

**MINUTES OF THE  
REGULAR MEETING OF THE  
EDINA HOUSING AND REDEVELOPMENT AUTHORITY  
HELD AT CITY HALL  
SEPTEMBER 8, 1998, 7:00 P.M.**

**ROLLCALL** Answering rollcall were Commissioners Faust, Hovland, Kelly, Maetzold and Chair Smith.

**CONSENT AGENDA ITEMS APPROVED** Motion made by Commissioner Maetzold and seconded by Commissioner Faust for approval of the HRA Consent Agenda as presented.

Rollcall:

Ayes: Faust, Hovland, Kelly, Maetzold, Smith

Motion carried.

**\*MINUTES OF THE AUGUST 17, 1998, HRA MEETING APPROVED** Motion made by Commissioner Maetzold and seconded by Commissioner Faust for approval of the Minutes of the August 17, 1998.

Motion carried on rollcall vote - five ayes.

**RESOLUTION APPROVING REBATE OF TAX INCREMENTS TO EDINA PUBLIC SCHOOLS** Executive Director Hughes reported the Board of Education for the Edina Public Schools has adopted a resolution requesting the HRA rebate excess tax increments resulting from the 1988 excess levy referendum. The amount of the requested rebate is \$20,000.00 for 1997 and \$20,000.00 for 1998. The rebated amounts would be collected only from the Grandview Tax Increment Financing District.

The HRA granted similar rebates to the School District for 1991 through 1996. Rebated funds have historically been used for a variety of projects benefiting both the School District and the City. In 1991, funds were used to re-condition tennis courts at the Community Center. In 1992, rebated funds were applied to the cost of rehabilitating the track at Kuhlman Field. In 1993 and 1994, rebated funds were used for replacing the playing surface at the Field House at Edina High School. In 1995 and 1996, the funds were applied to the resurfacing of the running track at the Edina Community Center and the resurfacing of tennis courts which are also located at the Community Center.

Director Hughes pointed out the School District's Resolution suggests that the rebated funds for 1997 and 1998 be used to resurface the tennis courts at the High School, remodel the concession stand at the Community Center and install a handicap access door at Valley View Middle School. He reminded Council that the requested rebate is for 1997 and 1998 only, and any future rebates will be considered on a year-to-year basis.

Following a brief Council discussion, it was suggested the Edina School District be requested to use the excess tax increments to study and possibly restructure sidewalks around Edina schools.

**Commissioner Maetzold introduced the following Resolution and moved its adoption:**

**RESOLUTION**

**BE IT RESOLVED that the Edina Housing and Redevelopment Authority of Edina, Minnesota, does with this approve rebate of excess tax increments in the amount of \$20,000 from the Grandview Tax Increment Financing District for the year 1997 and \$20,000 from the Grandview Tax Increment Financing District for the year 1998 to Independent School District No. 273, with payment of funds to be made following approval by the Edina School District to study and possibly restructure sidewalks adjacent to schools.** Commissioner Faust seconded the motion.

Rollcall:

Ayes: Faust, Hovland, Kelly, Maetzold, Smith

Motion carried.

**FACILITIES REPORT PRESENTED** Park Director Keprios explained on July 6, 1998, the Council received proposals from a number of Edina organizations for development of the Kunz Oil/Lewis Engineering property. The proposal, "Edina - A Multi-Use Facility for the Millennium" advocated the development of a multi-purpose activity center comprising of gymnasiums, senior center, running track, 50 meter competitive pool, leisure pool, fitness center, attendant locker facilities, showers and toilets. The proposal also included an optional domed facility for indoor soccer, football and baseball. Following the presentation, the Council directed staff to evaluate the proposal and report back at a future Council meeting.

The evaluation process followed was:

1. Meeting with representatives of the Edina Organizations advocating the project,
2. City Council tour of Chaska Community Center, Lifetime Fitness (Plymouth and Hopkins Lindbergh Activity Center),
3. Meeting with school district staff,
4. Survey of other similar facilities, and
5. Contact private health clubs regarding potential partnerships.

<u>FACILITY</u>	<u>SQUARE FEET</u>
• Senior Center	14,400
• Teen Center/Day Care/Administration	10,800
• Four Basketball Courts/Track	36,000
• Mechanical	12,800
• 50 Meter Indoor Competition Pool	17,600
• Indoor Leisure Pool	6,400
• Multi-Purpose Fitness Center	12,800
• Lockers, Toilets, Showers	12,800

- Soccer/Football Dome 80,000

TOTAL 203,600

CAPITAL COST: TOTAL \$20,000,000 (including dome)  
(Approximately \$100 per square foot)

OPERATING EXPENSE: TOTAL \$1 million - \$1.6 million per year  
(Net operating loss \$75,000 - \$275,000/year)

EVALUATION RESULTS:

- Total project cost for community center concept \$22,000,000 - \$24,000,000 (10% - 2% for design, engineering and contingencies)
- Total operating and maintenance expenses likely to be \$1,000,000 - \$1,600,000
- Operating losses could range from \$200,000 to \$400,000/year (closer to \$400K without revenues from dome)

ADVANTAGES:

- TIF eligible project, although TIF funds could not cover the full cost of the facility
- Creates a gathering place for the community which promotes a stronger sense of community
- Provides Senior Center participants easy access to fitness areas and swimming pools
- Could allow Edina residents access to a multi-purpose fitness center, track, 50 meter indoor competition pool and an indoor leisure pool year-round for a daily fee or annual fee
- Could allow Edina residents access to a multi-purpose fitness center, track, 50 meter indoor competition pool and an indoor leisure pool year-round for a daily fee or annual fee
- All facilities would be managed and controlled by one owner, the City of Edina
- Dome could potentially provide a revenue stream to help offset operating losses
- Multi-purpose fitness center would be conveniently located for all facility users
- Indoor 50 meter pool could facilitate all municipally offered swim lessons, which would create more family leisure use and access to the Edina Aquatic Center

ALTERNATIVE CONCEPTS:

- PUBLIC/PRIVATE PARTNERSHIP CONCEPT
  1. Similar to community center concept
  2. Interested parties to date:
    - A. Lifetime Fitness
    - B. Northwest Athletic club

C. Southdale YMCA

3. Could be further studied

• **CITY/SCHOOL DISTRICT PARTNERSHIP CONCEPT**

**CAPITAL COSTS:**

1. 50 meter indoor competition pool at Valley View Middle School, 7,400,000 and \$8,000,000
2. Four gymnasiums, indoor track and multi-purpose fitness center at Edina Community Center - \$3,000,000 AND \$4,000,000

**OPERATING EXPENSE:**

1. 50 meter pool - \$350,000 and \$450,000/year
2. Gymnasiums/fitness center approximately \$274,000/year

**OPERATING LOSSES:**

1. 50 meter pool \$150,000 to \$250,000/year
2. Gymnasiums/fitness center \$109,000 to \$165,000/year

**ADVANTAGES:**

- More accessible for Edina School District
- Additional facilities would enhance the Edina School District sports and physical education programs.
- Could allow Edina residents access to a multi-purpose fitness center, track and 50 meter indoor competition pool year-round for a daily fee or annual fee
- 50 meter pool could facilitate all City swim lessons; create more family leisure use and access to the Edina Aquatic Center
- Both facilities would utilize existing school property, thus leaving more private land on the tax role and eliminate land costs for the new facilities
- Addition of an indoor 50 meter competition pool could potentially eliminate one of the school district's two indoor 25 yard pools
- Although the joint school/City cooperative could allow for shared operating expenses, a disadvantage of this concept is the potential loss of the City's control of access to the facility
- The Edina School District may be able to provide management of the facilities
- The costs to operate and maintain are incremental additions due to existing facilities and plant operation equipment already on site

• **SENIOR CENTER/LIBRARY CONCEPT**

- Construct senior center and library on Kunz Oil/Lewis Engineering property
- City purchase and remodel existing library for relocated Police Department
- City remodels City Hall

**CAPITAL COSTS:**

- |  |             |
|--|-------------|
| • Senior Center/Library (including land) | \$5,300,000 |
| • Purchase Existing Library              | \$1,000,000 |
| • Remodel Police Department              | \$1,250,000 |

• Remodel City Hall		<u>\$1,800,000</u>
	TOTAL COST	\$9,350,000

ADVANTAGES:

- New Library and Senior Center are TIF eligible projects
- The most urgent City facility needs are addressed
- Close proximity of City Hall and the new Police Station ensure ongoing communication between City departments
- New Library and Senior Center can be integrated into the redevelopment of the Kunz Oil/Lewis Engineering property allowing private redevelopment of the site
- New Library and Senior Center can share space and collaborate on programs and operation and maintenance
- Project is affordable
- Improved identity and visibility of the Senior Center

CONCLUSIONS:

- ◆ The report prepared by the Edina Community Organizations fairly portrays the estimated capital costs of the Multi-Use Facility
- ◆ Additional gymnasium facilities are needed based upon the current and projected level of participation in activities requiring such facilities
- ◆ Costs of operating and maintaining a 50 meter competition pool will probably significantly exceed available revenues
- ◆ Costs of operating and maintaining the gymnasium/fitness center complex will also probably significantly exceed available revenues
- ◆ If the Council wishes to provide additional gymnasiums and/or a swimming pool, such facilities are best located adjunct to public schools
- ◆ A combination Library/Senior Center would provide a desirable public “anchor” for the redevelopment of the Kunz/Oil/Lewis Engineering property

RECOMMENDATIONS:

- ◇ The HRA should proceed to select finalists for the development of the Kunz Oil/Lewis Engineering property
- ◇ The City should study the development of additional gymnasiums and/or a swimming pool with the Edina School District
- ◇ The City should not pursue the development of a domed athletic field at this time

Commissioner Comments

Commissioner Maetzold inquired if a library could be included with the multi-use facility. Director Keprios believed something else would need to be eliminated if a library were included and if it were, spaces for parking would be tight. Executive Director Hughes said if a dome were included, acquisition of the TAGS property would be necessary. If a library/senior center were included, more property would be required. With no dome, perhaps Kunz/Lewis plus the TAGS site might be adequate for the multi-use facility and the library/senior center. Commissioner Maetzold asked clarification if a fitness center

would indicate a positive or negative cash flow. Director Keprios clarified it could be a break-even proposition. Commissioner Maetzold asked for information of the 25 meter pool vs. the 50 meter pool. Director Keprios noted the market is there for a 50 meter pool but would probably not generate a positive cash flow. Commissioner Maetzold asked if funding could come from a levy for both the facility and operating costs. Executive Director Hughes answered levy limits are imposed on us by the Legislature. It is purported that 1999 will be the last year for levy limits unless they are renewed. If the City wanted to levy additional dollars to support the operating losses, the authority could be sought at the same time the levy was asked for and would include the debt for construction. If there were no levy limits, the Council would be empowered to ask for funds on an annual basis.

Commissioner Faust inquired whether the land cost was included in the Edina Community Organizations plan. Director Keprios commented no. The cost, as presented, was only for construction. Commissioner Faust asked for more information on how the Lindbergh Center is run. Director Keprios said staff at the Lindbergh Center made it plain there is a struggle for access time between the city and school.

Commissioner Hovland asked if the community center concept takes all the land out of circulation for a non-public purpose. Director Keprios said, yes. Commissioner Hovland inquired if the cost per household to defray the approximately \$400,000 operating cost loss has been figured out. Director Keprios commented it would be approximately \$40.00 per resident per year. Commissioner Hovland asked if anyone had looked at the proportional loss to the City of tax revenue if the property is used for a public purpose. Director Keprios said he has not done the computations. Commissioner Hovland said in his calculation, the Senior Center/Library would take 1/3 of the property today leaving 2/3 of the property for private taxable property. He asked for more information on the Brooklyn Center operation as their operating losses seemed much less. Director Keprios said some of their losses are their accounting practices as well as it is a smaller facility. Director Keprios noted the Gillette, WY facility is similar to the proposal for the Valley View site except their expenses are minimal as heat for both the pool and building is with coal. Commissioner Hovland asked about the City/School partnership and how solid revenues would be to generate up to \$200,000 per year as noted in the report. Director Keprios said it would need to be very, very aggressive to gain that amount in revenue. Commissioner Hovland said if the existing Valley View pool were to be replaced with a 50 meter indoor competition pool, costs would be less than operating a stand alone pool. Director Keprios said the school is paying for the Valley View pool operation now, and if the expenses were put toward a 50 meter pool, on site, the additional cost would be less than building a stand alone site. The architect proposed an addition to the existing pool. Commissioner Hovland asked how solid the figures for projected losses were for the gymnasium/fitness center. Director Keprios said he was fairly comfortable with the projection. Commissioner Hovland asked if a 50 meter indoor pool could facilitate municipally offered swim lessons, creating more family leisure and access at the Aquatic Center. Director Keprios said attendance is at an all time high at the Aquatic Center. Commissioner Hovland asked if operating costs at \$39,600 at the Senior Center is a good figure. Director Keprios said this is a new cost to

maintain and operate the new facility but programming is already budgeted. Executive Director Hughes said the cost to operate the Senior Center at present is zero. By the year 2000, the School District will be allocating an operating and maintenance cost for the space the Senior Center uses in their building. That cost will be at approximately \$20,000 for rent and incremental costs of \$19,000.

Commissioner Kelly asked how operating losses would be funded. Director Keprios said the cost would need to be picked-up by the City. Executive Director Hughes said four ways exist to potentially cover operating losses, 1) increase in user fees, 2) endowment funding by donations, 3) joint venture with the school and 4) taxes. Commissioner Kelly asked if services would need to be cut if the levy limit stayed the same. Chair Smith said we would need to go for a referendum annually to fund the operating costs shortfall. Attorney Gilligan said one referendum question could be asked covering the length of time the referendum would stay in place. Commissioner Kelly suggested creative funding be included in the original referendum covering self-sustaining funds to cover operating costs. Attorney Gilligan said we can only bond for capital costs, not for operating costs. One question could ask to issue bonds for a certain amount to cover capital costs, another question could be asked to authorize an annual tax levy to cover the operating deficit. Commissioner Kelly said he believes building the pool would be difficult without public/private funding. He asked if there was any plan where the \$40,000 for operation of the Senior Center is going to come from. Executive Director Hughes said no plans are in place but would be the same categories identified for a multi-use facility. Commissioner Kelly said he believes users of the Senior Center would need to offset losses.

Commissioner Maetzold asked what the time frame would be if the two referendums were passed. Attorney Gilligan said he would need to look at the law but he envisioned it to be a 10-20 year term in perpetuity and would require voter authorization.

Chair Smith said he enjoyed the tour the Council took to the different facilities and especially liked the concept of the Chaska Community Center with everything contained in one location. He noted he has received numerous positive communications regarding the Senior Center/Library concept. Chair Smith said his priority list would be, 1) Senior Center/Library, 2) Gymnasium and, 3) Pool. Chair Smith said he is troubled by the pool proponents desire to use the pool for a revenue source but questions where funds would come from to build a pool to begin with. He voiced approval of using the Kunz/Lewis site for the Senior Center/Library concept. He suggested meeting with the School District regarding the potential of building four gymnasiums or a 50 meter pool, but he asked for more definitive information.

Commissioner Maetzold voiced favor of the multi-use concept and said it should be built on one location. It should include, a Senior Center, gymnasiums, community rooms, indoor aquatic center, 50 meter pool, fitness center, youth center, library, and a performing arts center. He believes the City has one chance to meet all the needs in one location. He would support the City operating the Park and Recreation program with no involvement of the School District. Commissioner Maetzold believes putting a

sharp pencil to the proposed figures will make the multi-use facility feasible. He suggested asking the voters.

Commissioner Faust said the community center could cost up to \$27 million, with an operating cost of \$300,000 to \$400,000 loss per year and a loss of tax revenue from property of up to \$250,000 per year. Taking the time to study and putting a pencil to the figures, the City will lose carrying costs on the property for the last year and she voiced concern about how this amount of money could be asked for. She stated she does not believe the citizens will approve this. Commissioner Faust agrees with the Senior Center/Library concept as a perfect public/private use for the land stated and she would approve funding being acquired for four gymnasiums. She suggested this could be in conjunction with the school or could be attached to the Braemar Hockey Rink allowing use of their maintenance facilities.

Commissioner Hovland has dreamt about a fully-built community center at the Kunz/Lewis site. The proposed cost makes him apprehensive regarding operating costs. Funding could come through endowments but he voiced concern with a single facility removing all the potential taxable base. He wondered if the site is the best location for a Senior Center/Library. It was once spoken of as an adjunct to the Southdale "Y" at \$1.8 million and where they would take over the operating responsibilities. Seeing the proposed Senior Center/Library proposal at \$5.3 million makes him want to revisit the "Y" location. He voiced sensitivity to the wants of the Seniors and wants to know which location they prefer. Commissioner Hovland believes the "Y" location would be a better location for public transportation on established routes. He requested additional information on why City Hall needs to be remodeled and believes voters would like more details on space needs from staff. He said a way should be found to creatively find a way to build a pool and basketball courts, whether it involves the School District or the City, through Park and Recreation. An acceptable agreement could work between the School District if their land is used creating a City/School partnership. In the report, staff expressed advantages in using school owned land to keep the costs down. He concurred with Chair Smith that the School District should be approached to see if a satisfactory resolution could be reached for both the City and School District for a commonly built and operated facility both for the gyms and pool. He concluded that as much as he likes the community center proposal, he is reluctant to take it out of the tax roles and use it for one single public purpose, without serious thought.

Commissioner Kelly said practicality is a tough word and often misunderstood. He said as Commissioner Faust proposed, we would arguably be impractical if we committed any public land for any use other than a tax-generating use. Parks are some of the greatest investments ever made but a balance between vision and reality must be sought to come up with a desirable community and one which meets the needs necessary to support current property values. This requires reviewing City amenities periodically to sustain us as a growing and prospering first tier suburb. His vision is to have this type of community center. Maple Grove and Plymouth have the amenities that Edina wants in a community center and an opportunity should be afforded to the

citizens to have a chance to vote on one. Thinking of practicality, Commissioner Kelly voiced concern with how this will be paid for. If there is going to be a community center, it makes sense for it to be a public/private partnership not a public/school partnership because that ultimately comes back to the taxpayers. If hope exists to do a large community center, which he supports, it needs to be a public/private partnership to provide for the operating costs. Commissioner Kelly said it does not seem like a solution to do this piecemeal, funds must be found to operate it. Even if fee were increased for membership at the Senior Center, he reminded the Council that recently it was difficult to get minimum support to fund a bus which was gifted to them. He concluded that a public/private ownership be explored on the Kunz/Lewis site alleviating worries about operating costs for everyone.

Chair Smith commented this would be a \$27 million public/private partnership. Commissioner Kelly said yes.

Commissioner Maetzold said he totally endorsed Commissioner Kelly's approach.

Executive Director Hughes noted if a public/private joint venture were considered, he would urge the Council not to exclude the Southdale "Y" and their facility from consideration. They are the one private organization showing interest but he doubts they would consider developing on the Kunz/Lewis site. He suggested the inquiry not be limited to the Kunz/Lewis property only. He reminded the Council that 10-11 proposals have been submitted and he wondered if it might be advisable to put them on hold and seek two or three private organizations to investigate the public/private concept.

Commissioner Kelly did not intend for RFP's to be done at this point. It would be helpful to use the figures and proposals we have regarding a multi-purpose facility (including the Senior Center), and present it to 1) Southdale "Y", 2) Lifetime Fitness, and 3) Northwest Athletic to see if a public/private partnership would be possible. They may say immediately this would not be a profitable venture and we would have our answer.

Chair Smith inquired about a timeframe from staff. Executive Director Hughes said in order to gain a thoughtful reaction, he suggested six weeks. Commissioner Kelly suggested this public/private concept could be considered without including the library.

Commissioner Faust said she believes the fees at Lifetime Fitness are exorbitant and will be a substantial cost to join and that would not include the monthly fees.

Commissioner Hovland said when staff gave recommendations in the report, he marked his copy of whether a public/private partnership might be explored. The Lifetime Fitness in Plymouth seemed to him to be a private club where the City gave them land. He could not find one thing they had done for the City of Plymouth. He too felt the fees were extraordinary. The place was busy but did not seem like the type of facility we were trying to create with public land. The public/private partnership did look appealing but taking the property out of circulation and turning it into a public use facility with no tax base is still disconcerting. Commissioner Hovland reminded Council of Manager

Rosland's comments after reading Lifetime Fitness' contract and not seeing where the City of Plymouth benefited. He believes determining the terms and conditions to benefit both parties might take an extraordinary amount of time to develop and we do not have that kind of time. He suggested staff could come back in a month rather than the six weeks as proposed.

Chair Smith directed staff to poll the Southdale YMCA , Lifetime Fitness, or Northwest Athletic to consider a public-private partnership to build and operate a community center and to be back before the Council on October 5, 1998, with the results.

**CLAIMS PAID Commissioner Maetzold made a motion approving payment of the following claims as shown in detail on the Check Register dated September 3, 1998, and consisting of one page totaling \$12,017.49.** Commissioner Faust seconded the motion.

Rollcall:

Ayes: Faust, Hovland, Kelly, Maetzold, Smith

Resolution adopted.

There being no further business on the HRA Agenda, Chairman Smith declared the meeting adjourned.

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Executive Director