

MINUTES

COTTAGE GROVE CITY COUNCIL

COUNCIL CHAMBERS
12800 RAVINE PARKWAY SOUTH

September 6, 2023

SPECIAL MEETING - 6:00 P.M. **TRAINING ROOM**

1. CALL TO ORDER

Mayor Bailey called the Special Meeting to order at 6:00 p.m.

2. ROLL CALL

City Clerk Tammy Anderson called the roll: Mayor Bailey-Here; Council Member Khambata-Here; Council Member Dennis-Here; Council Member Thiede-Arrived after Roll Call; Council Member Olsen-Here.

3. REGULAR AGENDA

- A. Mississippi Landing Concept Plan Review
Staff Recommendation: 1) That the City Council review the Concept Plan submitted by Rachel Development and provide feedback. 2) Approve the Preliminary Development Agreement with Rachel Development, Inc.

Mayor Bailey stated the purpose of this workshop is to look at an updated Concept Plan by Rachel Development for the Mississippi Landing area. Paul Robinson, the Development Director of this project, will give us a presentation. Mayor Bailey asked that questions be held until the end of the presentation.

Paul Robinson, Development Director of Rachel Development, stated he's in charge of this development. Rachel Development has existed for about eight-or-nine years; they've developed about 5,000 residential units, including 70 projects across the Twin Cities and some upstate. They build single-family residential, a senior memory care product, and also apartments; so, they have a full spectrum of development.

He stated about two years ago Pulte started with this project and had open houses, went through the EAW process, had a Master Plan approved, then a Master Park Plan was approved. It was all kind of circling around this property, Mississippi Landing, with the plat approved in March 2022. Pulte let the property go.

He had been working on this property prior to Pulte, so he knew David Gustafson and Doc and he made offers way back. It's a pretty competitive piece of property but he talked to Mr. Gustafson and put it under contract about six months ago, in March.

Director Robinson stated he knows he hasn't been here for six months, but we have been working quite hard over the last few months trying to figure out a way to make this project work. So, we reviewed all of the work that was completed, the EAW, the historical home analysis, the archaeological analysis, and the environmental Phase 1, Phase 2; there are probably 2,000-3,000 pages of documents that have been done for this project. We came up with our own cost estimates; we helped Mr. Gustafson and the City work together on coming up with an agreement to dedicate this park and the access to the park. We did our own market analysis, and have had numerous meetings with builders to get them familiar with this area, for some of those that weren't.

Ultimately, we just worked on ways to close the gap between what we saw to make this a successful project.

Director Gustafson reviewed what he'd be speaking about tonight, including:

- A refresher on the property;
- Review and compare their revised plan to the preliminary plat that was previously approved;
- Review and distribute some of the sample homes for each lot type;
- Touch on the potential for some future flexibility;
- Review the risks and challenges that this site faces;
- Their response to those risks and challenges.

He stated he's showing this as about a 200-acre site, staff report includes some of the land is underwater; basically, all the upland area is about 200 acres. Mr. Gustafson has with the DNR an option agreement for the 47.5 of this 200 acres. In talking to him today, he is interested in trying to close at the beginning of next year with the DNR, so, that's what we're targeting for a timeline. The City Park Land Agreement that you worked out both with Mr. Gustafson and everybody to get that 29.3 acres of City Park Land, there's a little bit more to come; so, it'll actually be 33.3 City Park acres. That leaves about 123.7 acres left for part of our Development Plan approval, for a revised preliminary plat. If you take the 4 acres, that completes the park dedication, so there's about 119 acres left. He doesn't have an overlay for this, but all the yellow area that you see, about 25.8 is some type of open space; whether its stormwater, wetlands, or its just open space within the existing development. So, there's still, even with all the open space around this, there's still additional open space within it. If we just kind of look at what the public gets in this particular land transaction, between the DNR, the City, and the park, there's 45 acres right along the river; about 23% of the whole site is right there, along the river. If you include all the DNR land, you'd have over 40% of this site being in the public domain.

Director Robinson likes to look at topography, to just start with some of the basics of the site. We looked at the lower areas of the site, along the river, and then to the north and going along the railroad tracks is a drainage way that exists today and has been there forever. When you come into the site, it raises up and then it actually gets into the

higher portions of this site; he'll talk about how this affects drainage. This is a very unorganized looking topography, mainly because of the golf course since a lot of topography has been altered to create fairways. In general, if you just look at the big picture, there's sort of a top to the site and it drains to the river and it drains to the north. So, again, we have that natural drainage way that comes down through the mid-north and along the railroad tracks. About 2/3 of the site really drains toward that drainage way; so, that's where you'll see how the stormwater treatment was done by Pulte, and will be done by us. We basically tried to capture that and have that topography in a way that the water flows today. Obviously, there's the area along the river that drains to the river. There's about 7.7 acres of wetlands on the site, we have about 16 acres of stormwater ponding, plus or minus, when we finish our final plans. Again, they really attempted to capture all the water that's naturally draining to that northeast and east and treat it before it goes into the wetlands and then eventually into the river.

Another factor, and it was mentioned quite a bit in the EAW, was the idea that this site has some bedrock; that's been explored in a number of instances, all these red dots clarify where tests were done, so a lot of exploration has been done about where the bedrock is today. It adds a bit of a challenge when we need to get to a lift station up here for some of the utilities. In general, unfortunately, it flows very much through that bedrock, so, we'll have to do some excavation of the bedrock to be able to get the utilities onto this site. This is a map, putting it all together, and seeing the different course of what we have to deal with on this particular property.

This is our quick goals of our overall Concept Plan, the plan that you have in your packet. When we laid out this site, he looked at a lot of plans that have been developed: There's a plan in the EAW, there's a plan in the Master Park Plan, so, there are 20-to-30 plans that have been done for this site, and they're all kind of in the same range. We are yet another plan that's sort of trying to tweak it to meet what we believe the market can handle today. In general, all the plans kind of stay in the same basic ballpark, and we tried to stay there as well. We're trying to create a high-quality neighborhood, one that's connected to the river and to the open spaces, one that has a variety of homes and a variety of price points. Keeping the trail connections that were just seen in the previous plans, the open spaces and the wetlands, and creating a project, most importantly, as financially viable that will be successful in this market here, in this place. He's calling them neighborhoods, you can call them different products: One is the 40-foot terrace product, a 60-foot lot single family, and then what he's calling the river neighborhood, the larger, 65-foot wide lots, all along the river.

He stated the one on the left is the Mississippi Landing preliminary plat, the one on the right he's calling Mississippi Landing 2, so we don't get them confused, but that's our Concept Plan. So, in the original preliminary plat, there were eight twin-home units, and then there 52 condos; so, together, 60 units stuck in that corner that was more of a multifamily type zoning. We talked to Lifestyle Communities; initially, they were pretty interested, although they've recently acquired a number of other projects that they believed were in a stronger market, so they've kind of lost interest in trying to pursue this. It isn't that we have given up on that idea, but we don't have somebody in tow at this moment, and he'll speak about that more under flexibility.

Continuing on the east side of the preliminary plat, there were about 103 50-foot lots, so, smaller single-family homes. If you compare that to what we're proposing in our Concept, we've basically taken almost that same number of units, like 170-180, but we've spread them into a different product, with a little bit smaller lots and carriage-type homes. It's very much like the Capstone product to the north.

The largest, under the Pulte preliminary plat, or the Mississippi Land preliminary plat, number of amounts was a 60-foot wide unit, 180 of those. They were all what he would call modern split entries; that was the type of predominant product at that time. What we've done is we've taken and reduced the amount from 60 and we're actually going to split it generally in half, between 57.5-foot lot and a 62.5-foot lot. So, the 57.5 would be that modern split entry, and the 62.5 would be more of a typical two-story single family.

If you go to the final product choice that they had under the preliminary plat, there were between 60- and 70-foot-wide lots; there were some larger lots that kind of were along the western edge. We've moved those larger lots and increased them and put them along the river, so that it created a little bit more exclusive neighborhood along the river with a little bit larger lots. So, in total, we have about 19 fewer units than the previous plans, but we have more single-family units, in general.

Previously, there were 60-foot lots and 50-foot lots along the river, but again, we're changing those all to the 65-foot lots. We're also moving this pond over to the other side so that it creates a little bit of separation in this neighborhood; we're trying to create just a little bit nicer feel, a little bit of separation for this part of the neighborhood. We're also putting in a green buffer, a landscape buffer between this river portion of the neighborhood and the other portion of the neighborhood. There will be separate monumentation for this area of the neighborhood, all to just kind of make it feel just a little bit unique, a little different. Then, to accomplish all this, we modified the park boundary, which was part of the MOU or the agreement that we had with the City or that Mr. Gustafson has had, to be able to adjust the park boundary slightly. We took some of the actually heaviest-wooded area of the site, put that into the park, and where a large part of the parking lot was, the northern part of the parking lot of the golf course, is now part of the lotted area.

Again, Pulte had three different neighborhoods, with different product types. Right now, we're talking to a number of builders, but we're kind of honing in, and in the next month we're going to probably have agreements with several builders. But Pulte is the main builder for the 60s right now, we're talking to MI and one other for the 40s, and maybe three-or-four different builders for the 65s.

So, the 40-foot lots, we're calling them terrace lots, or detached townhomes, it's all that single family, but it's basically a more affordable house; they range in size from 1,400 to 3,000, the average sweet spot is in that 1,900 to 2,200 square-feet. They sell in the low to mid \$400Ks. Again, they're not very different than what's happening with Capstone, if you look at Capstone's recent sales, they're all sort of drifting into that upper \$300Ks and lower \$400Ks and up. This is an example of the product that MI has, and then this is how it looks in a streetscape; this is a project that he did in Minnetrista with MI Homes, he thinks they have a pretty attractive streetscape for that type of product.

He spoke of the 57.5, the modern split entry, which is in the more affordable range, its 1,300 to 2,700 finished square-foot range. They generally start in the mid-\$400Ks and go to the low \$500Ks. These are just final illustrations of those products, and these are the renderings. These are the same products that were proposed to be probably the primary product in the previous preliminary plat.

On the remaining 62.5, the larger of the 60s, that's just your typical two-story product, 2,300-to-3,300 square-foot, starting in that low-to-high \$500Ks. And that's kind of the range that Pulte would be trying to achieve; he displayed some of the photos of those products.

Finally, on the river neighborhood, we're targeting single family custom, and its a little bit more like the homes in Eastbrooke, where they probably would start in the mid-to-high \$700Ks, but there could be some custom homes that push \$1M; we don't know yet, but that's the kind of product that you might see in this area. He showed some examples of some of the products that could come and the streetscape for one particular builder if they were to be interested.

In two other larger PUDs that he's done over five-to-six years, we had a Master PUD Agreement where there was some ability to have some flexibility throughout the development where we didn't have to keep going back and going to the Planning Commission and City Council to amend the PUD each time; we had just some general parameters that if we stayed within, we could at least bring forward to the City Council changes. The one that he gave as an example in the past, it was just if we were to come forward with hey, we found somebody who wanted to do condominiums and twin-homes, could that be something that we'd take to the Council and get approval for rather than have to go through a whole long process. This isn't something he's asking for you to decide tonight, but just food for thought.

He stated another example maybe in this 40-lot area, if a builder came in and said we really want to create one of those inner pods, the inner block areas that's townhomes, could we do that. The EAW parameter was all the way up to 499 units, so, we wouldn't ever exceed that, but he's just saying there's some flexibility if we need to add some units if it came up. Right now, we're planning on doing this plan; we think this plan works the way we've laid it out. It's just that we don't know four-or-five years from now, if things are going to change or if there's a change in the market that might demand something different.

When he did some site sales before, what happened is a site was shown as townhomes, and at the time people said we wouldn't sell a lot of townhomes. So, we ended up 400, but at the time, nobody thought townhomes would even sell.

When we think about the challenges and risks of this site, it's the same with all developers and builders in every way, we're all kind of struggling with this; there's a lot of cost rate increases in basic products, now RCT pipe has gone up 30%. Over the last two-or-three years, there's been quite a bit of change. So, just even if you look at that Capstone product across the street, what they paid to develop that site is quite a bit different than what we're going to have to pay to develop this site; it's just the reality and it's what's making it difficult for some projects to move forward. And then, obviously,

labor issues, and then finally interest rates, not just for us financing projects, but for consumers buying homes. We're also working around these wetlands as buffers; they're an asset and a liability, we have to protect them and work around them. So, that's something that challenges this site and other sites with wetlands. We are dedicating 5 acres of this site to major County Road Right-of-Way, so 5 acres is gone, not towards development but towards transportation. There are extraordinary costs for bedrock removal to just get the utilities in. Market uncertainty each week, last week the stock market was amazing and then this week we're not so sure. That market uncertainty is just hard for our investors and for people in general.

What makes us want to keep going is that there is still a lack of housing in the Twin Cities, there's more demand than there is supply, and so that's why we're here, and these projects are still moving forward.

While the 40-foot and 60-foot lots in this instance are not an untested product, when we look at the 65-foot lots, the larger, little bit more kind of luxury lots, that is something that's a little bit not as tested out in this particular area of the City. So, we are kind of asking us and our builders to take a little bit of a risk, but it is exactly what we did in Eastbrooke, too. At the time we did Eastbrooke, he didn't think there was a sale over \$550K in the whole City, and our first homes were \$700K and \$800K. So, it was something that nobody had seen and then that's what came in. Our goal isn't to pile this site with \$700K-\$800K homes, it's to provide a whole range of homes for everybody.

Then, of course, the larger offsite costs: The lift station is going to be built to serve off of Grey Cloud Island and elsewhere. That's a forced thing, that we have to extend out, beyond our project. There's also the watermain, one of those is for us we'll do, and there's an extra watermain to drain water beyond our site, and it's through the park. So, all of these require jacking under the railroad and pressure-relief valves, and they're not cheap; it's an expensive exercise.

The DNR sent a letter today. They mentioned that the Natural Heritage Review (NHR) is only good for a year, and so that expired. Actually, all of the work to answer that had already been done, and it really just needs to be updated. So, we'll submit a new one to the DNR, and we don't expect much to have changed, but the DNR looked at the sort of calls that were done and approved them. Rare Plant Survey: The Rare Plant Survey found there were rare plants within the area where the DNR is purchasing property, but its outside of our project area, and in the area included in the SNA. That report had been sent to the DNR. Rusty Patched Bumblebee: A report had been sent to the U.S. Fish & Wildlife Service, and a response from them was received in May 2022 that the impact to the bumblebee was very unlikely on this site. In the EAW response, they commented with all of the revegetation of the wetlands and the wetland buffers and around the ponds and stormwater, with more of the native species being planted there, there is likely to be more habitats created than lost on this site. Burn: There was a note about they would occasionally burn next door, and we're going to put that in our disclosure so people know; hopefully, they will let us know ahead of time so we can have people close their windows. Native Species: Again, we are planting native species in all open spaces. Tree Preservation: It isn't that we're totally throwing tree preservation out the window, it's just the way that the financial impact is being spread is the only significant change that we're asking for. The actual tree removal from our site

to what the preliminary plat was is very similar, and it may actually be less because we've taken that heavily-wooded area and put it into the park. Trail Planning: There's coordination with us, the City, and the DNR to figure that out. Stormwater Treatment: They asked that we not put any water onto their property or pond water onto their property. We're going to follow the applicable rules when it comes to stormwater treatment, and the general overall drainage today shows that water flows basically through this site and down and through the SNA; that's just the water flows and has always flowed on this site. So, there will be some water flow across the SNA no matter what we do, but we will be treating the water.

Our response to these challenges: We're trying to close the gap and make this project work. We've met with our builders and we're basically asking all our builders to accept pricing above the current market, and that's what's necessary to make this project successful. We, as a developer and also Rachel Contracting, we're a contractor as well, are suggesting lower margins, and we're trying to just lower our margins to make this work, both from a development side and a construction side, much like a national builder might do. We've asked our landowner, who's just signed an amendment to our P.A., which just came in the mail, to extend the takedown of the property and accept that we take this in steps; he would say it'll be a much slower than average land development in this area than what's being purchased today. All this is necessary to make this a successful project, like everybody's participating. Finally, with the City, this Preliminary Development Agreement tonight, we're trying to clarify those upfront costs and stated infrastructure costs, how we're going to be sharing those, how the fees are going to be assessed, and the PUD exceptions so that we're able to move forward with this project and make it be successful. He feels like we're all in this together, trying to make this a successful project tonight.

Director Robinson stated he'll answer any questions on this Concept Plan and hope you'll consider approving the Preliminary Development Agreement.

Mayor Bailey thanked him for reviewing all of this. He actually likes the shift they did with the bigger lots down towards the river. We'd kind of talked about that, that even with the former Pulte one, we really wanted more of a nicer neighborhood. He likes the buffering, the fact that you saved that one grove of trees with shifting that pond, in his opinion, he thought actually made the look of the development better.

Council Member Olsen thanked Director Robinson for being here, he appreciated that. He said there's some minor tweaks to what we've seen in the past, but all in all, it makes sense, at least at first blush. He liked that he mentioned 33.3 acres of park, roughly 40% of the property is going to be in the public domain, between park and SNA, which he very much appreciates.

He asked Director Zac Dockter a question on the park; with the shift in the park space that's going to include the more wooded area, what impact, if any, does that have on his plans for how he was sort of programming that in your mind.

Director Dockter replied there's not a lot of different programming, but he would want to see the resources that are in there. Sometimes standard woods are really valuable, sometimes standard woods are a mess. He would want to see it.

Council Member Olsen told Director Dockter he's reading his mind because what he was concerned about is in the past, sometimes when we've acquired land of that nature, it's a lot of scrub brush, buckthorn, etc., which actually takes us more time and money to remove and remediate than not. That ties into his next question, which is about the tree mitigation. He doesn't know how much conversation Director Dockter has had about the tree mitigation proposal here, but asked Director Dockter if he had any concerns about that.

Director Dockter replied none in particular, but he knows Emily Schmitz, Community Development Director, is probably a little better versed.

Director Schmitz stated the way we're looking at this is understanding that a large portion of the 37 acres and any additional acreage stands under the scope of the DNR. The preserved wooded areas, for lack of a better way to put it, we're cancelling it out. So, preserving those areas to be developed long term, we're providing what she'll call that credit for tree mitigation.

Council Member Olsen stated he assumed we're not far enough along in our dialogue to have already kind of done a grading of the trees; do we have the right kind of trees that we want, etc. vs. what we might take down. Council Member Khambata stated an inventory of qualifying trees; Council Member Olsen stated yes. Mayor Bailey stated he thinks they did that; Council Member Olsen stated he knows Pulte did that, but he asked if they needed to do that, too.

Director Robinson replied they'll probably update the information that Pulte put together.

Council Member Olsen said, okay, because with some of the changes, he'd assume that's going to be adjusted to some degree. The bigger question is, as mentioned with regard to letting some of the natural area be natural, and what that's going to mean for the various wildlife species, the bee, etc., it sounds like we're in total compliance with what the DNR requested of us earlier. That would be a concern many of our residents would have is are we upsetting the apple cart with respect to the quality of the landscape there; it sounds like we're actually potentially improving it. So, we're going to create a better habitat with this plan, which to him is a really great selling point.

Council Member Olsen stated he'd mentioned he's working with some developers on potentially working through each of these nodes. He mentioned MI, Pulte, and custom folks for those river frontage homes, which makes perfect sense; other than MI, who else have you been talking to for the smaller lots. You mentioned the property to the north, and they seem to be very successful. Is there a chance they might want to add to their complement, or we're working on that?

Director Robinson replied yes, he purposely didn't mention the other names because some of them are competitors with each other. So, he would just say that we're looking at builders that are successful with that product.

Council Member Olsen stated he understands he doesn't want to put his cards on the table, but wanted to confirm he has options.

Director Robinson replied they do, and it's been a little bit of a lifecycle with this site. When we first started six months ago, nobody wanted to talk to us. So, we definitely see that there is some change and some desire; it's just that this whole area is going to start to change. You're moving that road, and when the road gets finished, and that big apartment starts to get built, if you look at Google maps, at Jamaica, you're seeing all the business.

Council Member Olsen stated when you think about price point, you're looking at the marketplace to price point, it's a little more attractive than those smaller properties. Council Member Khambata will be proud of him, he read his SPAAR Update this week, and the theme was we're still really short on inventory; new inventory is actually far and away selling faster than existing inventory because there just isn't any, people are hanging on to what they got. So, there's no question this is something that's important and necessary, but he just wants to make sure that we've got the right mix. He knows that he'll be working with that Rubik's Cube probably every day as you work through this process, and thanked Director Robinson.

Council Member Thiede mentioned that he likes the larger lots; he remembers 15 years ago we were rejecting 70-foot lots. Some of those are fairly deep, too. He asked if there's an average square footage on the lots.

Director Robinson stated he didn't mention that.

Council Member Khambata asked if they were half acre; Director Robinson replied, no, they're smaller than that, but they're about 125 foot deep, so, they're a quarter of an acre, maybe.

Council Member Thiede stated he also wondered about the yellow and the tan lots, those and some of the other ones; even the yellow are narrower, some of them are pretty deep.

Director Robinson replied he would say the bigger ones are maybe in the 10,000-12,000 square-foot, and the other ones are in the 6,000-7,000; that's about a quarter of an acre to an eighth of an acre.

Council Member Thiede asked what is our distance now that you've kind of moved the, put the park there and the parking lot, what do we have? We have probably about 16 feet between the back lot line and the?

Director Robinson replied this was just his plan of attack of just throwing in some parking; that's not on your plans. Because the current plan actually encroaches this into this space. There isn't a current plan that he's seen that actually fits yet on that space; he actually wanted them to take it out because he kind of figured it out, too late, though.

Council Member Thiede asked Director Dockter if he's feeling pretty good about the amount of space we have for development and activities. Maybe sometimes the woods is nice, but you can't really do anything with that wooded piece there.

Director Dockter told Council Member Thiede he needs to look at it further.

City Administrator Jennifer Levitt reminded Council this is one of the Local Option Sales Tax projects, so we have not initiated any design effort on it, as that will be on the November ballot. At this time, we have not expended dollars, that will be next year when we look at the design features.

Director Robinson told Council Member Thiede it's probably 67 feet on those back row lots. In his mind, it's kind of showing a little bit of the worst case scenario with those lots.

Council Member Olsen stated it could be a win, it's just a question of what we see when we look at it; Council Member Thiede agreed.

Mayor Bailey stated it doesn't look as broken.

Council Member Olsen stated previously it looked goofy, this is contiguous; it's just a question of what's on the land, that's all.

Council Member Dennis stated he liked the changes of this plan vs. the previous. The larger homes towards the riverfront and putting the ponding back to create a separation, he thinks those are important. Another thing that makes him feel good, it's a simple point, but it's the fact that we did work together in the past, and he thinks it's a matter of confidence when we consider that the Eastbrooke project turned out to be a fantastic neighborhood. He has a lot of confidence in him being the same guy we've worked with before to bring a great project here a year ago; he feels good about that, and thanked him.

Mayor Bailey stated you took some risks, as you said earlier, and it's true on some of the market and on some of the product, but also the price point, and it paid off for you, which he thinks is good, and it also paid off for the City, too.

Council Member Khambata stated he sees some vacant little ledges in some of the cul-de-sacs. He asked if those were trail connections, that was confirmed, and he stated he likes that. He liked that there were multiple points of entry into the neighborhood from those trails. With regard to the proximity to the SNA, do you have a mitigation plan in place for erosion control and stormwater retention while you're grading and developing the site, to prevent excess erosion from washing into the SNA.

Director Robinson replied yes, they do, as they do on any of their projects, they retain a number of.

Council Member Khambata stated as he said earlier, this is the way it always drains; gravity isn't going to stop working just because we don't like it.

Director Robinson stated he thinks that they're going to have to be really careful right in here, because this is, it just drains down into this area. There's those pristine water lands here, and we're going to have to be on the ball, too.

Council Member Khambata stated he would just like to make sure there's some work done through there so that we don't end up having to try to reestablish some of those SNA areas that they've been working really hard to create. He stated he liked that they had the 40-foot product; he could advocate for a lot more of that. There's not a lot of builders that were willing to take a chance on that product; for reference, the one up the road sold out before they ever got to Phase 3.

Council Member Olsen stated he thinks that will sell the best.

Council Member Khambata stated so as far as the medium-density product goes, he thinks that fills an underserved niche, for entry-level buyers; so, he's glad that you expanded on that. He made certain comments while on the Planning Commission about why that site might not work for \$700K and \$800K houses, so, he's going to just

reiterate that. The water in that space is 4 feet deep, and it's full of stumps; it's flanked by a railroad that has a pretty common use. He asked what's your pivot, or your exit strategy, if those 65-foot lots don't sell.

Director Robinson replied he thinks that's something that's an event, we're taking a little bit of a risk together on that. He's met out there, while the trains have been going by, with builders who build to the market of \$700K and \$800K homes, and they're pretty confident. So, that's made him confident. He gets that it's not Lake Minnetonka, but he's sold a lot of stuff on Lake Minnetonka, so, he's familiar with that market, but that lake's pretty beautiful, that view is very nice. And a lot of people, the vast majority of people don't recreate on the lake, they look at it. So, if they have some views and they can walk near it and they have the trails, he thinks that's going to overcome that. He thinks the City's investment in that park, the \$17M, hopefully that goes through, and your voters accept it. He thinks having that amenity nearby would be a pretty big amenity for the neighborhood and for those lots. So, that's what gives him confidence, he doesn't know if that convinces you, but it is definitely a risk for all of us, but he's met out there with probably five different custom home builders.

Council Member Khambata replied as he said, when he made that comment, the entire price scale was 3 years ago. So, what was \$550K three years ago is probably closer to \$700K now. He thinks those economics are working in your favor as well in obtaining that price point for that product. He agrees that if anyone is going to spend a lot of money to live in that neighborhood, it's going to be worth the view of the water and adjacent to that park. So, he thinks placement of that was a good choice. He thinks that helps mitigate some of the cost on this project as well. So, he thinks the project doesn't work without that type of housing, but if you and me and everyone else is aware of it, he just wants to make sure you're not left with a bunch of lots that won't sell. He mentioned about having some flexibility on the PUD; maybe with those big 60-foot lots in there, he just wanted to make sure that there's a little bit of a contingency banked in there.

Director Robinson stated he doesn't want to have to say yeah, we're going to turn those into 40-foot and 50-foot lots, but that would be a backup plan. Again, he wouldn't have done this and wouldn't have gone this far without getting some direct market feedback from people he trusts.

Mayor Bailey stated that's part of the factor, too. You expanded those types of homes and those lots vs. what they were before. He was impressed by that. The other nice thing that he likes about that, and you both kind of touched upon it, we'd talked about would this be a place for high-end homes, etc. One of the things that he really wanted to see down in this area was more affordable options; so, somebody who can't afford and is not able to purchase a \$700K or \$800K home will be able to have a home that's within a short walking distance to the river, the park, and the SNA. So, he likes how this is laid out with the different options and affordable housing, with unique neighborhoods put together.

Mayor Bailey told Council staff is looking for a Concept Plan review, and we appreciate Director Robinson coming in. He piggybacked on Council Member Dennis; we've worked with Director Robinson and his team in the past on the Eastbrooke project in

Cottage Grove, and that turned out fantastic. So, when staff and Mr. Gustafson were saying they were working with you, he was pleased because he knows the product and the quality of the work, etc. that you put into the plans. So, he'd really like to see that. At this point, staff is looking for Council approval of the Preliminary Development Agreement with Rachel Development.

Motion by Council Member Olsen to approve the Preliminary Development Agreement with Rachel Development, Inc.; second by Council Member Dennis.

Council Member Khambata stated he thought this was a really thoughtful pivot to where the market is at. Mayor Bailey stated he agreed. Council Member Olsen stated in his view, its laid out more sensical than the previous plan, so good job.

Motion carried: 5-0.

Director Robinson thanked the Council.

Mayor Bailey thanked Director Robinson for coming in and presenting this to us. He also thanked staff for working with him and the development team on this.

4. ADJOURNMENT

The meeting was adjourned at 6:46 p.m.

Minutes were transcribed by Judy Graf, reviewed by Tamara Anderson, City Clerk.