

**Minnetonka Economic Development Advisory Commission
Minutes**

July 14, 2022

1. Call to Order

Acting Chair Johnston called the meeting to order at 6 p.m.

2. Roll Call

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

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

Councilmember Deb Calvert was present.

3. Approval of the EDAC May 19, 2022 Meeting Minutes

There were not enough commissioners who attended the May 19, 2022 present to take action on this item.

4. 2023-2027 Economic Improvement Plan (EIP)

Acting Chair Johnston stated that she appreciates the time staff put into brainstorming to create new ways to take advantage of the funds that have become available to provide numerous housing options in Minnetonka.

Gray provided the staff report. Staff recommends commissioners review and provide a recommendation on the draft 2023-2027 EIP.

Hromatka confirmed with Gray that the \$2,500 in reference to the HWR program is a one-time setup fee. Gray stated that there will be an annual fee for each loan which has not yet been updated.

Tyacke asked how many new jobs King Technology would create. Gray answered 50.

Tyacke confirmed with Gray that the housing and road improvement projects near the SWLRT Opus Station had not suffered too many delays.

In response to Tyacke's question, Gray explained that the housing goals are set by the Metropolitan Council and adopted into the comprehensive guide plan. The housing goals are aspirational goals to, ideally, be met in ten years. Minnetonka did great the last cycle and is doing well so far in 2022.

Jacobsohn stated that the EIP is a great piece of work. The staff is doing a great job of making it more concise and easy to understand. He appreciated it.

Hromatka moved, Tyacke seconded, a motion to approve the EIP as recommended by staff. Duginske Cibulka, Hromatka, Jacobsohn, Tyacke and Johnston voted yes. Falk and Yunker were absent. Motion carried.

Hromatka agreed with Tyacke that the information was laid out so well in the EIP that he did not need to ask questions.

5. **Commercial Code Compliance Loan Program**

Hanson provided the staff report.

Hromatka asked if the program would be utilized for a business to fix a code violation or a business wanting to make an improvement. Hanson explained that it would be used in both scenarios.

Tyacke asked if there would be a "due on sale provision" for a business owner to pay back the loan if the business would be sold. Hanson answered that it is not currently part of the guidelines, but staff appreciates the question and will look at adding that requirement.

Jacobsohn asked what funds would sustain the pilot program if it would be successful, and if there would be an evaluation to determine the risk of the business not making it and the risk to the city of not being repaid. He felt it would be a great program to assist a business with unforeseen costs. He suggested changing the loan term to five years instead of 15 years to allow funds to be paid back sooner to be used to fund additional loans.

Hanson stated that there is a guarantee for repayment included in the guidelines. The CEE staff are already running a similar program and would handle the underwriting of the loans and determining the risk when approving a loan. Future funding for the programs will be looked at in the future.

Wischnack stated that she would look first at the HRA Levy.

Gray added that a previous loan was repaid, and those funds could be utilized. Requiring a mortgage on the property to secure repayment is being considered but may not be possible in situations where a business owner does not own the property.

Duginske Cibulka asked for a detailed list of the programs that would utilize the funds. Wischnack will provide commissioners with the chart.

Calvert noted that recreational cannabis sales became legal since the packet was completed. She suggested commissioners discuss adding businesses that sell recreational cannabis to the ineligible list. Acting Chair Johnston stated that CBD is an

evolving part of society. CBD can be a helpful approach to dealing with certain ailments that would otherwise require more dangerous medications. She would like to research the pros and cons more. If pressed right now, she would lean toward keeping a business eligible to receive a loan.

Wischnack explained that staff is waiting to gain more information from the League of Minnesota Cities. The businesses on the ineligible to receive loan list include those that sell liquor and tobacco.

Calvert stated that she sees a difference between businesses that sell cannabis for recreational uses and those that sell it for medicinal uses. There are numerous considerations that the League of Minnesota Cities is trying to create a coordinated approach and clarification. It would be helpful for councilmembers to know what the attitude of commissioners is toward the recreational use of cannabis. Medicinal sales of cannabis regulations could be similar to those of a drug store.

Wischnack suggested commissioners consider including language recommending that Minnetonka adopt the League of Minnesota Cities guidelines for cannabis. For instance, if the League of Minnesota Cities creates a guideline for cities to require a license for the sale of cannabis, like a license to sell tobacco, then that would make the business ineligible for the loan program.

Acting Chair Johnston felt it would make sense to require a special license for the sale of a product with a certain amount of THC.

Duginske Cibulka agreed that there would be evolving societal influences and legal matters to address. She suggested being cognizant of the evolving legal matters and research. There will be community members on both sides of the issue. Wischnack's proposed language may allow Minnetonka to be more adaptive than prescriptive at this point.

Jacobsohn asked if a convenience store that sells cigarettes and a restaurant that sells alcohol would not be eligible for a loan. Wischnack and Hanson agreed to change the language to reflect that a business that sells "primarily" cigarettes or alcohol would be ineligible.

Hromatka questioned why the ineligible businesses would be excluded since they have the same code-compliance requirements. Duginske Cibulka agreed. The loans are to be used to provide safety by meeting code requirements. She questioned why the businesses would be ineligible from applying for a loan if the use is allowed in Minnetonka.

Jacobsohn said that he could go either way on the ineligibility issue.

Hromatka felt code compliance should be supported regardless of the type of business.

Hromatka moved, seconded by Duginske Cibulka, to recommend that the city council approve the commercial code compliance loan program as recommended by staff with changes to allow the terms to be set commensurate with the dollar amount borrowed and the eligibility to apply would not be restricted by the nature of the business as long as the use is allowed by city code. No vote was taken. Motion failed.

In response to Acting Chair Johnston's question, Hanson will research further into the condition that requires securing 100 percent of the loan by at least one owner who owns at least 50 percent of the business.

Wischnack and Hanson agreed to make changes and bring the commercial code compliance loan program back to the EDAC for review at the next meeting.

Hromatka moved, seconded by Tyacke, to table action on this item until the next EDAC meeting. Duginske Cibulka, Hromatka, Jacobsohn, Tyacke and Johnston voted yes. Falk and Yunker were absent. Motion carried.

6. Pathways to Homeownership Program

Gray provided the staff report.

In response to Hromatka's question, Gray explained the table with information on the assistance by purchase price and income limit for the pathways homeownership program. The area medium income limit would be up to 120 percent area-medium income (AMI). The purchase price is capped in accordance with the applicant's income. Most of the applicants for down-payment assistance usually have had 50 percent to 60 percent AMI. It will be interesting to see if this program will cast a wider net and provide an opportunity for people with higher AMIs. Wischnack noted the importance of applicants receiving down-payment assistance and being able to afford the mortgage payments.

Jacobsohn suggested requiring a buyer to have two or three months of principle, interest, taxes, and insurance in reserve after closing. Without that cushion, an auto repair or appliance failure could cause significant repercussions. Gray agreed. She will look into adding that as a security requirement.

Jacobsohn struggled with the pathways program forgiving the principle and providing a zero interest rate. The HRA Levy money would be given to a few homeowners who would qualify for the program. He suggested a change to the first-generation homebuyer program to allow someone who hasn't owned a house in five to seven years to qualify. There are a lot of people who need the help who had a parent who owned or lost a house in the 2008 financial crisis who should be just as deserving and need this assistance.

Hromatka agreed with Jacobsohn. Someone who lost a house to foreclosure and did everything they could to straighten out their credit score and be a homebuyer again

could use the assistance. He favored the \$300,000 be used for a semi-sustainable program rather than 100 percent forgiven.

Wischnack stated that council members appreciate commissioners' input regarding the parameters of the programs. Calvert noted that there are differing opinions among council members. The intent of St. Louis Park's program is to remove barriers and provide an opportunity for systemically and economically marginalized people to purchase a house. The programs would be limited to a certain number of people because the funds are limited. A lower amount of assistance for each buyer would provide assistance to more buyers.

In response to Hromatka's question, Calvert stated that council members would consider utilizing additional funding sources if the programs are found to be successful, benefit Minnetonka residents, and meet its goals.

Jacobsohn noted that the Homes Within Reach program is driven by the land trust and the property which is picked out, and the pathways to the homebuyer program are driven by homebuyers.

Calvert noted that the pathways program allows a buyer to fully own a house and property. It would allow the opportunity for a family to benefit from the wealth that so many other people are able to gain from the sale or equity of a house.

Tyacke asked if a buyer would have to own a house for 50 years for the loan to be forgiven. Gray answered affirmatively. She explained how two percent a year of the loan would be forgiven to provide some assistance over time. There is zero percent interest on the loan. The two percent of the loan forgiven each year would not have to be paid back.

Duginske Cibulka supports reconsidering the first-generation buyer requirement and changing it to allow an applicant who did not own a house in the last five years for the pathways program. That would allow homeowners whose house was foreclosed on in 2010 or someone who married someone who owned a house and then lost it to be eligible.

Duginske Cibulka clarified with staff that an applicant does not need to be a current resident of Minnetonka. Wischnack and Gray will change the language to clarify that the applicant must be a legal U.S. resident and that the house being purchased must be located in Minnetonka.

Jacobsohn agreed that a married couple would have two sets of parents who could eliminate them from qualifying due to the first-generation buyer requirement, and it would be difficult to track that requirement. Duginske Cibulka agreed.

Tyacke saw people moving more often with upsizing and downsizing. Wischnack thought more flexible language would be beneficial. The program hopes to assist

households who have had challenges and barriers to homeownership in Minnetonka in the past.

Calvert appreciated the discussion.

Jacobsohn moved, seconded by Duginske Cibulka, to recommend that the city council:

- Approve adjusting the existing down-payment assistance program as recommended in the staff report.
- Approve the Pathways to Homeownership Program with the program keeping the interest rate at zero percent; removing the forgiveness of two percent of the loan per year; and replacing the first-generation-buyer requirement with the requirement that the applicant has not owned a home in the last seven years.

Duginske Cibulka, Hromatka, Jacobsohn, Tyacke and Johnston voted yes. Falk and Yunker were absent. Motion carried.

7. Staff Report

Hanson reported:

- The SWLRT continues construction on Red Circle Drive, Yellow Circle Drive and the Minnetonka-Hopkins LRT Bridge.
- Regional Metro Transit ridership is now 32 percent of the pre-pandemic level.
- Development updates on The Pointe, Minnetonka Station, Doran, Shady Oak Office Center (Wellington), Lake Minnetonka Care Center, Ridgedale Park project, Buhl Investments and Dick's House of Sport. Dominion is fully leased.
- The city council approved \$50,000 of the HRA Levy to be used for emergency-business assistance. Businesses may apply for a one-time forgivable loan not to exceed \$2,500.
- An issue of Thrive was released on July 11, 2022.
- Provided a business work-plan update.
- Housing update regarding utility bill grants and mortgage and rent assistance.
- A posting to hire a new housing specialist position will be posted soon.

8. Other Business

The next EDAC meeting is scheduled to be held on Aug. 11, 2022 at 6 p.m.

9. Adjournment

The meeting was adjourned at 8:05 p.m.