

**Minnetonka Economic Development Advisory Commission
Virtual Meeting
Minutes**

March 10, 2022

1. Call to Order

Chair Yunker called the meeting to order at 6 p.m.

2. Roll Call

EDAC commissioners Lee Jacobsohn, Melissa Johnston, Steven Tyacke and Charlie Yunker were present. Ann Duginske Cibulka, Maram Falk and Jay Hromatka were absent.

Staff present: Community Development Director Julie Wischnack, Economic Development Housing Manager Alisha Gray and Community Development Coordinator Rob Hanson.

Financial consultant Stacie Kvilvang of Ehlers and Associates was present.

3. Approval of EDAC Oct. 29, 2021 Meeting Minutes

Tyacke motioned, Jacobsohn seconded, to approve the Oct. 29, 2021 meeting minutes as submitted. Jacobsohn, Johnston, Tyacke and Yunker voted yes. Duginske Cibulka, Falk and Hromatka were absent. Motion passed.

4. CommonBond

Gray provided the staff report.

Katie Anthony, principal project manager with CommonBond, stated that:

- CommonBond will secure a private first mortgage in addition to the money from Minnetonka and a loan from Hennepin County for the acquisition.
- An appraisal would be completed and shared.

Cecile Bedor, executive vice president for real estate with CommonBond, stated that:

- CommonBond targets properties that have deep affordability that need to be preserved in communities. Section eight housing is a critical resource in terms of affordability.
- CommonBond fully expects the property to be appraised within the purchase price.
- If there are restrictions on the income that may be generated on the property, that depresses the value. She knows that the value would be

higher given the location, type of property and the amount of rent being charged.

Ms. Bedor stated that:

- CommonBond's mission is to build stable homes, strong futures and vibrant communities which are the basis for everything.
- CommonBond was formed by the Archdiocese of Minneapolis and St. Paul in 1971 to provide social justice.
- CommonBond operates in rural and suburban communities and serves families, seniors and homeless veterans.
- CommonBond provides property management services and advantage services to promote educational advancement; community building and engagement; and health and wellness.
- Minnetonka's support will allow CommonBond to preserve a property that it would not be able to preserve otherwise. CommonBond has no equity since it is a nonprofit organization. There is a property management fee that helps support the organization, but the vast majority of that comes from fundraising and developer fees.
- CommonBond will apply for low-income tax credits which will be sold to investors to create cash.
- She appreciated Minnetonka's participation and the commission's consideration. Minnetonka is a key partner with CommonBond.
- Minnetonka is a great place to live, has a lot of amenities and is not too far away from major employment corridors.

Tyacke asked if future refinancing would eliminate the need for the financing assistance being requested. Ms. Bedore explained that a tax-credit tool would be used to bring in more private equity to refinance all of the debt. She provided a peek into the future of what one could expect to take place to preserve this asset in the long term. A nonprofit agency serves low-income earners. The rent is discounted and the property is owned in perpetuity. CommonBond never sells the property. Nonprofits have to pay the same salaries as everyone else; pay insurance costs and utilities; and complete compliance requirements. The funding being requested today would assist with acquiring the property and doing the site work. The money would be paid back in seven years with a refinance or complete syndication and renovation.

Jacobsohn asked if the residents who currently live there would be able to continue living there during the rehabilitation. Ms. Bedore answered affirmatively.

Jacobsohn asked if it would be possible for staff to provide a breakdown of the amount of cost per unit that Minnetonka's funding would provide based on the number of years that affordable housing would be extended. Gray agreed to create a comparison of the \$200,000 grant and repayable loan for councilmembers when they review the proposal. Wischnack understood the intent to compare this deal's price per unit per year to show

the amount of affordability being gained. This proposal would provide more affordability and be a better deal than what is typically done most of the time.

Tyacke asked what source would be used to fund the deferred loan and grant assistance. Gray explained that there is tax increment currently available to fund the grant.

Chair Yunker invited members of the public to speak.

Ken Isaacson, a resident of Minnetonka, stated that:

- He is familiar with CommonBond and is very supportive of the work CommonBond does.
- Transitioning ownership of Cedar Hills to a nonprofit organization is in the best interests of the residents who live there and the community.
- He thought the current income restrictions would be tied to the land through 2037.
- He asked for the purchase price amount. He thought the proposed purchase price was nearly \$217,000 per unit.
- He advocated strongly that there be an MHFA qualifier and NIA appraisal completed for the as-is value of the asset. For this level of subsidy, it is prudent that Minnetonka should not be using public funds to pay prices that are outside the market. He did not know what the market price was for the property. He thought \$217,000 seemed extremely expensive if it needed immediate work.
- He confirmed with Gray that there would be a public hearing when the city council reviews the item.
- He will speak with staff further at another time. He appreciated everyone's time.

Ms. Bedore stated that:

- She agreed with Mr. Isaacson. CommonBond does not want to overpay for a property. It is a hot market right now. CommonBond would not have moved this far in the process if they did not have confidence that the appraisal would be appropriate.
- This would not be a \$1 million subsidy. The funding would be a \$200,000 grant and the rest would be a loan that would be paid back with interest.
- Mr. Isaacson is correct that the preservation agreement keeps the tax credit restrictions in place in terms of the rent levels and income limits. A developer may opt-out of a section-eight contract, so the acquisitions that CommonBond focuses on have section-eight housing. CommonBond would preserve the deep affordability through the section-eight subsidy.

Ms. Anthony explained that CommonBond has a purchase agreement to acquire the property for \$6.5 million. An appraisal is in the process of being completed. The units

have two, three, or four bedrooms. The building houses 12 households that earn less than \$25,000 a year; four households that earn no more than \$30,000 a year; and eight households that earn between \$30,000 and \$50,000 a year.

Kvilvang explained that the only funding subsidized would be for the \$200,000 grant. The other \$800,000 would be a loan that would be repaid. She did not see the purchase price being a problem.

Jacobsohn was very excited about the opportunity for CommonBond to do more in Minnetonka. That is a real positive. The project would provide diversity in the lowest and most needed type of housing since most affordable housing consists of multi-family units. The proposal would also improve an existing property. CommonBond would be a good manager. He fully supports the proposal.

Johnston, Tyacke and Chair Yunker agreed with Jacobsohn. Chair Yunker noted that the only thing being subsidized are improvements in the long term. Homes Within Reach highlights the importance of maintaining the properties for the long run. He likes the proposal and recommendation as presented.

Wischnack stated that staff would meet with Mr. Isaacson to gain his perspective.

Jacobsohn motioned, Tyacke seconded, to recommend that the city council enter into an agreement with CommonBond to provide a repayable loan in the amount of \$864,000 and grant in the amount of \$200,000 to purchase and rehabilitate Cedar Hills Townhomes located at 10860 Cedar Bend to provide affordable-rental-housing units for low-income households. Jacobsohn, Johnston, Tyacke and Yunker voted yes. Duginske Cibulka, Falk and Hromatka were absent. Motion passed.

5. Business Development Strategy Work Plan

Hanson provided the staff report. Staff requested commissioners provide feedback on the proposed business development strategy work plan.

Jacobsohn was a little concerned with a loan program that may help one business and not a competing business.

Chair Yunker stated that Hanson did a great job putting the information together and providing some great ideas. The information would be a valuable resource for businesses. He echoed the thought that loans and grants tied to COVID relief were applicable at the time, but providing assistance to one business and not a competitor of that business would need to be thought through carefully.

Johnston agreed.

Hanson asked if there is anything in the work plan that commissioners consider to be way-off base. Chair Yunker did not find anything way-off base. Providing direct financial

assistance would need to be carefully considered. Providing a trusted source of information and opportunities for business owners and managers to make connections are priorities to be focused on first. Maybe conducting another survey later on could provide more feedback and information.

Hanson appreciated the comments.

6. Staff Report

- Civil construction on the SWLRT is anticipated to be complete by 2025. The project is currently scheduled to open for revenue service in 2027. The revised schedule is a result of numerous challenges along the line. Project leaders estimate that the project will need an additional \$450 million to \$550 million to finish.
- Regional Metro Transit ridership has started to recover from pandemic lows. Ridership grew to nearly 4 million customers in October 2021.
- The winter issue of Thrive Minnetonka was sent to over 1,200 Minnetonka businesses in February 2021.
- King Technology has been approved to participate in the Minnesota Job Creation Fund.
- Launch Minnesota is a statewide collaborative effort to accelerate the growth of startups. The program provides grants to the most promising and innovative businesses in Minnesota. A local Minnetonka company, Advisory Aerospace OSC, received nearly \$20,000 through the program to develop a production scheduling optimizer for aerospace manufacturers.
- A study shows that from Jan. 1, 2018 to June 30, 2021 Ridgedale had 48.1 million visits. In April 2020, 300,000 patrons visited Ridgedale compared to 1.3 million the year before. Ridgedale sees the highest number of visitors from Maple Grove, Osseo, Minneapolis and Eden Prairie.
- Hennepin County has announced that the city is poised to receive approximately \$142,000 in CDBG grant funds to continue the home rehabilitation grant program into 2023. Additionally, the county is soliciting proposals from public service providers to carry out service activities into 2023. Approximately \$450,000 is available for services related to temporary or short-term housing assistance, domestic abuse counseling, financial counseling, job training, senior services, senior center programming, tenant advocacy, and youth counseling and programs.

7. 2021 Annual Report

Wischnack provided the 2021 annual report.

Chair Yunker thanked staff for their achievements and for representing Minnetonka so well.

8. Other Business

The next EDAC meeting is scheduled to be held on May 19, 2022 at 6 p.m.

9. Adjournment

The meeting was adjourned at 7:55 p.m.