

City of Excelsior
Hennepin County, Minnesota

MINUTES
EXCELSIOR CITY COUNCIL SPECIAL WORK SESSION

August 10, 2015

1. CALL TO ORDER/ROLL CALL

Mayor Gaylord called the meeting to order at 5:10 p.m.

Present: Councilmembers Beattie, Caron, Miller, and Mayor Gaylord

Absent: None

Also Present: City Manager Luger, City Attorney Staunton, City Engineer Dawley, Finance Director Tumberg, Public Works Superintendent Wisdorf and City Clerk Orlofsky.

2. AGENDA APPROVAL

Caron moved, Miller seconded, to approve the August 10, 2015 agenda. Motion carried 4/0.

3. EXCELSIOR HOTEL

City Attorney Staunton provided a report on the history of the Excelsior Hotel. Staff identified a scope of public improvements for this project.

Staunton explained that the applicant has identified that the expenses of the project are three to four million more than what has been financed for the project. Guidance is necessary from the Council on whether the Council would be willing to narrow the scope of the public improvements.

Tony Schertler from Springsted provided the background on the Tax Increment Financing (TIF). He stated that the District is limited to the amount of project costs that can be financed based on the availability of revenues as dictated by the total estimated market value and approved TIF Plan budget. The TIF Plan as established; was based on an estimated incremental value of \$5.5 million and resulted in a total budget of approximately \$3.0 million with a present value of \$1.5 million. Mr. Schertler presented the Council with different scenarios based on assumptions of the value of the project, construction schedule and anticipated financing terms.

Stauton added that the second question before the Council tonight is to get some indication on whether or not the Council will support the use of TIF for the developer's project costs.

Mayor Gaylord stated that the applicant's letter was a good place to get started. Gaylord felt after reading the letter that he had little confidence that this project would move forward.

3. EXCELSIOR HOTEL - continued

Neil Weber, Weber Architects & Planners, explained that they have brought in several contractors on the project and that each contractor has their own design change on the project. The applicant did not want to make those changes, so the applicant is searching out a new contractor until he finds a good fit.

Mr. Weber explained that if the Council is willing to proceed with the TIF, then he may be able to move forward with the investors.

The Council all agreed that the community could benefit from a development of a hotel, so they would still support the TIF on this project.

Gaylord added that even with the support of TIF that he still is not convinced that is enough of a commitment to help the developer close the financing gap on this project.

Mr. Weber stated that each bit of support helps when you are trying to attract investors.

Miller added that he thought originally that the applicant did not want TIF.

Mr. Weber explained that originally they were hung up negotiating with the Assessor on the value.

Staunton explained that the Council would have to hold a public hearing to amend the TIF plan, if the Council wishes to expand the district's budget.

The Council agrees that the developer must do all of the public improvements in the original scope, and that the developer would front the money for the TIF.

Beattie asked why the developer, Charlie James and his attorney, Jay Lindgren were not present.

Weber I explained that Mr. James was out of state for the month of August and that Mr. Lindgren was gone and returning to town tomorrow. So neither were able to be present for the Work Session.

Stauton explained that part of the delay on this was that the City was waiting for the financing to catch up with the land use financing, but that has not happened, and the deadline is fast approaching.

Beattie asked the Mr. Weber what he was requesting from the Council at this meeting.

3. EXCELSIOR HOTEL - continued

Weber explained that he was looking for the Council's priority of public improvements and to explore the idea of using more TIF.

Gaylord asked how they can move forward with investors if they do not have a market analysis completed yet.

Caron added that the applicant explains in his email to the Council, that he has been turned down and investors have walked away from the project.

Gaylord shared his concerns that he did not think it was smart for the City to approve the land use application for this parcel before having a market analysis that proves the use is viable.

Caron agreed and added that everything she has seen thus far related with this project shows that this project will not move forward. They are lacking the financial investors needed to make this project work.

Weber explained that they have investors looking at the financing of this as a legacy project.

Weber explained to Mayor Gaylord that the frustrating part of the market analysis is that there is no market to compare this project to. This project is so unique.

Weber added that event income on this project could be significantly high.

Miller stated that the gap is \$2.4 million. He asked the applicant to define how they see that gap being filled, and said the Council needs to know when that gap will be filled.

The Council agreed that they can commit to TIF in the amount of \$1.4 million. Miller added that the Council would like to see an itemization of the numbers.

Beattie explained that he is concerned that in this late hour of the project, that the developer is not at the table. And, that after two years of planning there is still no proposal from the developer. Beattie explained that the enthusiasm for this project from the Council is dimming. The Council is not hearing anything positive about the outlook of the project.

Gaylord added that some decisions have to be made on the applicants side, and that he needs to see the internal market study.

Caron agreed. She has lost confidence in the project. She stated that the applicant has a long way to go before she will be ready to move forward with her support on this project.

3. EXCELSIOR HOTEL – continued

Mr. Schertler, stated that the applicant needs the financing on this straightened out before they can move forward on TIF.

Miller asked if Weber is ready to come forward with a proposal by the September 8th City Council Meeting.

Staunton explained that the deadling is September 19th, and the last meeting before that date is September 8th. If there is no new information by September 8th then the Council will have to vote on the land use application.

Beattie added that if Council entertained an extension, it would be a very short one.

The Council wants the entire scope of Public Improvements, as previously discussed. Beattie said he would be willing to look at a reduction of public improvements, if a proposal was introduced requesting a reduction.

Caron asked why the Council would consider a reduction in the public improvements, and what would the City gain by reducing it.

Mr. Schertler, explained that it would be important to understand the sensitivity of these improvements, as well as how the pay-go note affects their partners. They also need to understand how the cash flow is sensitized so they can define the need for financing, and determine if the development would still proceed without that assistance.

6. ADJOURNMENT

Beattie moved, Caron seconded, to adjourn the meeting at 5:57 p.m. Motion carried 4/0.

Respectfully submitted,

Ann Orlofsky
City Clerk