

Agenda

Minnetonka Economic Development Authority

Monday, Feb. 25, 2019

Following the Regular Meeting

Council Chambers

1. Call to Order
2. Roll Call: Ellingson- Happe-Schack-Calvert-Bergstedt-Wiersum
3. Approval of Agenda
4. Approval of Minutes:
5. Business Items:
 - A. Item related to tax increment financing for Marsh Run and update on development

Recommendation: Direct staff to continue negotiations with the Developer to determine if a mutually acceptable agreement can be negotiated. (4 votes)
6. Adjourn

EDA Agenda Item #5A
Meeting of February 25, 2019

Brief Description: Item related to tax increment financing for Marsh Run and update on development

Recommended Action:

1. Direct staff to continue negotiations with the Developer to determine if a mutually acceptable agreement can be negotiated.

Background

Marsh Development, LLC (“Developer”) has proposed a development at 11706 and 11650 Wayzata Blvd. and has requested tax increment financing for the development. A public hearing for the tax increment plan was originally scheduled for Feb. 11, 2019 and was continued to Feb. 25, 2019. The city’s development counsel, Julie Eddington of Kennedy & Graven, has provided a memorandum with an update on the status of negotiations with the Developer, which is attached.

Staff proposes to continue negotiations with the Developer to determine whether a mutually acceptable agreement can be negotiated.

Recommendation

1. Direct staff to continue negotiations with the Developer to determine if a mutually acceptable agreement can be negotiated.

Submitted through:

Geralyn Barone, City Manager
Julie Wischnack, AICP, Community Development Director

Originated by:

Alisha Gray, Economic Development and Housing Manager



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February 21, 2019

Julie Wischnack
Community Development Director

Alisha Gray
Economic Development and Housing Manager
City of Minnetonka
14600 Minnetonka Boulevard
Minnetonka, MN 55345-1502

Re: Marsh Run Project

Dear Julie and Alisha,

At its meeting on December 17, 2018, the City Council approved a proposed Contract for Private Development between the City, the EDA and Marsh Development, LLC (the "Developer") pursuant to which the Developer agreed to construct an apartment complex with 175 units. The proposed contract provides for tax increment assistance to be provided to the Developer in the amount of up to \$4,800,000 if the Developer maintains 20% of the 175 housing units in the project as affordable housing to families at or below 50% of the area median income and if rents in the affordable units are restricted to 30% or less of the area median income.

The Developer requested that the proposed agreement be presented to the City Council in December so that the Marsh Run project could obtain planning approvals before the end of the year (a) to avoid the moratorium on changes to the comprehensive plan, and (b) because a commitment to affordable housing with the Marsh Run project was required for planning approval. The Developer also indicated that it had to conduct a closing of the property by the end of the year. To accommodate the timing concerns of the Developer, staff informed the Developer that the public hearing and approval for the tax increment assistance would have to be scheduled later and the proposed contract would likely need revisions. The Developer had not reviewed or agreed to the proposed contract at the time it was presented to the City Council.

After the City Council meeting on December 17, 2018, Ehlers completed its work on the tax increment assistance and drafted the tax increment plan and other necessary documents to create a tax increment district. In addition, city staff and the city's consultants worked with the Developer to discuss and negotiate changes to the proposed contract to, among other things, conform the proposed agreement to the analysis by Ehlers of the tax increment assistance necessary for the project. City staff, the city's consultants, and the Developer intended to complete negotiations regarding those items and present a revised form of the proposed contract to the City Council for consideration at the same time as the tax

increment documents. The public hearing for the tax increment plan was originally scheduled for February 11, 2019 and was continued to February 25, 2019 because the revisions to the proposed contract were not finalized before the February 11, 2019 City Council meeting.

During the continued negotiations between staff and the Developer related to the tax increment assistance, the discussion centered on ensuring that the Developer receives only enough subsidy as is required to provide the affordable units. The negotiations between staff and the Developer have stopped and the Developer has requested that the City instead enter into the proposed contract approved in December but without the rent restrictions required by that proposal. This request materially alters the proposal approved in December. If affordable rents are not required, the City and EDA should receive other concessions from the Developer, such as the inclusion of a look back provision to ensure that the Developer is not receiving more tax increment than is necessary to provide the affordable units.

Please contact me with any questions you may have prior to the City Council meeting.

Sincerely,

Julie Eddington