

ECONOMIC DEVELOPMENT AUTHORITY
City of Apple Valley
Dakota County, Minnesota
October 7, 2010

Minutes of the special meeting of the Economic Development Authority of Apple Valley, Dakota County, Minnesota, held October 7, 2010, at 6:00 o'clock p.m., at the Apple Valley Municipal Center.

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

ABSENT: None.

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

President Severson called the meeting to order at 6:25 p.m.

APPROVAL OF AGENDA

MOTION: of Grendahl, seconded by Hamann-Roland, approving the agenda for today's meeting as presented. Ayes - 6, Nays - 0.

MINUTES

MOTION: of Hamann-Roland, seconded by Goodwin, approving the minutes of the special meeting of September 13, 2010, as written. Ayes - 5, Nays - 0 - Abstain - 1 (Grendahl).

CEDAR AVENUE TRANSITWAY FUNDING

Mr. Lawell said staff has been working to identify the funding needed for the Cedar Avenue Transitway improvements. Most of it will come from Tax Increment Funding (TIF). Staff worked with the City's bond counsel on the wording of the resolution.

Mr. Blomstrom reviewed his memo dated October 4, 2010, regarding the funding for Cedar Avenue Transitway. The City's portion of the project is estimated at \$3,735,000. The project will be bid later this month and no surprises are anticipated. The proposed funding sources are \$3,020,000 from TIF, \$600,000 from Federal Transportation Enhancement Funds, and \$115,000 from the Electric Franchise Agreement.

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Commissioner Grendahl asked if the City already has the \$115,000 proposed to be funded from the Electric Franchise Agreement or if that amount will be collected in the future.

Mr. Hedberg stated the City currently has those funds.

Commissioner Bergman questioned if the LED lights recently tested will be incorporated into this project.

Mr. Blomstrom stated they will not be included. The consultant did not support use of the LED lights at this time because a full deployment on roadways such as this has not been thoroughly tested.

MOTION: of Goodwin, seconded by Bergman, adopting **Resolution No. EDA-10-4** amending the Master Development Program for Master Development District and Amending the Tax Increment Financing Plan for District No. 13. Ayes - 6, Nays - 0.

ECONOMIC DEVELOPMENT RESOURCES FOR OTHER PRIORITIES

Mr. Lawell reminded the Board there are currently three Tax Increment Financing Districts. Per the direction at the last Economic Development Authority meeting, staff worked to identify how funds could be allocated towards the projects identified as priorities. He stated that this afternoon staff met with Mr. Fischer and Mr. Duffy and agreed to the terms for the final payment under the Fischer Market Place Redevelopment Assistance Agreement.

Mr. Hedberg reviewed the Tax Increment Financing presentation. On October 7, 2010, the Board identified Cedar Avenue, the Fischer Market Place Redevelopment Assistance Agreement, 147th Street – Johnny Cake Ridge Road/Pilot Knob, 147th Street – Flagstaff Avenue/Johnny Cake Ridge Road, and Flagstaff Avenue as priorities for funding resources. He presenting information on how the existing TIF District resources could be applied towards the projects identified as priorities. The resources total \$9,810,000, and projected uses total \$8,439,000, resulting in uncommitted funds from existing resources of \$1,371,000.

Mr. Nordquist reviewed the Founders Circle proposal, which is a 240-unit market-rate apartment building on the south side of Founders Lane. He stated the potential developers are trying to negotiate a purchase and requested assistance of \$6 million to help solve the high front-end costs. He talked about the existing obligations on the property. Although there is only one project pending, the developers are hoping over time to develop the remaining parcels. The current project, estimated at \$35 million, would comply with the approved plan. Mr. Nordquist suggested use of \$1.3 million from TIF District No. 13 and \$2 million from the creation of a new district.

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Commissioner Grendahl said she would not object provided the Board does its due diligence. She questions any developer's finances in this market and stated she would like to see the developer's numbers.

Mr. Nordquist agreed that due diligence is essential and noted there is still a "but for" requirement in the statute.

Councilmember Grendahl asked if the project is owner occupied.

Mr. Lawell stated it is a rental product.

Commissioner Grendahl recommended staff study how much rental the City needs and/or wants.

Commissioner Goodwin said he is willing to use TIF financing to get something going in the Central Village. However, he hopes it is nice looking. He asked if it was rental only.

Mr. Nordquist stated the developer is looking at market rate rental.

Commissioner Bergman questioned if it could eventually be owner occupied. He too hopes to see a good plan. He asked if staff has looked at similar projects in other communities. He would like to get a better feel for it.

Councilmember Grendahl stated that if the City ends up with an over supply of rental the rates go down.

Commissioner Hamann-Roland noted that the original plan was for rental in this area. If the market was different perhaps it could be owner-occupied housing. She also does not want an abundance of rental housing, but feels it is possible for this project to be done well and strategically.

Commissioner Grendahl commented on how the housing may compound the traffic on Cedar Avenue. She asked where the people who are going to live in the rental housing are going to work.

The Board discussed the need for proof of the developer's financial worth.

Mr. Lawell stated it is unlikely the developer would want that information included in a public record. However, staff can ask to see more details regarding their proposed project.

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Commissioner Hamann-Roland said this is the same developer of the Summerhill and Ecumen projects and they are quality projects.

Commissioner LaComb said she thinks the City is fortunate someone is looking at the area. She would like to see more details on the proposed project.

Commissioner Goodwin stated he is not excited about a rental product but realizes it would be difficult to sell high-end condos located next to the Goodwill and a storage facility.

Mr. Lawell said considering the current assessments and existing obligations on the property, TIF could be used to reset the values on the land.

Commissioner Grendahl asked how long it would be before taxes are collected if a new TIF District is created.

Mr. Lawell responded nine years.

Commissioner Hamann-Roland said this area was previously set to be rental. She believes this developer will build a quality product. She added that there are businesses in this area that would benefit from the people that would live there.

Commissioner Grendahl stated Kingston Green did not receive Tax Increment Financing. She questioned if this development will take renters away from Kingston Green. She does not want to see huge vacancy rates. She further stated she does not see the equity.

MOTION: of Grendahl, seconded by Hamann-Roland, approving the use of the existing Tax Increment Financing (TIF) resources as presented for Cedar Avenue, the Fischer Market Place Agreement, 147th Street – Johnny Cake Ridge Road/Pilot Knob Road, 147th Street – Flagstaff Avenue/Johnny Cake Ridge Road, and Flagstaff Avenue, and directing staff to gather additional information regarding the Founders Circle proposal.

Commissioner Hamann-Roland asked if the proposed developers of Founders Circle have timelines that should be considered.

Mr. Nordquist responded that the developers are under tight timelines. If everything falls into place, they could become property owners by the end of the year.

Vote was taken on the motion. Ayes - 6, Nays - 0.

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Mr. Lawell said the resolution distributed prior to the meeting reflects the final payment due to Fischer Market Place, LLP, after the final accounting of the Tax Increment Financing Revenue Note, and the amount agreed to by Mr. Fischer earlier today. He stated that both the Economic Development Authority and the City Council will need to approve this final payment.

MOTION: of Goodwin, seconded by Grendahl, adopting **Resolution No. EDA-10-5** authorizing final payment to Fischer Market Place, LLP, pursuant to the EDA Note and Agreement. Ayes - 6, Nays - 0.

TWIN CITIES COMMUNITY CAPITAL FUND (TCCCF) UPDATE

Mr. Nordquist said the Twin Cities Community Capital Fund (TCCCF) Board of Directors recently dissolved the fund. The City of Apple Valley is expected to receive a refund of approximately \$90,000.

Commissioner Grendahl stated she had concerns regarding participation from day one. She asked if anyone from Apple Valley ever utilized the funds.

Mr. Nordquist responded no.

Councilmember Grendahl noted the City lost \$10,000 and no one Apple Valley participated in the program.

MOTION: of Hamann-Roland, seconded by Grendahl, to adjourn. Ayes - 6, Nays - 0.

The meeting was adjourned at 7:15 o'clock p.m.

Respectfully Submitted,

/s/ Pamela J. Gackstetter

Pamela J. Gackstetter, Secretary

Approved by the Apple Valley Economic Development Authority on 11-4-10.