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November 26, 2014

Mayor Gene Winstead
9632 Xerxes Road
Bloomington MN 55431

Council Member Cynthia Bemis Abrams
8400 West 109th Street
Bloomington MN 55438

Council Member Tim Busse
2909 West 97th Street
Bloomington, MN 55431

Council Member Dwayne Lowman
2400 w. 102nd Street, Apt. #212
Bloomington, MN 55431

Council Member Andrew Carlson
4642 Heritage Hills Drive
Bloomington, MN 55431

Council Member Jack Baloga
7123 Oak Pointe Curve
Bloomington, MN 55431

Council Member Jon Oleson
8725 2nd Avenue South
Bloomington, MN 55420

Re: Proposed Rezoning of Southtown

Dear Mayor and City Council Members:

As the President of Kraus-Anderson Realty, a Bloomington Company and Kraus-Anderson Incorporated, owner of several Commercial Properties also in Bloomington, I wish to address with you the proposed rezoning of three of our properties in the Penn American District. You are all familiar with the Southtown Center which we have owned since 1960 and the adjoining properties currently occupied by Lucky 13 Pub and Mitsubishi.

When commercial property is performing financially, as Southtown is, paying two million dollars per year in property taxes, owners have an expectation that local authorities will zone and regulate these properties consistent with their intended use. In fact, those expectations are usually backed with significant investment by the property owner.

It is my understanding that the City views the immediate area as ripe for redevelopment, based upon your Penn American District Plan. However, it is difficult or impossible to replace a shopping center that is fully leased with new development because of the cost of taking down buildings occupied by existing tenants with long term leases, such as Herberger's (recently renewed) and Kohl's Department Stores. At the same time, any rezoning that makes property nonconforming with zoning is a red flag for appraisers, lenders and investors, making it difficult to refinance or remodel and leading to a disincentive for long term investment. Apparently, your Planning Commission understands this problem since they voted unanimously to recommend against the rezoning.

There was a time when the City of Bloomington supported commercial development with permissive zoning that allowed property owners to seek the highest and best use of their property without difficult prescriptions on the number of stories, minimum density or restrictive street patterns. This rezoning seems to signal a different relationship with the local development community and an approach that doesn't really foster cooperation between the market and sensible land use regulation.

Over the past year we have been working diligently with the City Staff and Metro Transit regarding the Orange Line BRT. To be honest, we initially opposed the proposition of the Knox Avenue alignment for a number of reasons, but most importantly, because the line would bisect our real estate with the construction of a 250 to 300 foot trench to allow buses to drop approximately fourteen feet in grade from the BRT station to get under I-494. The Knox alignment was selected as the the preferred route last spring. On June 20th, Kraus-Anderson and its architect met with the City Staff and Metro Transit to discuss options for bringing a more workable route through the American Boulevard to I-494. There was good discussion, but still no definitive preferred route that could serve the interests of all parties.

Again, we enlisted at our expense, RSP Architects and Kimley-Horn's traffic engineer's, to work on potential plans based on the objectives discussed at the June 20th meeting. After hearing testimony from adjoining property owners at the Planning Commission meeting, we directed our team to work on a revised plan that incorporates all of the major parties: the City of Bloomington, Metro Transit, MnDOT, Lupient and Kraus-Anderson. While we are early in the design process for a potential BRT solution, we are encouraged that our preliminary discussions with the affected agencies have been positive.

Based on this, Kraus-Anderson, in working with City Staff, has offered a voluntary Moratorium, to allow the parties time to continue a collaborative effort without the threat of a premature and prescriptive rezoning. Once the BRT route and design is known, we believe the City and landowners will agree on zoning designed to promote redevelopment incorporating the new BRT station.

I urge you, the decision makers of Bloomington, to take another look at this proposal and find a cooperative approach that bridges your vision and the need for commercial property owners to make a reasonable return on their investments in your community. Thank you.

Very respectfully yours,

KRAUS-ANDERSON REALTY COMPANY

Daniel W. Engelsma
President

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