

MINUTES OF THE PROCEEDINGS OF THE CITY COUNCIL
OF THE CITY OF BROOKLYN CENTER IN THE COUNTY
OF HENNEPIN AND THE STATE OF MINNESOTA

STUDY SESSION
JANUARY 10, 2022
VIA ZOOM

CALL TO ORDER

The Brooklyn Center City Council met in Study Session called to order by Mayor Mike Elliott at 6:02 p.m.

ROLL CALL

Mayor Mike Elliott and Councilmembers Marquita Butler, April Graves, Kris Lawrence-Anderson, and Dan Ryan were present. Also present were City Manager Reggie Edwards, Community Development Director Meg Beekman, and City Clerk Barb Suci.

CITY COUNCIL DISCUSSION OF AGENDA ITEMS AND QUESTIONS

Councilmember Lawrence-Anderson noted she submitted a wording change to the City Clerk and City Manager to add “do not” to a previous set of minutes from December 13, 2021, Regular Session on page 28. They were discussing LEAP contracts and comparing existing Commissions. Mayor Elliott confirmed her request was reasonable.

Councilmember Lawrence-Anderson added she does not mind being the liaison to the Housing Commission and the Crime Prevention Committee. She asked if she was still allowed to be involved with the League of Minnesota Cities and League of Metro Cities without an appointment. Mayor Elliott confirmed Councilmember Lawrence-Anderson could be involved with those organizations.

Councilmember Lawrence-Anderson stated she would like to become more aware of what their role is with those Leagues as there is an election year coming up. Mayor Elliott asked Staff to include Councilmember Lawrence-Anderson in meeting notices.

Councilmember Ryan stated they have guests for the second Work Session item and they would likely have a lengthy discussion for the first Work Session item. He suggested they cover the second item on the agenda first.

Mayor Elliott asked for input on Councilmember Ryan’s request. Community Development Director Meg Beekman stated both items have speakers present and ready to go. Mayor Elliott confirmed they could switch the order of the items.

Mayor Elliott decided, without objection from the Council, to switch the order of Work Session Items 1. Concept Opportunity Site Pilot Project - Concept Plan Review and 2. 1601 James Circle

Development Concept Proposal to become 1. 1601 James Circle Development Concept Proposal and 2. Concept Opportunity Site Pilot Project - Concept Plan Review.

City Manager Reggie Edwards was having audio issues and called City Clerk Barb Suci with an amendment to the agenda. Ms. Suci relayed his comment that since the appointments to the Commissions would be the same, the Regular Session item 6p. Resolution Appointing Council Members to Commissions and Outside Organizations could stay on the Consent Agenda.

Mayor Elliott asked if there were any comments or discussions on appointments. There was no response. Mayor Elliott asked if there were any other miscellaneous items. He stated they would return to the first Miscellaneous Item of Common Sense once Dr. Edwards could speak on the call.

Councilmember Graves stated a previous meeting they discussed appointments to the Commissions. She asked when the appointments would be presented to the Council. Mayor Elliott stated they will make the appointments shortly, but they have been dealing with other issues. He added they have been working on the appointments to the Implementation Committee as well.

MISCELLANEOUS

COMMON SENSE

City Manager Reggie Edwards stated the Council had preliminary conversations with Common Sense. He stated Staff would like to find a time for Council to meet with Common Sense in February. He noted they could try to do a Saturday with a possible in-person meeting.

Mayor Elliott asked if Common Sense had any proposed Saturdays available. Dr. Edwards stated Common Sense was flexible, and it was up to the Council to choose a date. Mayor Elliott asked how many hours would be needed for the meeting. Dr. Edwards stated two and a half hours would be sufficient for the meeting.

Councilmember Graves stated the only Saturday that works for her is February 5. Councilmember Butler stated she is not sure about her schedule. She explained she had a vacation planned to include the first two Saturdays of February, but she is in the process of rescheduling it.

Mayor Elliott suggested they consider March 5.

Councilmember Butler and Councilmember Lawrence-Anderson confirmed they were available that date.

Councilmember Graves stated she is not sure about her availability. Mayor Elliott suggested they find a backup date in the case March 5 doesn't work for Councilmember Graves. Councilmember Graves confirmed she could do March 12 or March 26.

Councilmember Butler stated she was unavailable on March 19. Councilmember Lawrence-Anderson stated she could make March 12 or March 26 work.

Councilmember Ryan added he could make March 12 or March 26 work. Mayor Elliott stated Dr. Edwards could present March 12 and March 26 as options for Common Sense.

DISCUSSION OF WORK SESSION AGENDA ITEMS AS TIME PERMITS

1601 JAMES CIRCLE DEVELOPMENT CONCEPT PROPOSAL

Community Development Director Meg Beekman stated the property located at 1601 James Circle is zoned C-2 and guided for Business Mixed Use. Both the zoning and the underlying future land use guidance allow car sales as a permitted use. The City first acquired and combined two parcels, the former Olive Garden and former Cracker Barrell, in 2006. The Economic Development Authority (EDA) acquired both parcels for \$2,893,295 and then demolished the structures on site. A portion of the properties was subdivided off and sold when the FBI building was constructed, leaving the current 4.93-acre configuration.

Ms. Beekman noted the property is still vacant. 1601 James Circle North is an oddly shaped 4.93-acre parcel that is encumbered by a large publicly owned stormwater pond and drainage and utility easement. The location and size of the pond and the shape of the parcel make it a difficult site to create a structure on. This in part is the reason for the long vacancy of the site. The City has invested approximately \$2.9 million in the property. The median land value of neighboring properties is \$8.20 per square foot and has ranged from \$6.00 to \$10.00 from County assessments.

Ms. Beekman explained the concept review process is an opportunity for the City Council to review a development concept before a formal proposal from an applicant, provide comments, ask questions, and indicate whether or not the City would be open to the project. Concept reviews are helpful for projects that would involve EDA-owned land or public subsidy, as it provides insight to staff and the developer as to the City Council's level of interest, and any specific concerns, related to a project. A concept review is considered advisory and is non-binding to the City and the applicant. No formal action can be taken, and the Council is not being asked to vote on the proposal. If the developer chooses to submit a formal application to the City to proceed, it would be subject to the full review process, as with any other development application. Carvana has submitted a Letter of Intent to purchase 1601 James Circle as well as a concept plan for how they would intend to use the property.

Ms. Beekman stated Carvana is proposing to purchase a roughly 3.5-acre portion of 1601 James Circle North to locate a Carvana Vending Machine. The car vending machine is a unique structure and experience for buyers to pick up vehicles quickly and efficiently. The balance of the site would be parking for employees, customers, and circulation for loading and unloading vehicles. It is intended to offer an additional experience beyond simply having the vehicle dropped off. No vehicle repair, maintenance, or detailing would occur on-site, except for an area to wipe down vehicles after arriving on site. Vehicles would be delivered by truck to the site.

Ms. Beekman explained if the sale to Carvana occurs, the EDA would retain a roughly 1.5-acre parcel on the west side of the site for future use as a standalone redevelopment, or to combine with the adjacent parcel for larger redevelopment. The City would also retain the existing stormwater pond.

Ms. Beekman stated the building would consist of a prominent glass structure up to ten stories in height which would house vehicles. The site would primarily function as a destination for customers to pick up vehicles they already had purchased. Carvana is an online car dealership and all vehicles sold by Carvana are sold online. Vehicles are then either delivered to buyers from a centralized location or buyers can choose to pick up their vehicle from one of Carvana's car vending fulfillment centers. The nearest car vending machine is in Illinois, and Carvana is seeking a location with high visibility and freeway access in the Twin Cities area. The use would provide approximately 10 jobs.

Ms. Beekman noted Carvana has submitted a Letter of Intent to purchase roughly 3.4 acres of the 4.93-acre site for \$2,000,000. This equates to \$13.50 per square foot for the land, which is a fair market value. By comparison, the EDA acquired the Target property for \$9.10 per square foot and Top Golf acquired the former Regal Theater for \$10.00 per square foot of land.

Ms. Beekman explained the Letter of Intent identifies the following terms: \$25,000 earnest money, 90 days due diligence to study the site, and an additional 180 day approval period to seek City approvals for the use. This will include a Preliminary and Final Plat and Site and Building Plan Review. Seller pays four percent commission to buyer's broker.

Ms. Beekman stated if the Council wishes to proceed, the EDA and Carvana will execute the Letter of Intent. Carvana will begin their due diligence of the site and start to prepare a land-use application. The land use application will go through a full review with staff, the Planning Commission, and City Council. As part of that process, Staff will negotiate a purchase agreement for the site which will go to the EDA for a public hearing and consideration.

Ms. Beekman listed potential policy issues such as if the proposed concept forwards the City's strategic priorities and the 2040 Comprehensive Plan. She asked if there is additional information the EDA needs before making a decision and if the EDA wishes to enter into a Letter of Intent with the applicant.

Ms. Beekman noted the applicant Carvana has a representative on the call. She introduced Jack Horton, a Real Estate Associate with Carvana's Retail Development Team.

Mr. Horton stated Carvana is the fastest growing online car retailer. They have modernized the car-buying experience by replacing salespeople with technology. They have an inventory of roughly 50,000 vehicles online and customers can obtain financing online. From there, customers can have the cars delivered to their houses or pick up their purchases at a car vending machine.

Mr. Horton explained Carvana has innovated the buying and retail experience. Customers only arrive on-site to pick up vehicles they have already purchased and sign the required paperwork. The customer then receives a large coin to put into a slot at the facility. Following the coin submission, the machine retrieves the vehicle they purchased and delivers it to the ground level. The customer can then inspect the car and may begin the seven-day test to own. If the car does not fit their life, then they have the option to return the car with no questions asked. He thanked the Council for their time and offered to answer any questions.

Councilmember Ryan stated the concept is novel. He explained he read up on Carvana and found various lawsuits related to customers receiving clear and fair titles for their purchases. In the case someone is pulled over, the driver would have to show appropriate paperwork. Without that, the driver could be tagged and towed. Then the driver would have to go to greater lengths to show they own the car.

Councilmember Ryan listed several states with lawsuits pending against the company. He noted the Wall Street Journal also wrote a similar article in December. Councilmember Ryan stated he would like reassurances the issues have been resolved before moving forward with the process.

Mr. Horton stated he cannot share details on the cases but noted Carvana sold their one-millionth vehicle last week. Carvana has grown 100 percent year over year., and there are growing pains that come with that immense growth. There are challenges when working with the Department of Motor Vehicles. Carvana has had a goal of exceptional customer service since the beginning, and the issues addressed by Councilmember Ryan are not in line with those values. It is an issue Carvana takes very seriously.

Councilmember Lawrence-Anderson stated the location is highly visible. One of the City's goals is creating jobs. She noted her concern with using the 3.5 acres for only ten jobs. She asked how the proposal would comply with their license class A and how the repair site fits in.

Ms. Beekman stated because the vehicles are not being sold on-site, it is considered a fulfillment center. Therefore, they would not need a repair facility on-site. Mr. Horton stated he is not in a position to speak on licensing, but their legal team could look into it. He noted most of the current vending machine sites have been built on sites with car dealership licensure. As for the employment concern, there would be about ten employees on-site at a time, but it supports closer to 30 jobs.

Ms. Beekman added it has been difficult to secure a tenant for the site. The last proposal for the site was for \$1 million and would have created 12 jobs. There was another proposal for the site, but they were unable to make the project work. The site has been vacant for quite some time and would unlikely support a substantial number of jobs.

Councilmember Lawrence-Anderson stated she is not certain who the dealership is. Ms. Beekman stated the vehicle sales are not occurring on the property, so Staff interpreted it as a fulfillment center. She explained she could follow up with the City Attorney on the issue.

Councilmember Lawrence-Anderson asked if the sales aren't occurring on-site, how would that impact property tax revenue. Ms. Beekman stated the property taxes are based on the valuation of the improvements on the site and are not impacted by car sales.

Mayor Elliott asked if the City was to have a new sales tax to raise money for the new community center, how would the Carvana site impact the tax. Ms. Beekman stated vehicle sales are exempt from sales tax levies, so the site would be exempt. Mayor Elliott asked if that exemption is at the State level. Ms. Beekman confirmed the car sales exemption is a State law.

Councilmember Butler asked to see the aerial image for the site again. Ms. Beekman showed the slide with the aerial image and noted it has been used for storage for road construction projects in the past.

Ms. Beekman asked for Council to indicate a direction for Staff. Mayor Elliott stated he would like to see a use for the space, and he is fine with the proposal.

Councilmember Graves stated her questions were similar to other members of the Council. She stated she would like more information about the aforementioned lawsuits and remedies, the licensing issues, and security at the facility.

Councilmember Ryan agreed with the concerns brought up by Councilmember Graves.

Councilmember Lawrence-Anderson agreed she had similar concerns as those raised by Councilmember Graves.

ADJOURN STUDY SESSION TO INFORMAL OPEN FORUM WITH CITY COUNCIL

Hearing no objection, Mayor Elliott closed the Study Session at 6:51 p.m.

STATE OF MINNESOTA)
COUNTY OF HENNEPIN)
CITY OF BROOKLYN CENTER)

ss. Certification of Minutes

The undersigned, being the duly qualified and appointed City Clerk of the City of Brooklyn Center, Minnesota, certifies:

1. That attached hereto is a full, true, and complete transcript of the minutes of the Study Session of the City of Brooklyn Center held on January 10, 2022.
2. That said meeting was held pursuant to due call and notice thereof and was duly held at Brooklyn Center City Hall.
3. That the City Council adopted said minutes at its January 24, 2022, Regular Session.

City Clerk

Mayor