

THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF BROOKLYN PARK  
AUGUST 19, 2019 REGULAR MEETING MINUTES

I. ORGANIZATIONAL BUSINESS:

1. CALL TO ORDER: President Jeff Lunde at 7:02 p.m.

ROLL CALL PRESENT: President Jeff Lunde, Vice President Lisa Jacobson, Treasurer Wynfred Russell and Commissioners Mark Mata, Terry Parks, Susan Pha and Tonja West-Hafner, Executive Director Kim Berggren and EDA Secretary Theresa Freund

ABSENT/EXCUSED: None.

2. PUBLIC COMMENT AND RESPONSE:

2. A Response to Prior Public Comment: None.

2. B Public Comment: None.

3. APPROVAL OF AGENDA

MOTION LUNDE, SECOND WEST-HAFNER APPROVING THE AGENDA AND PULLING ITEM 4.1 FOR DISCUSSION. MOTION PASSED UNANIMOUSLY.

II. STATUTORY BUSINESS:

4. CONSENT:

- 4.1 Consider Approving the Contract for 2019 Maintenance Investments at the Transitional Housing Facility Located at 7600 69<sup>th</sup> Avenue North to Amani Construction, LLC.

MOTION LUNDE, SECOND WEST-HAFNER, TO WAIVE THE READING AND ADOPT RESOLUTION #2019-15 APPROVING THE CONTRACT FOR 2019 MAINTENANCE INVESTMENTS AT THE TRANSITIONAL HOUSING FACILITY LOCATED AT 7600 69<sup>TH</sup> AVENUE NORTH TO AMANI CONSTRUCTION LLC. MOTION CARRIES (5 TO 2) WITH COMMISSIONERS PHA AND MATA VOTING NO.

5. PUBLIC HEARINGS:

- 5.1 Consider Approving a Purchase and Development Contract Between the Brooklyn Park Economic Development Authority and Christina's Child Care Center, LLC.; Approving Conveyance of Certain Property Located At 7516 Brooklyn Blvd N, and Approving a Business Subsidy.

MOTION WEST-HAFNER, SECOND PHA TO WAIVE THE READING AND ADOPT RESOLUTION #2019-16 APPROVING A PURCHASE AND DEVELOPMENT CONTRACT BETWEEN THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY AND CHRISTINA'S CHILD CARE CENTER, LLC., APPROVING CONVEYANCE OF CERTAIN PROPERTY LOCATED AT 7516 BROOKLYN BLVD N, AND APPROVING A BUSINESS SUBSIDY. MOTION CARRIES (6 TO 1) WITH COMMISSIONER MATA VOTING NO.

6. GENERAL ACTION ITEMS:

- 6.1 Consider Approving Special Benefit Tax Levies for Defraying the Costs Incurred by the Brooklyn Park Economic Development Authority for the Year 2020.

MOTION MATA, SECOND WEST-HAFNER TO WAIVE THE READING AND ADOPT RESOLUTION #2019-17 APPROVING SPECIAL BENEFIT TAX LEVIES FOR THE PURPOSE OF DEFRAYING THE COSTS INCURRED BY THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY FOR THE YEAR 2020. MOTION PASSED UNANIMOUSLY.

- 6.2 Consider Approving Commitment to Participate Financially in the Development of the Center for Innovation and the Arts and Participate in the Development of an Operational Agreement.

MOTION LUNDE, SECOND JACOBSON TO WAIVE THE READING AND ADOPT RESOLUTION #2019-18 APPROVING COMMITMENT TO PARTICIPATE FINANCIALLY IN THE DEVELOPMENT OF THE CENTER FOR INNOVATION AND THE ARTS AND PARTICIPATE IN THE DEVELOPMENT OF AN OPERATIONAL AGREEMENT. MOTION CARRIES (6 TO 1) WITH COMMISSIONER MATA VOTING NO.

- 6.3 Consider Changes to Eligibility Requirements for the Sewer Availability Charge and Water Access Charge Reduction Policy.

MOTION JACOBSON, SECOND PARKS TO APPROVE CHANGES TO ELIGIBILITY REQUIREMENTS FOR THE SEWER AVAILABILITY CHARGE (SAC) AND WATER ACCESS CHARGE (WAC) REDUCTION POLICY. MOTION PASSED UNANIMOUSLY.

- 6.4 Consider Approving the Amended Loan Terms for the \$400,000 Housing Rehabilitation Loan for Reprise Associates LP – Amorce, LLC For Brooks Landing and Brook Gardens.

MOTION WEST-HAFNER, SECOND PARKS TO WAIVE THE READING AND ADOPT RESOLUTION #2019-19 APPROVING THE AMENDED LOAN TERMS FOR THE \$400,000 HOUSING REHABILITATION LOAN FOR REPRISSE ASSOCIATES LIMITED PARTNERSHIP – AMORCE, LLC FOR BROOKS LANDING AND BROOK GARDENS. MOTION CARRIES (6 TO 1) WITH COMMISSIONER MATA VOTING NO.

III. DISCUSSION:

7. DISCUSSION ITEMS

- 7.1 Status Update – Kim Berggren highlighted the following:
- We did have a business use the SAC & WAC Reduction Program since the last meeting. HSIO Technologies, an engineering and manufacturing company, was able to access that program and were thankful to have that benefit as they were moving here.
  - I would like to highlight the CBRE Spotlights Report that we recently saw indicated that Brooklyn Park has increased its industrial base

by 25% in the past five years. We are leading the way and we knew this, but it is nice to see it affirmed by the different data sources that are available around our growth in the industrial space.

- Restaurant Week is coming up September 9<sup>th</sup> to 13. Please follow it and promote it. There are several restaurants here that will be highlighted through that work. This is work the EDA is doing in partnership with the communications team.
- Yesterday was a very exciting five-year celebration for the BrookLynk Program. Thank you to Commissioners Lisa Jacobson and Tonja West-Hafner for attending on behalf of the City Council and EDA. This was a great celebration. As many of you may know the Program Coordinator Luis Salado-Herrera is moving on. We have hired a new manager, Catrice O'Neal who you will be seeing around.
- There is a summary of big things that are happening related to Beyond the Rails Work.
- Cultivate Bottineau flyer is in your packet. We have a couple of events that are coming up in September that promote art and conversations around CITA.

7.2 Housing Update – Erika Byrd highlighted the following:

- We are still working on contracting with the University of Minnesota for the CURA Study on evictions and apartment stability. We had an interview with Minnesota Housing about a potential grant. We will find out about by the end of the month.
- There is some maintenance, deferred work and improvements happening at Huntington Place. I heard they had a great National Night Out. Thank you to the police, fire and city council members who were part of that.
- Staff will be bringing the Tenant Notification Policy to the City Council in September for a public hearing. The City Attorney is currently reviewing the policy.

IV. WORK SESSION: Commissioners recessed at 9:02 pm and reconvened at 9:07 pm in the Council Chambers. This portion of the meeting was not televised nor videotaped. President Jeff Lunde was absent and Vice President Lisa Jacobson presided.

8. WORK SESSION ITEMS

8.1 Update on Opportunity Zone Projects in Brooklyn Park. Breanne Rothstein stated the purpose of this meeting is to provide an update to the EDA on the Opportunity Zone District and the development interest we have in this area.

Back in April of this In April of 2019, EDA directed staff to pursue and bring forward projects that would take advantage of Opportunity Zone funding. An Opportunity Zone is federal legislation that encourages investment in census tracts that were identified through a long process. There are seven census tracts in all suburban Hennepin County that are eligible Opportunity Zones. For Hennepin County, it is a unique opportunity if you have one of those census tracts identified. Brooklyn Park has one and this is the outline of the census tract. It goes from Zane Avenue North to Noble and 85<sup>th</sup> Avenue North to the creek. This census tract represents an area that was identified through a state process and approved by the federal government as our Opportunity Zone.

What that means is that outside investment is encouraged through several different options:

- Investor eligible new development is the one that gets primarily discussed and is the main interest in our site. Why I say investor eligible is because this relies on a model where you are looking at loan and equity to come together to do a development and then lease the space. It is very hard for an owner and operator to take advantage of this outside equity because it really relies on a lease model.
- The second option for accessing Opportunity Zone funds is through substantial rehab. This is also a difficult standard to meet because to do a rehabilitation project you must invest 50% of the total market value of the building on the site. So, there might be a project that comes forward over time that meets that criteria, but it is hard to see outside investors essentially doubling the value of a building in this area.
- Finally, Opportunity Zone funding can be used for new business ventures. This isn't something we have seen or heard a lot about. It is something that the federal government anticipated being able to access the equity from Opportunity Zone funds to foster business development too. This is something where we are continuing to learn more about and hopeful that we will be able to access within this area in the future.

Opportunity Zone funding is basically a tax shelter for capital gains. Any investor or group of investors that have capital gains on a real estate deal or on a stock market sale can invest those dollars into development in these areas and avoid capital tax gains. This is a very simple explanation of it. We are seeing a lot of Opportunity Zone funds popping up and having significant dollars to invest in these areas. Because of that and the market improvements both within Brooklyn Park and the region we are seeing and hearing a lot of interest in our Opportunity Zone site. The EDA owns most of the available land for development in the Opportunity Zone. So, it is really a unique time where the EDA can put in its resources and leverage this land in order to leverage the investment in the Opportunity Zone funds.

As you have heard tonight Christina's Daycare is one of the sites in the Opportunity Zone that is being developed. It will not take advantage of Opportunity Zone funds because it is an owner operator model.

The second site is Devean George's mixed-use development. You may have seen the video that he put out talking about his proposal. He is doing community engagement through that video. The link to the video was sent out to council members by email and it will be shared through social media as well. We do anticipate that Opportunity Zone funding would be likely in that development. Although we have not seen a detailed proforma for that project to date.

The third site is the topic of conversation for the next work session item. A multi-family housing developer, Roers is proposing a mixed-use development on the southeast Welcome site and that is a project that plans to take advantage of its own Opportunity Zone capital.

Finally, on the Regent Site we do have developer interest in doing a development on that site and taking advantage of the Opportunity Zone fund.

Both representatives from Roers and John Opara who is interested in developing the Regent site, are present in the room tonight. Staff wanted to provide an opportunity for them to hear the conversation and show their interest in developing this area by being here tonight. I will turn the meeting over to Kim Berggren and Jen Jordan will provide a more detailed review of the Roers project.

Kim Berggren stated we are happy to take questions on what the status of the projects are and if you have some initial reactions to where we are at and where we are going. This would be a great time to hear that feedback. We anticipate that John Opara is going to be bringing forward a proposal on the larger Regent site and it may or may not include the entire site. If there is any interest of the EDA talking about the different strategies for developing that site, we could talk about that tonight as well. Whether there is a desire to have a developer that can take the whole site at once or if we are willing to play more of a development role and plan for the site and break off pieces of the site that could be sold for development. We are bringing this up now, but it is not something we had suggested as an option in the past. Given that we are in this window of time where we have a unique opportunity to take advantage of the Opportunity Zone and we also have a developer that is interested and seems to have a viable team that may be interested in a portion of the site we wanted to bring up this idea here before we went down the path too far.

Commissioners provided feedback to staff on the sites. There was concern about rental being built in that area due to history.

- 8.2 Discuss a Proposal from Roers Companies for the Purchase of EDA owned land at 7601 Brooklyn Boulevard to Construct a 150 Unit Mixed-Use Development – Jennifer Jordan stated this is a rendering of the type of development they would be building. It is not what commissioners saw at Mezzo, but it is attractive and durable. It would be similar to a project they completed in Ames Iowa and the finish level they would expect to complete for this project in Brooklyn Park. There would be an amenity package, however it would not be the amenity package you saw at the Mezzo Apartments. It would be something that is attractive and a different product than what is currently available in that area of the city today.

Breanne Rothstein added they are meeting the mixed income housing policy as proposed but their market rate rents are just above that 60% AMI level because there hasn't been new multifamily housing built in this area. They are anticipating, although conservative estimates for what rents they will be able to receive. So, the subsidy that is being requested is based on the market rate rents being close to 60% AMI, maybe 70% AMI. If those rents are exceeded, we could put in the terms of the development agreement that some of the subsidy could be recaptured as we have in previous developments. I would add that if the market rate rents aren't

what would be needed to have a subsidy free development which would be close to \$1,900 to 2,000 for a two bedroom and up for three bedrooms. The cost of construction and the cost of money is such that it takes a lot of rent to have these projects be subsidy free.

Kim Berggren stated that this project could be structured similarly to the Doran project. It would be structured based on conservative rents but if those rents do go up, we would recapture and not pay out as much of the assistance. It is my understanding that it would be their intention to have this be a long-term ownership. Our multifamily housing guidelines that were established by a task force, that talked over a year after many other studies in 2009 and 2010, recommended local ownership, smaller buildings, having amenity packages that are distinct from the existing housing stock and product that is currently not available to really mix up the unit types across the city and geographic distribution of affordable housing. Staff is consciously looking at those guidelines as we are talking to developers and referencing them as well.

Jennifer Jordan informed commissioners that the next slide shows the initial request, and this is our starting point. If the EDA says no go, not interested than that is fine. If commissioners want us to pursue it, staff will start the negotiation process of how we can refine this TIF ask. Eligible TIF costs would be acquisition and structured parking. That would be a major use of the TIF funds for this development. They do show in some of their preliminary renderings surface parking, which I believe will be just for visitors and the majority of parking will be for residents in structured underground parking. In talking initially with Ehlers, the best source for this development would be using TIF 3 cash. We want to make sure that we are working with our development partners wisely and we don't want to waste the EDA's time if it is not something you want to pursue. I think it is fortunate that we do have quite a bit of developer interest in this area because of the Opportunity Zone and this is something we can really capitalize on, but it won't be without assistance. That is where we are coming from. If you want us to proceed and work on the finding that number, we are happy to do so but if it is simply a land use and direction you don't want to go, we can continue to hold onto the property.

Breanne Rothstein reported Opportunity Zones are placed in areas that lack investment. They pick zones to spur investment and the investment is in lease space. Whether that is housing or commercial it is leased space that investors are going to invest in. It wasn't that they targeted low income neighborhoods. It was that they were looking to spur economic development in an area that had not seen it nor will see it likely in the future. So, I think this zone meets that definition but given the history of the land uses and all the dialogue and the challenges with that dialogue it makes sense that there would be that. If housing is off the table for that area, our challenge is to go back and talk to the market about it. The commercial opportunities on the Welcome sites in particular are going to be low density, one story, 10,000 square feet to maybe 20,000 square feet and with a two-

acre site from a land use perspective and development guidelines it doesn't make sense. If commercial is what is desired there that would be what you would be looking at.

Some commissioners expressed concern of rental in the area and one-bedroom studios. Could this project be north of 610, maybe on the former park and ride location. Breanne Rothstein stated that the multifamily housing market is very hot and especially if there is a land contribution in the mix there would be a variety of developers that would be interested in that. The purpose of this conversation is talking about Brooklyn Boulevard and the Opportunity Zone. Certainly nothing potentially would keep a developer away from being interested, especially if the EDA owned the land.

Staff hasn't done a full market study of demand in the area. You could look at market trend reports, you could look at the rent increases among certain types of units and then the scarcity of the units. Studios is what the development community is telling us is most in demand because there are none and they are the most affordable. Our Comp Plan says we need or should be looking at 490 units of affordable housing for about 30% AMI. That is almost impossible to do. We know we need more affordable units, smaller units are more affordable, and we don't have a lot of studios. That is what the market regional trends are saying, those aren't just Brooklyn Park trends. The reason two and three bedrooms are not demanded is because they are too expensive. They would require significant subsidy.

Brooklyn Park has more than the metro average number of families. In the metro the fastest growing households are single person households. There are not that many studios. Single person households do not demand a lot of space. They would rather pay less for a 600 or 700 square foot apartment than pay more for a 900 to 1,000 square foot apartment. However, in Brooklyn Park that doesn't necessarily hold up. We have more than the regional share of families. We have a ton of children and teenagers. As they age into adulthood, they will be looking for their own place to stay if they can afford it. The reason people are doubling up is they can't afford a place. Affordable housing is reaching a crisis level in the metro. Brooklyn Park has a lot of it right now but that is probably rapidly changing because it is all market rate. Right now, we have an abundance of one-bedroom affordable housing in that neighborhood but what is it going in five years or ten years. We are before you tonight because people are asking us to do. We wanted to bring you these projects and give you the opportunity to provide us direction.

Kim Berggren informed commissioners that staff is anticipating other projects around the city moving forward. We are prioritizing this conversation given the timeframe of the Opportunity Zone. If we are going to take advantage of the Opportunity Zone, we want to do it soon. That is why this is a priority conversation today. The North Hennepin College site they want to proceed on that would be proposing a higher level of affordability and that will be a conversation with commissioners on how

much affordability will you allow for that particular project. We have other sites that the EDA owns like the MNDOT site, land over by Oxbow Lake so there are a lot of opportunities to introduce housing. If you think about the EDA's history, we did have the Doran project several years ago and that project was really about providing high rents in the northern part of the community in hopes that it would allow additional housing to come into the market and that did happen. There is another proposed project that hasn't started construction yet on 93<sup>rd</sup>. We have those two apartments and we haven't seen any other apartment development. If you think about the narrative of Brooklyn Park and all of the apartment housing units from the 1960s and 1970s. Now, we are talking about 2019. There has been so much time in between.

Kim Berggren asked commissioners to think about what they would like to have happen in the Village area in the next five years. That is the challenge for the EDA right now. There is always the option of doing nothing. That has been the EDA's approach for the last ten years. If commissioners want to have something happen, we have ideas on how that can happen right now. I would like to put this conversation on hold and have you think about it for a bit. Staff will work with the developers based on what we have heard tonight. We can circle back on this again at the next EDA meeting.

Kim Berggren reminded commissioners that one challenge with these parcels is that they were purchased with TIF funding. They can't be converted especially the Regent site, to recreational uses without paying back those TIF districts. There is a way, but it would be expensive. The parcels were purchased for redevelopment not for public use.

Throughout the discussion commissioners provided feedback to staff. Breanne Rothstein thanked commissioners for their feedback. We will continue to move forward on the two Welcome sites and continue to work with the developers who are interested in the Regent site on alternatives.

## V. ADJOURNMENT

Meeting adjourned at 10:08 p.m.

Respectfully Submitted  
EDA Secretary Theresa Freund