

Jt. Council/Port Authority Meeting #32
Tuesday, November 14, 2006, 5:30 pm
Bloomington Civic Plaza
1800 West Old Shakopee Road
Bloomington, Minnesota 55431-3027

Call to Order

Mayor Gene Winstead called the City Council meeting to order and Robert Erickson called the Port Authority meeting to order at 5:41 p.m.

Roll Call

Present: Mayor Winstead and Councilmembers R. Axtell, S. Elkins, A. Grady (*arrived at 5:45 p.m.*), K. Nordstrom, and S. Peterson.

Absent: V. Wilcox.

Port Authority: Chair Bob Erickson and Commissioners R. Collins and A. Grady (*arrived at 5:45 p.m.*)

Absent: Commissioners D. House, T. Keller, and V. Wilcox.

MOA Legislative Strategy Discussion

Clark Arneson, Assistant City Manager stated the purpose of this joint meeting between the City Council and the Port Authority is to develop a 2007 legislative strategy relating to the Mall of America and to determine if both bodies desire staff to pursue legislative authority for an extension with regard to Mall of America Phase II. If so, do they want to affirm, amend or rescind the past Legislative session's Mall of America Legislative Policy that was adopted on May 15, 2006. He reviewed four possible strategies:

- Limited Development Option: (*Accept the 2-3 million square feet of development that is currently on the table and that could be done today but doesn't accomplish the big picture.*)
- Maximum Development Option I: (*Support maximum development of 5.6 million square feet – based solely on local financing sources, which would be cost prohibitive for the City.*)
- Maximum Development Option II: (*Support maximum development of 5.6 million square feet utilizing a modest extension and State resources.*)
- Strategic Development Option: (*Utilizing State resources and trying to fit that to the amount that is financially feasible for the City & the Port Authority, which leaves the contract as it is.*)

Arneson stated City staff is recommending Option D, a modest Tax Increment Financing (TIF) District amendment (up to 7 years) only to Mall of America Phase II, not to Phase I, and proceeded to review the conditions, all of which would apply to Options A-D. At City Manager Mark Bernhardson's request, he explained how the \$4.8 million Fiscal Disparities repayment would impact individual homeowners. He stated another condition staff would like continued concurrence on is that there is no casino gaming at the Mall. Referencing the Springsted letter, he reviewed the summary on page 4; explaining it's a work in progress. It's a follow-up to the one Council received in May with some changes and an adjustment for inflation. He stated to make the 3.1 million square foot development work, the City needs a 7-year extension to the Phase II TIF District. Using a pie chart, he explained the impacts the State's 2001 Tax Reform that was implemented in Minnesota had on the City's taxes payable 2002. He stated if not for this tax law change, the City would not be requesting State assistance.

Council and Port Authority members presented the following questions and Arneson responded accordingly:

- Would the 2001 pie chart figures have allowed for 5.6 million square feet of development? (It would be close – we'd be in the ballpark.)

**MOA Legislative
Strategy Discussion
continued**

- With regard to page 1 of the Springsted letter, is counted value the actual cost?
(There is no correlation between counted value and market tax value. Counted value is in the contract – it’s all the hard and soft costs; engineering fees, surveying fees, site grading, etc.)
- Will a minimum assessment figure be set in the TIF?
(Bond counsel has advised the City not to do that.)

There was considerable discussion regarding the revenues from the City’s liquor lodging tax and how and where they would impact MOA Phase II and how the Mall’s existence has benefited not only Bloomington but the entire State. The possibility of a casino at the Mall of America in Phase II was also discussed. Council restated its previous position on this issue regarding the costly social impacts a casino could have on Bloomington. It was also stated the State and/or the Mall could propose a casino as a means to carry the non local share of MOA Phase II so it would be wise for the City to have a strategy ready should this happen.

Arneson stated the next step for the Council and Port Authority is that both boards will be requested to approve the MOA Phase II plans on November 20 with MOAC going forward with some development related activities, if they prevail. He stated after November 20, Council will be asked to state its position on the legislative and financing strategy relating to MOA Phase II and that staff’s recommendation is Option D: “In the City’s (City Council and Port Authority’s) judgment, support a Development of up to 5.6 million square feet that is “right-sized” to maximize benefits consistent with both (the amount the State will financially support beyond the amount of City/Port resources available) and minimize financial and infrastructure timing risks. (Modification of the May 15, 2006 Legislative Policy.)

- Public investment formula remains per Contract.
- Modest TIF adjustment to MOA II to recognize Airport delay (up to 7 years) (not MOA I).
- City/Port support for State funding limited to extent project is feasible for City.
- Validation by City/Port of project and developer’s financing feasibility.
- Developer provides “Guarantee to Proceed” (Financing and Construction Start).
- Public infrastructure scaled and timed to development.”

Winstead commented if the Council chooses Option D, the City would be supporting the Mall’s efforts at the State level for financing.

Collins inquired as to what “both” refers to in Option D.

Arneson explained that “both” refers to the State and the City and Port resources collectively. As this progresses, he stated the City will have a better idea of what the State and City resources are and what the correct level of development will be. Option D indicates the City will support the right level of development in Bloomington.

Peterson commented that discussions relating to financing of Phase II should take place at a public hearing, as there needs to be a process regarding this part of the discussion.

Bernhardson suggested the only change is regarding the extension of the second district. The rest is per the contract. He stated Council could adopt it without an extension or indicate Bloomington would pursue getting authorization for an extension but it would require local action to implement, which by law, Bloomington would need to conduct public hearings to implement. He stated that would be an appropriate time to conduct a public hearing on the financing.

Erickson stated this is conceptually what the Council and Port Authority did last spring – it’s not a pre-approval.

**MOA Legislative
Strategy Discussion
continued**

Bernhardson suggested the Council approve the policy to a degree in which a public hearing could be held once the City knows to what degree an extension would be granted.

Winstead stated staff's recommendation is reasonable and logical.

Collins stated he is comfortable with Option D and all of the conditions attached to it with the understanding that it is not the final approval.

Bernhardson stated if the policy is approved and the only question is the extension, a decision could be delayed until January.

Nordstrom inquired if the ACORN group would come to testify if they see the public hearing being advertised.

Bernhardson replied such a hearing will likely result in their giving testimony in which they might request the Council pass a living wage capacity and obtain a guarantee from the Mall that all workers be unionized. He added to the extent the Council hasn't changed anything in the contract, the extension would be the only thing that could be changed.

Erickson commented this is reasonable and is a "but for" kind of thing. He suggested conducting the public hearing sooner rather than later, as January 1 is the start date at the Legislature.

With regard to who would conduct the public hearing, Arneson stated the hearing should be before the Port Authority if it's just about extending the TIF in Phase II.

Ornstein confirmed that the contract doesn't have to be changed even if the District were extended, as the formula wouldn't change.

Tom Barrett, Port Authority counsel stated Port Authority action would be required if the Legislature said the City is at liberty to extend the TIF District.

Winstead reiterated that it isn't necessary to conduct the public hearing until the City is granted the privilege to extend the TIF at which point it would be held by the Port Authority.

Bernhardson stated although it's a Port Authority decision, he would recommend conducting the hearing jointly with Council and Port Authority and that both bodies could take action in order to cover all bases.

Axtell added most residents don't understand the impacts relating to the Mall of America so a public hearing would be a good way to communicate this to the public.

Peterson stated the City has been served well by conducting public hearings to gather input and that a hearing could be held on the Mall at the next Council meeting. Staff could then research the inquiries presented and take action at a second Council meeting.

Bernhardson stated with proper notification, public hearings could be conducted on January 8 and 20, 2008. He stated staff would have better numbers by then and inquired if the Council wanted to request an extension of TIF District II as part of the financing for MOA Phase II from the Legislature.

Winstead stated the City needs to be clear that the public hearing is being conducted regarding the City's request for an extension of the TIF District for MOA Phase II.

Elkins supporting holding the hearing before the Legislative session starts.

Bernhardson suggested if a joint meeting is desired, the Regular Council meeting could start at 7 p.m. and then Council could convene in a joint meeting at 7:15 p.m. with the Port Authority on December 4 and a vote on December 18.

**MOA Legislative
Strategy Discussion
continued**

The Port Authority took the following action:

Motion was made by Collins, seconded by Winstead, and all voting aye, to support the policy as outlined in Option D but deferring the policy relating to the TIF District extension to the December 4 City Council meeting at which time a public hearing will be held.

The City Council took the following action:

Motion was made by Peterson, seconded by Axtell, and all voting aye, to support the policy as outlined in Option D but deferring the policy relating to the TIF District extension to the December 4 City Council meeting at which time a public hearing will be held.

Bernhardson stated a public hearing would be noticed for December 4, 2006.

Winstead commented the Mall of America Company and others have had discussions regarding a concept called Minnesota Medical – an ongoing permanent facility for international continuing education for medical professionals on medical devices. He stated they are looking to move forward a concept at MOA for Phase II that would be complimentary to the MOA, the City, and the region. He stated a study will be conducted with Ernst & Young at a cost of \$185,000, with contributions in the amount of \$40,000 by Friendsuh and \$40,000 by the Mall of America, the University of Minnesota, Mayo Clinic and the State of Minnesota each contributing \$25,000, which leaves a \$30,000 gap. He inquired if the City's Port Authority – its economic development arm, could make a contribution to that study to drill down deep to see if it would be a viable concept going forward. He added people are quite intrigued with the concept and that he's talked to the Governor and others about it. He recommended the Port Authority contribute \$25,000 but stated staff would get more information to them to aid in their decision on whether or not to do so.

Erickson added this is the kind of facility that could have a potentially big payoff.

Winstead added there has been a strong interest expressed by the University of Minnesota and the Mayo Clinic on this type of development in MOA Phase II.

Adjourn Meeting

Erickson adjourned the Port Authority meeting at 7:13 p.m.

Winstead adjourned the City Council meeting at 7:13 p.m.

Barbara Clawson
Council Secretary