time, but all wanted to maintain the site themselves and would look to develop a
208 proportionate formula.

209

210 President White noted that City Council members favored Alatus, and that MCWD
211 managers were divided three for Wellington, three for Sherman, and one for Alatus. She
212 asked if there were a list of questions to be answered before acting on the proposals.
213 Managers Miller and Maxwell noted maintenance costs. Manager Miller noted the
214 investments made to date by the MCWD and other agencies.

215

216 President White asked how the board and council felt about choosing Alatus first, and
217 Wellington as an alternate, and putting conditions in place for Alatus to meet in order to
218 proceed. Council Member Brausen said that he was in favor of picking a developer and
219 allowing the liaison team to address issues as necessary. James Wisker noted that lack of
220 clarity about maintenance elements. In response to a question by Manager Hejmadi,
221 Council Member Halverson and Mayor Gadd stated that there is no financial gap
222 according to Ehlers.

223
224 Council Member Beck stated that the maintenance requirements will need to be
225 addressed later as the design evolves. He asked if the MCWD could take the perspective
226 that the TIF issue is the City's problem, and that the liaison group could work through the
227 maintenance cost issues. Manager Miller said that he could accept that approach so long
228 as it is clear up front. Council Member Beck said that he feels community pressure to get
229 the site back on the tax rolls, and that using TIF in this manner is good for the
230 community. Manager Miller said that he understood that position, so long as the
231 MCWD's sale price is not used as a source of subsidy. Council Member Beck said that
232 the \$11.25 million price should be understood as firm, and Council Member Brausen said
233 that a change in that price would cause us all to be sitting again to start over. Council
234 Member Brausen said that we do not want a bait and switch; if the price does not hold we
235 are back to the drawing board. Council Member Beck said he agreed.

236
237 *It was moved by Manager Miller, seconded by Manager Hejmadi that*

- 238
239 *1) MCWD designates Alatus as the developer of its site at 325 Blake Road in*
240 *Hopkins ("site").*
241 *2) MCWD grants Alatus exclusive development rights to the site, which shall be*
242 *negotiated and memorialized in an exclusive rights agreement, and will consist*
243 *of the following benchmarks for completion by the developer:*
244 *a) Execute, together with MCWD and the City of Hopkins, a Preliminary*
245 *Development Agreement for the site.*
246 *b) Present a final development plan for the site to MCWD and the City of*
247 *Hopkins for approval.*
248 *c) Execute, together with the City of Hopkins, a Final Development Agreement*
249 *for the site.*
250 *d) City planning approvals and entitlements*
251 *e) Lender financing commitment*
252 *f) Execute, together with MCWD, a Purchase Agreement for the site.*
253 *3) If, at the end of the exclusive rights period, Alatus has not completed one or*
254 *more of the benchmarks listed above, or for other reasons pursuant to the*
255 *exclusive rights agreement, MCWD may choose to terminate negotiations with*
256 *Alatus.*
257 *4) If, MCWD terminates negotiations with Alatus, it will then meet with Wellington*
258 *to discuss its interest in developing the site. If Wellington is still interested and*
259 *its proposed project has not changed significantly, then MCWD may choose to*
260 *designate Wellington as the developer of the site and grant Wellington exclusive*
261 *development rights to the site for a negotiated period of time, during which*
262 *period the developer must complete the benchmarks described in paragraph 2*
263 *above.*

264
265 *Upon roll call vote, the motion carried 7-0 as follows:*

266

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267 Hejmadi: Aye
268 Loftus: Aye
269 Sando: Aye
270 Miller: Aye
271 Olson: Aye
272 Maxwell: Aye
273 White: Aye

274

275 *It was moved by Council Member Beck, seconded by Council Member Hunke, to*
276 *affirm Alatus as the selected developer for the 325 Blake Road site. Upon vote, the*
277 *motion carried, 5-0.*

278

279 *It was moved by Council Member Beck, seconded by Council Member Hunke, to*
280 *affirm Wellington as the alternate developer for the 325 Blake Road site in the event*
281 *that the process is terminated with Alatus. Upon vote, the motion carried, 5-0.*

282

283 Mayor Gadd and President White thanked everyone for a successful joint meeting.

284

285 **Adjournment**

286

287 There being no further business, President White declared the meeting of the Board of
288 Managers adjourned, and Mayor Gadd declared the City Council meeting adjourned at
289 10:48 p.m.

290

291 Respectfully submitted,

292

293

294

295 Eugene Maxwell, Secretary