

ECONOMIC DEVELOPMENT AUTHORITY
City of Apple Valley
Dakota County, Minnesota
November 4, 2010

Minutes of the special meeting of the Economic Development Authority of Apple Valley, Dakota County, Minnesota, held November 4, 2010, at 4:30 o'clock p.m., at the Apple Valley Municipal Center.

PRESENT: President Severson; Commissioners Bergman, Goodwin, Grendahl, and Hamann-Roland.

ABSENT: Commissioner LaComb.

Staff members present were: Executive Director Lawell, Secretary Gackstetter, City Attorney Dougherty, Public Works Director Blomstrom, Associate City Planner Bodmer, Associate City Planner Dykes, Finance Director Hedberg, City Planner Lovelace, and City Engineer Manson, Community Development Director Nordquist.

President Severson called the meeting to order at 4:30 p.m.

APPROVAL OF AGENDA

MOTION: of Bergman, seconded by Grendahl, approving the agenda for today's meeting as presented. Ayes - 5, Nays - 0.

MINUTES

MOTION: of Hamann-Roland, seconded by Goodwin, approving the minutes of the special meeting of October 7, 2010, as written. Ayes - 5, Nays - 0.

CITY'S ECONOMIC DEVELOPMENT VIDEO

Ms. Dykes said the City is creating a marketing video that will be used primarily for economic development purposes. The script for the video is included in the packet. If the Board thinks anything is missing from the script, they should let staff know. Otherwise staff will proceed with the current script and move forward with the project.

President Severson asked when the video will be completed.

Ms. Dykes said she expects it will be completed by the end of November.

Commissioner Hamann-Roland asked if the first draft would be completed by that time or the final copy.

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Ms. Dykes stated she expected the final copy to be completed around that time.

Commissioner Bergman asked if the video would be focused or if it would have a broader message.

Ms. Dykes responded that the message will be broad so it connects with as many people as possible. She then explained how the video will be used and that it will be available on the web and provided to businesses and developers.

CENTRAL VILLAGE DEVELOPMENT DISCUSSION

Mr. Nordquist said at the special meeting on October 7, 2010, the Economic Development Authority asked staff for additional information regarding Apple Valley's rental market and the Founders Circle proposal. He talked about the rental market and reviewed various materials included in the packet. He then introduced Mr. Tim Nichols, of Pint-Nichols, and Sally Henkel, of Henkel & Associates.

Mr. Tim Nichols said Michael Pint is his partner. They are currently working on buying property in the Central Village. He said he must let Mr. Gene Pederson know their intent tomorrow. Although he believes Mr. Pederson had great vision for the triangle, the economy helped create the perfect storm. The project cannot move forward with private capital and bank funding is not possible. He said the Pint-Nichols group is looking for a good development to own and hold. He stated they would start by building the apartments first. He said staff questioned him regarding the quality of housing and how the housing might impact existing complexes. He hired Ms. Henkel because she understands the rental market. She also will help them to differentiate their product so it does not impact the community.

Ms. Sally Henkle said she has been in the apartment business for 25 years. She has worked in the trenches and knows what renters like and dislike. She has also helped several developers build products renters want. She reviewed the current vacancy rates and commented on the rental products Apple Valley currently offers. She explained the differences between Kingston Green and the product that is being proposed. She added that she strives to have good relationships with the existing apartment complexes and always visits them to introduce herself. Ms. Henkle said if renters come to their front door and want a different product, they will refer them to other locations in the community.

Mr. Nichols commented on the Kingston Green product and said it is not a model they are going to copy. He spoke about community space and how it relates to living space. He said they need to do the right product in this economy. It will be more contemporary with a Tuscan interior and exterior flavor. He further described their proposal saying that it would be an uptown product. They also envision some mixed-use retail with more housing and office space in the triangle.

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Mr. Nichols added that the triangle is the most important phase and should not be done first. It should make a mark and in order to do it right, it needs to be done in a better economy. He explained that people drive retail and that is why they would start with the rental housing. Mr. Nichols spoke about Signet Development's role and why he wanted to come to Apple Valley.

Commissioner Grendahl questioned whether the Pint-Nichols development team can come up with the required funding.

Mr. Nichols stated they cannot make the numbers work and that is why they are asking the City for assistance.

Commissioner Bergman said Commissioner Hamann-Roland and he visited a product in St. Louis Park that he liked. He commented about saturation points and asked what happens when places are no longer renting well.

Mr. Nichols said their studies show there will be a demand for this product well into the foreseeable future.

Mr. Nordquist presented various housing statistics in Apple Valley as of 2009.

Ms. Henkel said the Twin Cities has a high demand for apartments and that most apartment buildings are stabilized at 95 percent occupancy.

Commissioner Hamann-Roland noted there are a lot of apartments in that area and questioned whether the high density would result in more crime.

Mr. Nichols spoke about the quality of the building they are proposing, the price point of the units, and security. He stated there is a big demographic surge of people in their 30's who are looking for this type of housing.

Ms. Henkel said they conduct credit and criminal background checks on all applicants. She stated they also will not rent to anyone who has been evicted. She stated renters in this complex are likely to be more qualified than the average condominium owner.

Mr. Nichols then presented pictures of a similar product in Burnsville.

Commissioner Grendahl stated she feels boxed in to make a decision tonight.

Mr. Nichols said there are certain things they have to do in order to buy the property. They need to know how if Tax Increment Financing (TIF) or other assistance may be available before they spend any more money. He added that he also must get back to Mr. Pedersen regarding his

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intentions to purchase the property. He then commented on the financing as well as the complexities of the purchase. The \$5.7 million in assessments is dragging the property down. He does not want to end up in the same shoes as the Pedersens. If they cannot get help from the City, they will simply have to say no to the project. He then spoke about what the Pedersens may do and what may happen to the property.

The Board discussed the project and various financing options.

Mr. Nichols said his team can get into the ground this spring. He does not think anyone else can. He added that his team is not the problem, but the solution.

Commissioner Hamann-Roland said she wants a product like The Camerata. She also believes the housing is necessary for the existing businesses as well as future businesses.

Mr. Rusty Fifield reviewed the presentation on facilitating The Founders area development and explained why public financial assistance is needed to move the project along. He noted the developer must acquire all six parcels. He reviewed policy issues that must be decided by the Economic Development Authority as well as land and assessment costs for the proposed project, acquisition costs, and multiple funding options. He also described the risks and benefits.

Commissioner Grendahl asked Mr. Nichols if he would walk if he did not get the entire \$5-\$6 million. She said the City still needs to do its financial due diligence. She stated Kingston Green did not receive financial assistance and are paying property taxes.

Commissioner Bergman questioned the length of the TIF Housing District. Originally they were told it would be nine years, now they are being told it could be 26 years.

Mr. Fifield said the goal is that it would be shorter than 26 years. He noted senior housing consistently has a time period of 10 to 20 years.

Mr. Nichols pointed out The Camerata received TIF financing.

The Board discussed what type of assistance they would be willing to provide.

Commissioner Hamann-Roland said she would consider providing financial assistance to the project as well as consider a Housing TIF District and/or more support from existing TIF Districts.

Commissioner Goodwin commented about the recession and the depressed economic environment. If this project does not move forward, the property could sit for quite a while. He noted the Pint-Nichols team has a good reputation and the models they presented are a nice

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quality. He further noted the meter does not quit running on the special assessments and that the price tag will only get worse.

Commissioner Bergman indicated he would likely support the project.

Commissioner Grendahl said she does not know if she can support this without knowing more about the group's finances and having the City fulfill its due diligence. She feels pressured that unless she supports this tonight it may be gone.

Mr. Nichols indicated he would provide the financial information to the City's financial consultant.

Mr. Fifield said he understood the Board's frustrations. He stated he would not make a recommendation if he cannot first satisfy himself. Once he has a chance to review the financial documents, he will provide a recommendation to the Economic Development Authority.

Commissioner Hamann-Roland relayed Bill Morrissey's comments and stated she values his opinion.

Mr. Blomstrom talked about the funding for road projects as identified at the last Economic Development Authority meeting and asked if something needed to change.

Mr. Nordquist responded that the proposal this evening will not put any of those projects at risk.

The Board further discussed funding options and the need to review detailed financial information specific to Pint-Nichols and the project in order to determine the level of participation needed to make the project feasible.

Commissioner Hamann-Roland left the meeting at 6:11 p.m.

Mr. Lawell questioned the Board on what type of assistance it would consider.

The Board discussed what options it would consider.

Commissioner Hamann-Roland returned at 6:14 p.m.

Commissioner Grendahl left the meeting at 6: 15 p.m.

Mr. Nichols asked if the Board supports his objective.

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President Severson said it is his sense that the majority of the Board supports the project and some means of financial assistance or participation. He said he likes that it is a quality project with high-end amenities. He would prefer to see a project like this move forward versus watch the property sit for another three to five years.

Mr. Nichols thanked the Board for their time and support and stated Pint-Nichols will continue to move forward on the acquisition of the property.

MOTION: of Hamann-Roland, seconded by Bergman, to adjourn. Ayes - 4, Nays - 0.

The meeting was adjourned at 6:24 o'clock p.m.

Respectfully Submitted,

/s/ Pamela J. Gackstetter

Pamela J. Gackstetter, Secretary

Approved by the Apple Valley Economic Development Authority on 2-3-11.