1. **Call to Order**

Schneider called the meeting to order at 6:41 p.m.

2. **Pledge of Allegiance**

All joined in the Pledge of Allegiance.

3. **Roll Call**

Council Members Tony Wagner, Bob Ellingson, Dick Allendorf, Patty Acomb, Brad Wiersum, Tim Bergstedt and Terry Schneider were present.

4. **Approval of Agenda**

Acomb moved, Bergstedt seconded a motion to accept the agenda, as presented with addenda to items 13A, 13B, and 14A. All voted “yes.” Motion carried.

5. **Approval of Minutes: March 2, 2015 and April 6, 2015 minutes**

Wiersum moved, Allendorf seconded a motion to approve the March 2, 2015 minutes. Ellingson, Allendorf, Acomb, Wiersum, and Bergstedt voted “yes.” Wagner and Schneider abstained. Motion carried.

Wiersum moved, Allendorf seconded a motion to approve the April 6, 2015 minutes. Wagner, Ellingson, Allendorf, Acomb, Wiersum, and Bergstedt voted “yes.” Schneider abstained. Motion carried.

6. **Special Matters:**

**A. Proclamation declaring April 22, 2015 as Earth Day**

Acomb read the proclamation.

Wiersum moved, Wagner seconded a motion to approve the proclamation. All voted “yes.” Motion carried.

**B. Proclamation declaring April 24, 2015 as Arbor Day**

Wiersum read the proclamation.
Berqstedt moved, Wagner seconded a motion to approve the proclamation. All voted "yes." Motion carried.

C. Presentation of Tree City USA 20 year award

City Forester Emily Ball made the presentation.

7. Reports from City Manager & Council Members

City Manager Geralyn Barone reported on the schedule for upcoming council meetings.

8. Citizens Wishing to Discuss Matters not on the Agenda

No one appeared.

9. Bids and Purchases:

A. Joint Powers Agreement (JPA) for the acquisition of structural firefighting self-contained breathing apparatus (SCBA)

Barone gave the staff report.

Wagner moved, Acomb seconded a motion to award the contract to Clarey's Safety Equipment for Scott SCBA on behalf of the joint powers agreement. All voted "yes." Motion carried.

B. Bids for 2015 Street Rehabilitation Project No. 15401

Barone gave the staff report.

Schneider noted he received comments from Crowne Hill Road residents who wanted to meet with staff as the details for the new trail are worked through. Barone said staff met with the residents earlier in the day.

Allendorf moved, Wiersum seconded a motion to award the contract and amend the CIP. All voted "yes." Motion carried.

C. Bids for Replacement of the Ice Arena Refrigeration System

Barone gave the staff report.

Wiersum moved, Wagner seconded a motion to award the contract to Total Mechanical and reject the alternate bids. All voted "yes." Motion carried.
10. Consent Agenda – Items Requiring a Majority Vote:

A. Telecommunications lease with Verizon for Tanglen water tower

Allendorf moved, Acomb seconded a motion to approve the lease. All voted “yes.” Motion carried.

B. Fifth amendment to site lease with New Cingular Wireless PCS, LLC for Ridgedale water tower

Allendorf moved, Acomb seconded a motion to approve the fifth amendment to site lease agreement. All voted “yes.” Motion carried.

C. Orders for liquor license stipulations

Allendorf moved, Acomb seconded a motion issuing the Findings of Fact, Conclusion, and Orders for Big Thrill Factory, Haskells, Jimmy’s and the Sheraton Hotel. All voted “yes.” Motion carried.

D. Resolution approving preliminary and final plats for Congregation Hill, a three-lot subdivision at 2051 Meeting Street

Allendorf moved, Acomb seconded a motion approving resolution 2015-024 approving preliminary and final plats for Congregation Hill, a three lot subdivision at 2051 Meeting Street. All voted “yes.” Motion carried.

E. Amended and restated Joint Powers Agreement with the St. Paul Port Authority for the PACE program

Allendorf moved, Acomb seconded a motion adopting resolution 2015-025 approving the amended and restated joint agreement. All voted “yes.” Motion carried.

F. Resolution for the Excelsior Boulevard pond outlet

Allendorf moved, Acomb seconded a motion approving resolution 2015-026 accepting plans and specifications and authorizing the advertisement for bids for the Excelsior Boulevard Pond Outlet Project No. 15602. All voted “yes.” Motion carried.

11. Consent Agenda – Items requiring Five Votes: None
12. **Introduction of Ordinances:**

A. **Ordinance rezoning the “Music Barn” properties at 5740 and 5750 Shady Oak Road from R-1, low density residential, to PUD, planned unit development**

Planner Susan Thomas and Community Development Director Julie Wischnack gave the staff report.

Wagner said the pictures indicated the aesthetics of the barn would be reflected. He said there was a town home look to the design. He indicated he would prefer something that blended in better with the barn. He suggested the notification area be expanded to include all of the Beachside neighborhood south of Smetana Road.

Bergstedt said during the concept plan review the council asked the applicant to continue to look very carefully at tree preservation, steep slopes and the other natural resources. He said if the applicant chose to keep the barn he agreed with Wagner it would be best to tie the project in to that. He hoped the barn would be a functional useable piece of the development. He didn’t want the barn kept as an add on.

Schneider said the barn was one of the few that was in good condition. There was some benefit to trying to keep the character. He would be cautious about trying to make the apartment building look like the barn or vice versa. He commended the designer on fitting a fairly good size building into the hill with minimal disruption. He also commended the affordable piece.

Wagner moved. Allendorf seconded a motion to introduce the ordinance and refer it to the planning commission with an extended notification area. All voted “yes.” Motion carried.

13. **Public Hearings:**

A. **Items concerning At Home Apartments at 5709 Rowland Road**

Thomas and Wischnack gave the staff report.

Mike Cashill with At Home Apartments said originally a market rate project was brought forward and it was indicated that affordable housing was a very important aspect to multi-family housing in the community. With the TIF, rent caps for a one bedroom apartment would be around $750. A market rate apartment would be around $1,400. The rent cap for a two
bedroom apartment would be around $850. He noted his company was heavily invested in the community. They owned Chasewood Gates just down the road from this project. The owner equity was just under $3 million.

Alan Spaulding with At Home Apartments said the plan was to run these apartments along with Chasewood Gates as one larger portfolio. The affordable units would provide an entry level product. There are market rate apartments around 20 years old and this proposal would add upscale newer product.

Pete Keely with Collage Architects said when building placement was first looked at it was to be respectful to the wetland areas. The idea was to push the mass of the building further back into the site. The green community's requirements were being met. The courtyard was included to help create the idea of community.

Allendorf asked how the parking would look from Rowland Road. He thought it was a very positive thing that the building was set back. Keely said there would be some parking along Rowland Road. Some of the parking would be pushed back into the internal area. There would be sections of parking. There was a limited amount of parking along the west. Allendorf said he thought the finances related to the TIF were good.

Wiersum asked for more information about how the affordable units would be managed given they were rental units. Would all the units be finished in the same way or would the affordable units look different? Keely said all the units would be finished the same. The 21 affordable units would be floating units with representation of all sizes of units. Wischnack said there would be 20 percent of each type of unit that would be affordable.

Wagner said he was originally worried about parking given the property was pretty isolated with no transit in the area. He noted the traffic study discussed a recommendation for proof of parking. He didn't see that in the staff report. Thomas said a proof of parking requirement was not in the staff recommendation because it was questionable where on the site additional parking could be accommodated. Information from the transportation engineers as well as previous approvals led to staff's comfort with the parking rates for this proposal. Wagner said he trusted staff's judgment but noted of the developments listed in the staff report this one was the only one that would not have transit.

Wiersum said this was a nice project but there were two things that concerned him the most. He said the $2.5 million in TIF was only providing 21 affordable units. This equated to almost $120,000 per unit. This was a
lot of taxpayer money. Staff provided a chart showing what was paid in the past. This indicated what was being paid for the project would be similar to what was paid for Tonka on the Creek. For Tonka on the Creek there were 20 affordable units with $2.28 million in TIF. This equated to almost $114,000 per unit. The real estate market has improved yet when he looked at the acceleration in the cost per unit of rental TIF, it was two times a few years ago. The city was paying a lot for the units. He said this raised a question the council had to discuss. The council supported and believed in affordable housing but it shouldn't just act like affordable housing at all costs made sense. He noted the construction costs for this project was $192,000 per unit. This meant the city was paying 60 percent of the cost per unit to make them affordable. This was a big number and had to really be considered. For some projects the city might have to question if it would be better off without the affordability in order to look for more cost effective affordability. He believed in affordable housing but he did not believe in affordable housing at all costs.

Schneider opened the public hearing at 7:29 p.m. No one spoke. He closed the public hearing at 7:29 p.m.

Wiersum said he thought it was an attractive building that would add a lot to the city. He agreed with Wagner it would be nice if there was a nearby bus line. The traffic study indicated it would operate and stay at an A level. There was nothing to dislike about the building. His concern was related to the TIF and how much it cost for the affordable housing.

Acomb agreed with Wiersum's comments about the building. It would complement the other apartment buildings in the area. The traffic studies indicated it would not impact the area all that much. There was obviously a need for affordable housing in the community. She was concerned with where affordable housing was built in the city. The city should be mindful to make sure the affordable housing was built in areas where it could provide the most benefit for people on fixed incomes that included options for transit and services.

Ellingson said he was also concerned with putting the affordable housing in an isolated location without public transportation. He noted the property was not close to any village center, businesses, services or public transportation. The city had goals for its planning and the goals were being ignored.

Bergstedt noted the previous proposal was for a senior cooperative. One of the reasons he was excited about the market rate apartment proposal was related to the comments about affordable housing. If it were a senior cooperative he would like it to be near transit, grocery stores, post offices,
banks and things like that. He said this was a very beautiful area that was very accessible for people with their own transportation. He had concerns about the amount of TIF being spent for a worthy cause given the location. He said the design of the building was very nice and he was pleased with the traffic study results.

Schneider said as far as the area being isolated, the criteria for TIF were not qualifying criteria but preferences and priorities. He said the individuals who would rent the affordable units were diverse. There would be people who truly need to rely on transit. Others in the income bracket include social workers, nurses, dental assistants, etc. These people are not dependent on transit but were looking for the quality of lifestyle this building would provide. He noted many communities end up with 120 unit apartment buildings that are all affordable and are located next to transit. This sounds good but was not always the best approach. Having a number of affordable units spread throughout the community gives people in that income bracket opportunities to have different life choices. He said there was no question in his mind that once these units are made available, there will be a waiting list. He didn't see the fact that the proposal did not meet all the ideal criteria for transit oriented development or affordable housing project as an issue because it provides a diversity of opportunity throughout the community for people with lower incomes.

Schneider said the value of TIF was somewhat financial but also somewhat philosophical. In the 1990's the city was getting all sorts of affordable housing subsidized at the $35,000 to $40,000 range that would expire after 15 years. The city switched to a longer term model with the thought being it wanted more permanency and longevity. He said this project would achieve that and he didn't remember any project that was rejected because it did not generate enough taxes. The city has an abundant tax base compared to other communities. In this case the property owners would be paying in the same amount of taxes as if the units were all market rate. They were simply taking some of that tax base to make the 20 units affordable. The project met all the criteria to qualify for TIF and was no different from any other project. There were many communities that really want this type of development but did not have any interested developers.

Wagner said he thought this was a good product. He raised the questions about transit and parking because he was concerned there would not be enough parking for those with vehicles. He noted a lot of the comparison subsidized projects were from the mid 1990's. The rise in construction costs make the subsidies comparable. He was comfortable with the proposal.
Acomb said looking at the information provided by staff the recent Ridge development was more affordable in terms of subsidy per unit. Wischnack said there was a different funding package done at the state level for the majority of the affordability in the project. Seventy five percent of that project was affordable. The gap was filled with city funding. Schneider said there was quite a difference for projects with higher percentage of affordability through tax credits and Minnesota Housing Finance grants. The higher percentage of affordable units, the more funding is available. He said bottom line he trusted the Ehlers evaluation that took a look region wide.

Allendorf asked for more information about the recommendation that included continuing the public hearing. Wischnack the public hearing for the TIF district and TIF plan was being continued. The public hearing for the conduit bonds was being opened. Barone clarified the continuing was from the last meeting and was not to continue to the next meeting.

Allendorf moved, Wagner seconded a motion to
1) Adopt Ord 2015-09 amending the existing master development plan
2) Adopt Ord. 2015-10 ordinance approving a rezoning to remove area from the floodplain overlay district
3) Adopt Res 2015-027 approving a floodplain alteration permit
4) Res. 2015-028 approving final site and building plans, with floodplain setback variances

Schneider opened the public hearing for the conduit bonds at 7:49 p.m. No one spoke. He closed the public hearing at 7:49 p.m.

Acomb asked for the motion to be divided to separate the TIF items. Allendorf accepted the division as a friendly amendment to his motion.

Acomb asked for more information about the housing revenue bonds. Julie Eddington from Kennedy and Graven, the city’s public finance counsel, said At Home Apartments was requesting that the city issue conduit bonds. The approval would be for $17 million. The bonds were allocation bonds. It would not impact the city's ability to issue general obligation debt of its own this year. The city’s finance director had indicated the city would be issuing GO bonds later this year. The issuing of the conduit bonds would not impact the GO bonds. At Home Apartments would be fully responsible for the bond payments. The owners of the development were personally guaranteeing the debt. The city’s bond rating would not be affected. Future costs such as an audit would require the city’s cost to be covered.
Wiersum asked if the reason the issuance of the conduit bonds would not impact the city's ability to issue GO bonds later in the year was because there was sufficient capacity or if there was no effect to the issuing of the conduit bonds on the city's bond rating whatsoever. Eddington said every city was authorized to issue $10 million in bank qualified bonds every year. Bonds issued for 501c3 organizations impact the bank qualification amount. In this case the allocation bonds for affordable housing would not impact the city's ability to do bank qualified bonds later in the year.

Wiersum said even given his comments about the TIF he would support all six items because good projects with affordable housing were hard to come by. He would like future discussion about the per unit TIF costs.

All voted "yes." Motion carried.

Wagner moved, Bergstedt seconded a motion to:

1) Adopt Res. 2015-029 establishing the Rowland Housing redevelopment project, adopting a redevelopment plan, establishing a tax increment financing district and adopting a tax increment financing plan.

2) Adopt Res. 2015-030 authorizing the issuance, sale and delivery of multifamily housing revenue bonds; adopting a housing program; and approving the forms and authorizing the execution and delivery of the bonds.

Wagner, Allendorf, Wiersum, Bergstedt, and Schneider voted “yes.” Ellingson and Acomb voted “no.” Motion carried.

B. Off-sale liquor license for Target Corporation, 4848 Co Rd 101

Wischnack gave the staff report.

Wagner said the council had a good discussion about the policy when it was adopted five years ago. A lot of things including distance and concentration were looked at. The council was divided but the policy was set.

Schneider agreed it was a compromise policy that provided some guidance.

Wiersum said since first class cities in the state were limited to one liquor store per 5,000 in population that same proportion would limit Minnetonka to 10 or 11 liquor stores. When the policy was approved the compromise was to allow 12 liquor stores in the city. His personal view was that the city
was adequately served. He said the policy did the city service by allowing something truly distinctive and unique to be considered.

Gerard Ouedraogo, general store manager for the Target Superstore, said the remodel would be one of the first for the company in terms of liquor stores. The liquor store remodel corresponds with a multi-million dollar remodel of the retail store. The liquor store would be 2,000 square feet. The goal was to provide convenience for Target's guests.

Brittany Kasson, executive team leader at the Target Superstore, said there have been requests from the store's guests to add the convenience of being able to buy liquor while shopping at the retail store.

Schneider opened the public hearing at 8:12 p.m. No one spoke.

Allendorf said it had been a while since the policy had been looked at. It was a divided decision about the policy but the policy was in place and he supported it. He asked staff to look at the policy to provide information about what it really meant to have a "distinctive specialty service, small complimentary part." The words were meant to have meaning when the policy was approved, but it was unclear what they meant now. The policy also included language about being part of a redevelopment project not currently served. He asked for clarification about that as well. He said if there was a policy in place and the council wanted to approve something not consistent with the policy, this might mean the policy should be changed. Barone said the intent based on the previous discussion would be looked at.

Schneider said to a certain extent the language was meant to be vague in order to have flexibility with an evolving industry.

Wagner said at the time the Wine Shoppe was unlike anything else in the city. He recalled the idea was there could be new concepts that could come up that were different from traditional full service stores.

Allendorf recalled the discussion was also about a new area of the city that was not currently served then it would make sense to possibly approve a store for that area. His concern about the language being intentionally left vague was that it would allow the council to make decisions that seemed arbitrary.

Wiersum agreed with Allendorf's comments that since a policy was in place it should be followed. If the council didn't still agree with the policy it should be fixed. He believed the policy did not reflect an intentional vagueness but rather reflected a lack of unanimity and a compromise. He
recalled Pairings was what was being discussed as a distinctive concept. He noted in terms of distinctive concepts Lucid Brewing and selling growlers didn’t exist previously and was approved. He thought the policy worked in terms of opening the doors for distinctive concepts. For him the issue was if allowing a liquor store at Target was a distinctive concept or if the policy needed to be changed.

Schneider agreed the policy wasn’t intentional vague but was vague due to the compromise. There was a tension between those that believed there were enough stores and not knowing what types of things would come forward in the future and not wanting to close the door to innovative new ideas. He said the future discussion should also include the fact the legislature is granting more flexibility with liquor sales.

Allendorf said when the policy was developed five years ago it was based on one specific business wanting to open a store in Minnetonka. That was the context of the policy.

Bergstedt said he wasn’t on the council when the policy was approved but reading the minutes it appeared the decision was made as a compromise that everyone could agree on. The policy was precipitated by an individual store wanting to come in. He said it would have been strange years back if Target had come in with a proposal to sell groceries. Now Target does indeed sell groceries. The retail scene is changing. Minnesota is an outlier in not allowing liquor sales in grocery stores and not being able to sell liquor on Sundays and he thinks eventually that will change. This should factor in the discussion.

Bergstedt moved, Allendorf seconded a motion to open the public hearing and continue it to May 18, 2015. All voted “yes.” Motion carried.

Schneider called a recess at 8:24 p.m.

14. Other Business:

A. Agreements related to the Green Line Extension (Southwest LRT)

Schneider called the meeting back to order at 8:36 p.m.

Barone gave the staff report.

Wiersum moved, Wagner seconded a motion to approve the revised agreements. Wagner, Allendorf, Acomb, Wiersum, Bergstedt and Schneider voted “yes.” Ellingson was excused. Motion carried.
B. Resolution, ordinance, and motions approving items associated with reconstruction of County Road 101 from Highway 62 to Hutchins Drive and new construction at 5735 County Road 101:
   1) Floodplain alteration permit;
   2) Wetland rezoning;
   3) Wetland mitigation plan; and
   4) Tree removal/mitigation

Thomas gave the staff report.

Bergstedt moved, Acomb seconded a motion to
1. Adopt Res. 2015-031 approving floodplain alteration – in conjunction with the County Road 101 reconstruction project – at 6016 and 5609 County Road 101.
2. Adopt Ord. 2015-11 removing areas from the wetland overlay district at 5735 County Road 101 for relocation of the Clear Spring Elementary School bus access.
3. Approve use of BWSR Road Replacement Program Credits for wetland fill at 5735 County Road 101 for relocation of the Clear Spring Elementary School bus access.
4. Approve road reconstruction project landscaping in lieu.

Wagner, Allendorf, Acomb, Wiersum, Bergstedt and Schneider voted "yes." Ellingson was excused. Motion carried.

C. Items concerning construction of a new convenience store/gas station at 3864 Hopkins Crossroad:
   1) Conditional use permit;
   2) Final site and building plans, with setback variance; and
   3) Monument sign variance.

Thomas gave the staff report.

Mark Ogren from Croix Oil Company, 1749 South Greeley Street, Stillwater, said the company owned the property for 15 years and it was a tired asset that needed to be improved to be competitive.

Acomb suggested since there was a nearby bike path that bike racks be included with the improvements.

Wiersum moved, Allendorf seconded a motion to
1. Adopt Res. 2015-032 approving a conditional use permit for a "non-service station retail facility having gasoline pumps" at 3864 Hopkins Crossroad.
2. Adopt Res. 2015-033 approving final site and building plans, with setback variance, for a "non-service station retail facility having gasoline pumps" at 3864 Hopkins Crossroad.

3. Adopt Res. 2015-034 denying a variance to allow copy and graphic, dynamic display, and monument areas exceeding city code allowances on a monument sign at 3864 Hopkins Crossroad.

All voted "yes." Motion carried.

15. **Appointments and Reappointments:** None

16. **Adjournment**

   Wiersum moved, Bergstedt seconded a motion to adjourn the meeting at 8:47 p.m. All voted "yes." Motion carried.

Respectfully submitted,

David E. Maeda
City Clerk