



**Agenda
Minnetonka City Council
Study Session
Monday, Feb. 6, 2023
6:30 p.m.
Minnehaha Room**

- | | | |
|----|--|----------------|
| 1. | Call to Order | 6:30 p.m. |
| 2. | Introductions/Roll Call | 6:30-6:35 p.m. |
| 3. | Housing updates (pathways and homeownership) | 6:35-7:35 p.m. |
| | | Break |
| 4. | 2023 community survey review | 7:45-8:15 p.m. |
| 5. | March study session – topics and dates | 8:15-8:20 p.m. |
| 6. | Summary of city manager performance review | 8:20-8:25 p.m. |
| 7. | Adjournment | 8:25 p.m. |

The purpose of a study session is to allow the city council to discuss matters informally and in greater detail than permitted at formal council meetings. While all meetings of the council are open to the public, study session discussions are generally limited to the council, staff and consultants.



**Study Session Agenda Item #3
Meeting of Feb. 6, 2023**

Title: Housing brief

Report From: Alisha Gray, Economic Development and Housing Manager
Kendyl Larson, Housing Coordinator

Submitted through: Mike Funk, City Manager
Julie Wischnack, AICP, Community Development Director

Action Requested: Review information and provide feedback

Summary Statement

This housing brief provides updates on local and regional housing priorities.

Strategic Profile Relatability

- | | |
|--|--|
| <input type="checkbox"/> Financial Strength & Operational Excellence | <input checked="" type="checkbox"/> Safe & Healthy Community |
| <input type="checkbox"/> Sustainability & Natural Resources | <input checked="" type="checkbox"/> Livable & Well-Planned Development |
| <input type="checkbox"/> Infrastructure & Asset Management | <input checked="" type="checkbox"/> Community Inclusiveness |
| <input type="checkbox"/> N/A | |

Statement: This discussion item supports housing choices in Minnetonka.

Background

This brief summarizes the staff efforts to continue supporting existing households and expanding housing choices, as well as outlines important local and regional housing priorities.

City Resources and Affordable Housing Priorities

Minnetonka Homeless Response Update

Over the past year, various actions have taken place to better understand homelessness in Minnetonka. The intent was to increase assistance to those experiencing a housing emergency. The [Sept. 19, 2022](#) study session provided an extensive homelessness update that covered Hennepin County's Coordinated Entry program, federal and state homelessness funding and resources, and the His House Foundation Pilot Program. Following this update, staff continued to research local homeless resources and host conversations with school liaisons, nonprofits, and county staff to build a network and stay informed.

In November 2022, as part of this continued work, staff from Community Development, Legal, and Police formed a Homelessness Response Workgroup to develop the best way to proactively address homelessness in Minnetonka. The group prioritized two goals; drafting procedures based on common housing insecurity scenarios and developing an ArcGIS dashboard to communicate information between departments. A set of procedures was drafted in January 2023 to guide the city's response to residents experiencing homelessness and housing insecurity. Staff continues to review the draft and make edits. Police developed a Homelessness Activities Manager and Dashboard via ArcGIS where Community Development and Police can input data and track each case from beginning to end. This resource is now being utilized and edited when needed to make it more efficient and effective.

In addition to these two tasks, staff continues researching how homelessness is addressed in similar-sized suburbs to develop the best methods for outreach and assistance. Initial conversations with surrounding suburbs show Minnetonka is leading in developing procedures to address homelessness cross-departmentally. Most homelessness directives in these communities are solely part of their Police departments, and most do not have policies to address different housing insecurity scenarios.

Emergency Homelessness Response Assistance Program Update

At the July 18, 2022 meeting, the council approved temporary assistance for Minnetonka families experiencing a housing crisis in partnership with [His House Foundation](#). On July 27, 2022, His House Foundation and the City of Minnetonka signed an agreement to establish a two-year pilot program to help 24 homeless Minnetonka households. The Emergency Homelessness Response Assistance Program provides temporary relief for households experiencing a housing emergency and homelessness. The program finances casework, temporary housing, and first-month rent deposits. His House Foundation helps local homeless residents with intensive case management, temporary accommodation in extended-stay hotels, and assistance with long-term housing solutions.

The program officially started in September 2022, and His House Foundation has utilized program funds to assist four Minnetonka households experiencing an emergency homeless situation. Approximately \$19,780 has supported four households, with roughly \$180,220 remaining in the program funds.

Specific Resources Spent

- Lease Termination: \$956
- Shelter: 176 days at \$74 = \$13,174
- Case Management
 - 37 hrs. at \$20 = \$740
 - 226 hrs. at \$25 = \$5,650

City-Owned Properties – Home Ownership Efforts

The city hosted two neighborhood meetings in December to discuss concerns and possible future uses of 5501 Baker Rd and 5432 Rowland Rd. The community modestly attended the meetings, and the conversation primarily focused on clarifying what the city planned for the properties in the future. In general, positive feedback was received by the community members who attended.

The meeting presentations can be found on the [Baker/Rowland Project Page](#).

5501 Baker Road

The city is working with Better Futures Minnesota to deconstruct the property and recycle salvageable materials. The deconstruction is expected to take about a month and will bring the property down to the frame. Once the property is deconstructed, the city will contract with a demolition company to finish the demolition work and finish grading at the site.

5432 Rowland Road

The staff has requested that the Met Council Housing and Redevelopment Authority inspect the property with a general contractor and their management company to determine if it is feasible to rehabilitate the property. If so, the city may choose to sell it to Metro HRA to operate within its Family Affordable Housing Program, which serves very low-income families.

If it is determined that rehabilitation is not feasible, the city will contract with Better Futures MN to deconstruct the property and demolish whatever is not salvageable.

A tentative timetable is below.

February-March 2023	Release of Marketing Soliciting Potential Buyers
March-April 2023	Land use pitch to city staff, city staff makes a recommendation to the city council.
April-May 2023	Sale of Property and Beginning of Concept Plan Review Process
Summer 2023	Land Use Approval and Permitting
Summer-Fall 2023	Construction Begins

1809 Welland and 10505 Belmont

Closing on these two properties is scheduled for January 30th. Once the city closes on the properties, staff will meet with its property management company to do a walkthrough of the properties and assess their conditions. Once the properties are incorporated into the city's portfolio, staff will begin assessing the properties' future sometime this summer.

Affordable Housing Trust Fund (AHTF)

In 2021, Minnetonka, St. Louis Park, and Richfield received special legislation to transfer the existing balance of "pooled" tax increment (approx. \$5M) for housing development to the city's housing trust fund to assist with producing affordable housing units. The special legislation allowed the city to diversify the level of affordability beyond 20% of the units at 50% AMI and 40% of the units at 60% AMI established under the TIF law.

In summary, the City of Minnetonka has used this funding to provide rental assistance, help people experiencing housing insecurity, produce new affordable units, and provide an opportunity to develop a new program for affordable homeownership. Below is a summary of the projects relating to these efforts:

- **Rental Assistance Program \$350,000**
 - Up to \$1,500 per household for rental assistance
 - Assisted 205 households as of January 2023
- **Minnetonka Station \$553,000**
 - 28 units at 50% AMI, 247 market-rate units
- **Doran (Opus) \$280,000**
 - 18 units at 50% AMI, 17 units at 60% AMI, and 18 units at 80% AMI, 303 market-rate units
- **Amira Minnetonka (Carlson Towers) \$400,000**
 - Ten units at 50% AMI, nine units at 60% AMI, 167 market-rate units
- **Housing Emergency Assistance (His House) \$200,000**
 - Assistance for households at risk of homelessness or currently homeless
- **Potential in 2023 – Pathways to Homeownership Program \$300,000**
 - Expanded down-payment assistance program

American Rescue Plan Act (ARPA)

Minnetonka utilized its American Rescue Plan Act funds for use in 2023, which allowed \$750,000 to be designated for future housing and business priorities. Uses identified in the 2023-2027 EIP include:

- \$300,000 - Pathways to Homeownership Program
- \$200,000 – Homelessness Interventions in Partnership with His House Foundation
- \$250,000 – Business Assistance and Pedestrian Improvements

Hennepin County's funding is allocating \$30 million for tutoring services, public health efforts, housing, and food security. More information is available on the county's [ARP response website](#).

Housing Study Summary

The 2022 update of the 2018 Marquette Housing Study was received in November 2022. The report provides a more comprehensive understanding of Minnetonka's current housing market demand and unmet needs. Here are the biggest takeaways from the report: rental demand is high as vacancy rates remain low, naturally occurring affordable housing options are shrinking, and for-sale housing is needed but will be hard to accomplish due to various factors.

Rental Demand

Demand for rental units continues to increase as apartment absorption keeps pace with new supply, and vacancy rates remain low, around 2.4% in Minnetonka (a healthy vacancy rate is around 5%). The report indicates that over the next five years, most of the market demand will be for general occupancy (non-senior) rental housing with the potential for approximately 6,000 housing units, including 1,800 market rate and 4,200 affordable units.

- The demand for 4,200 affordable units includes pent-up demand, which accounts for an estimated 3,200 households experiencing a "housing cost burden," spending more than 30% of their monthly income on housing. This demand includes the over 482 affordable units put into the rental market in Minnetonka over the past two years.
- In the short-term and long-term projections, Minnetonka can take on additional capacity from the metro for multifamily and for-sale housing. The report forecasts the 5-10 year demand estimated at 2,758 units, decreasing to 2,270 units from 10-15 and 15-20 years.
- The report indicates that Minnetonka has the potential to capture a more significant percentage of the regional household growth anticipated by the Met Council, but only if a sufficient supply of attractive and appropriately priced housing units is constructed. The more aggressive growth potential is due to Minnetonka's strong economic base, the attractiveness, accessibility, and availability of goods and services, and the future construction of the SW-LRT.

Senior Housing

While most of the housing demand will be for general occupancy rentals, there will be increased demand for senior housing over the next ten years. Within five years, the demand is 669 units, increasing to 935 units in 5-10 years. The type of housing that will be most in demand for seniors are "active adult" units restricted to adults age 55+, offering few, if any, services. This demand should include a mix of for-sale (including co-ops) and rental units.

Loss of Naturally Occurring Affordable Housing

Minnetonka has benefited from an ample supply of naturally occurring affordable housing (NOAH) because of older apartment communities with modest rents (supporting at or below 60% AMI). These naturally affordable units continue to be well-occupied, but within the current market environment, this NOAH housing supply is at risk due to increased rents. The number of naturally occurring affordable housing units built before 2000 has declined by 41.8% over the past five years. As a result, more renters have been effectively "priced out" of affordable housing within these units. While many of these renters remain in place, they must allocate a greater percentage of their incomes (often more than 30%) toward their monthly housing costs, causing them to become housing cost-burdened.

For-Sale Housing

On the ownership side, the report indicated a demand for around 300 for-sale housing units in Minnetonka over the next five years. That demand, however, is expected to be unmet due to market challenges impacting both buyers and homebuilders. Homeownership in Minnetonka has become unattainable for many young couples and families, with a median sale price in 2022 of \$465,000. In addition, in late 2022, around 109 homes for sale in Minnetonka had a median

list price of \$599,000. A further complication in Minnetonka for reasonable single-family construction is the limited supply and cost of developable land.

In summary, the updated housing study report shows Minnetonka's incredible potential for increased growth over the next 1-5 years and beyond due to the high rental and for-sale demand. While development is forecasted to input a consistent number of units into the market, the already pent-up demand, particularly in affordable units, could challenge reaching that potential. However, despite this challenge, Minnetonka can meet these demands by continued construction of attractive and appropriately priced housing units.

Minnetonka COVID-19 Emergency Rental Assistance

In total, the city council approved \$300,000 in funding for an emergency rental assistance program to assist Minnetonka residents impacted by COVID-19 in 2020. To establish the program, the city approved a temporary ordinance that allows the city to set up a housing trust fund for this purpose.

- As of January 2023, 205 households received a total of \$273,769.63 in direct rental assistance through the city's emergency rental assistance program. The average assistance per household was \$1,329.
- There is a balance of \$27,595 of assistance remaining in 2023. The city approved and has allocated an additional \$50,000 for 2023.
- 55% of the assistance was utilized by Black households, 30% by White households, 2% by Asian households, 7% by Hispanic households, and 11% by Other.
- 69% of households assisted are homes where a female is the head of household.

Property Manager Newsletter

Relationships with property managers within the city are essential, and a number of years ago, staff held a property managers meeting and distributed a renter newsletter to communicate necessary information. Staff will renew efforts on building those relationships again and providing managers with information that will help them and their renters. Staff will conduct outreach with managers by developing a bi-annual newsletter starting this year.

Temporary Housing Assistance Program Updates

Mortgage Assistance

HomeHelpMN is accepting applications for mortgage assistance until allocated funds are fully exhausted. Homeowners with incomes at 100% AMI or under, have fallen behind on their mortgage, or have incurred other housing-related expenses are eligible for the funding. Details of the program include:

- Eligible expenses include: mortgage payments, contract for deed payments, manufactured housing loans, property taxes, property insurance, homeowner or condo fees, and manufactured home lot rent.
- Homeowners may be eligible for up to \$50,000.
- Have past-due expenses in one of the eligible categories

As of the end of August, HomeHelpMN has received over 8000 applications, which represent about 85% of the total available funding. Only about 46% of the available funds have been distributed. View the [Program Dashboard](#) to get more information on applicants.

Regional Efforts

Minnetonka staff actively participates in several affordable housing workgroups that are researching, lobbying for, and implementing new approaches to fund affordable housing programs, preserve existing naturally occurring affordable housing (NOAH), and protection for tenants. Several cities (including Minnetonka) and counties in Hennepin and Ramsey Counties are also attending the housing workgroup meetings to share their efforts and streamline the legal review of new concepts and programs. The list below highlights the collaboration between various agencies and organizations working toward affordable housing goals in the region. These large-scale efforts go beyond the individual ability of the city. They will have a greater impact on the production and preservation of affordable housing than what can be accomplished locally.

[Greater MN Housing Fund](#) - Greater Minnesota Housing Fund (GMHF) is Minnesota's leading nonprofit affordable housing lender. GMHF is not just a lending agency; it is also known for its innovation and its creative approaches to Minnesota's affordable housing challenges.

- Naturally Occurring Affordable Housing (NOAH) Fund to provide funding to preserve NOAH properties.

[Housing Justice Center](#) - Founded in 1999 as the Housing Preservation Project, Housing Justice Center (HJC) is a nonprofit public interest advocacy and legal organization whose primary mission is to preserve and expand affordable housing for low-income individuals and families. Priorities include:

- Production of affordable housing
- Preservation of NOAH properties
- Tenant Rights and barriers to access

[Minnesota Housing Finance Agency](#) - Minnesota Housing is the state's housing finance agency. For more than 40 years, it's worked to provide access to safe, decent, and affordable housing and to build stronger communities across the state. In 2021, the agency invested \$1.92 billion and assisted more than 93,504 households.

[State Housing Tax Credit Contribution Fund Program](#) -

Minnesota Housing has a new program that started in January 2023. The State Housing Tax Credit Program and Contribution Fund is a new program to help finance affordable multifamily and single-family housing throughout Minnesota. This program is separate from the Federal Low Income Housing Tax Credit program. Eligible Minnesota taxpayers will be able to contribute to the contribution fund, and in return, receive a state tax credit. The contributions from the fund will provide funding for loans and grants for eligible housing projects. The program will rely only on contributions of this kind. No other state appropriations or funding sources will support the program.

[Minnesota Housing Partnership](#) - Minnesota Housing Partnership (MHP) strengthens development capacity and promotes systems change to expand opportunity, especially for

those with the greatest need. They support, lead, and collaborate with a diversity of partners to stimulate innovation and drive a positive impact on affordable housing and community development in Minnesota and beyond.

[Fair Housing Implementation Council](#) - Established in 2002 to coordinate efforts of its participating members to comply with their obligations to affirmatively further fair housing throughout the Twin Cities metro housing market area. This group led the development of the Twin Cities Regional Analysis of Impediments to Fair Housing, which is a thorough examination of structural barriers to fair housing choice and access to opportunity for members of historically marginalized groups protected from discrimination by the federal Fair Housing Act.

[The Local Initiatives Support Corporation](#) - known as LISC, supports projects and programs to revitalize communities and bring greater economic opportunity to residents. They invest in affordable housing, high-quality schools, safer streets, growing businesses, and programs that connect people with financial opportunities. They provide the capital, strategy, and know-how to local partners.

- Supporting a bill to increase tax increment pooling for certain housing projects to serve individuals whose income is 30 percent or less of the area median income.
- Exploring options for a regional housing trust fund to support the production and preservation of affordable housing to leverage additional private investment to broaden the resources for housing.
- Providing assistance and expertise to preserve NOAH properties.

[Metro Cities](#) - (the Association of Metropolitan Municipalities) is a membership organization representing cities in the seven-county metropolitan area at the Legislature, Executive Branch, and Metropolitan Council. It is the only metro-wide entity that monitors regional issues, advocates for cities at the Metropolitan Council, and represents the interests of metro-area cities at the state levels of government.

- [Link to Legislative Policies](#)

Regional Housing Workgroup - Each month, staff participates in the regional housing workgroup. The group is comprised of housing and economic development professionals from metro area cities. The workgroup focuses on sharing insights on legislative priorities, housing policies and programs, and other time-sensitive housing information. Thirty-three cities or housing agencies participate in these meetings each month.

[League of MN Cities](#) - The League of MN Cities establishes a set of priorities for each legislative session with input from the membership cities. Minnetonka's Community Development Director has chaired the housing task force for the last three years. The legislative priorities for 2023 are summarized on the [league's website](#).

[Governor Tim Walz's Budget Recommendations](#)

The Governor's 2024-2025 proposed budget provided on January 24th reflects funding and policy priorities related to economic development, public safety, education, and housing. The housing-related budget items focus on down payment assistance, workforce, and economic development, preservation of Naturally Occurring Affordable housing, homeownership, and the development of affordable housing.

- \$950 million for housing needs including,
 - \$128 million in FY 24-25 for down payment assistance with \$4 million per year ongoing;

- \$100 million increase for the Economic Development & Challenge Fund Grant program for housing projects that support workforce and economic development;
- \$100 million for a Community Stabilization Program to help preserve Naturally Occurring Affordable Housing;
- \$35 million increase for the Workforce and Affordable Homeownership program;
- \$40 million increase for the Greater Minnesota Workforce Housing Development Program.
- \$100 million in Housing Infrastructure Bonds to assist with the development of permanent supportive housing, qualified multifamily housing, preservation of existing housing, single-family homes, and manufactured home park infrastructure, as well as \$20 million in FY 24-25 for public housing rehabilitation.

Discussion Questions

- Does the council have any feedback regarding the homelessness efforts by the workgroup or the pilot program with His House Foundation?
- Does the council have any feedback on the affordable housing proposal for city-owned properties?
- Does the council have any additional feedback?

Supplemental information:

[City Council Study Session – Sept. 19, 2022](#)



**Study Session Agenda Item #3
Meeting of Feb. 6, 2023**

Title: Pathways to Homeownership and Minnetonka Down-Payment Assistance Programs

Report From: Alisha Gray, Economic Development and Housing Manager
Kendyl Larson, Housing Coordinator

Submitted through: Mike Funk, City Manager
Julie Wischnack, AICP, Community Development Director

Action Requested: Discuss and provide feedback

Summary Statement

Discuss the Pathways to Homeownership and Minnetonka Down-Payment Assistance Programs.

Strategic Profile Relatability

- | | |
|--|--|
| <input type="checkbox"/> Financial Strength & Operational Excellence | <input checked="" type="checkbox"/> Safe & Healthy Community |
| <input type="checkbox"/> Sustainability & Natural Resources | <input checked="" type="checkbox"/> Livable & Well-Planned Development |
| <input type="checkbox"/> Infrastructure & Asset Management | <input checked="" type="checkbox"/> Community Inclusiveness |
| <input type="checkbox"/> N/A | |

Statement: This discussion item supports home ownership and community inclusiveness.

Background

The EDAC and the City Council expressed interest in developing a new program that would provide an opportunity for first-generational households or households who have not owned a home within the past seven years to purchase a home in Minnetonka. Over the past year, staff met with the EDAC and the City Council to discuss opportunities for a new program.

The EDAC and City Council provided feedback on several iterations of the existing program and newly proposed Pathways to Homeownership Programs.

During the Oct. 3, 2022 council meeting, council members presented concerns about whether the Pathways to Homeownership Program was a catalyst for wealth building due to the loan payment being delayed instead of forgiven over the 30-year term. Similarly, there were several concerns over the loan term length, noting that many people refinance their homes before 30 years. Some felt that without forgiveness built in, refinancing would significantly impact the built equity up to that point. Multiple council members supported that some forgiveness mechanism needed to be in place for the loans to address the desired wealth-building outcome.

To address these concerns, changes to the program were made to provide an annual percentage of 5% forgiveness over a shorter loan period, from 30 years to 20 years. The hope with these changes is that they would assist in maximizing wealth building for those participating in the Pathways to Homeownership program, which appeared to be the most considerable concern for the council. The chart below incorporates the new feedback received since the city council meeting on [Oct. 3, 2022](#), in **blue**.

Down Payment Assistance Programs

Minnnetonka down-payment Assistance Program (<i>existing program - modified</i>)	Pathways to Homeownership (<i>new program</i>)
Name: Welcome To Minnetonka	Name: Pathways to Homeownership
Source: HRA Levy (\$940,000 committed to a down payment and rehab loans \$555,000 balance remaining for programs.)	Proposed Source: Indirect ARPA (\$300,000 initial contribution).
Proposed Terms: Maximum Amount: Up to \$50,000 (previously \$15,000 maximum) Terms: <ul style="list-style-type: none"> • 1% interest, 30-year deferred loan (no payments) – due if refinanced or sold prior to 30 years. Forgiven if in the home for 30 years. • The borrower must contribute \$3,000 of the total down payment or closing costs. • Assets cannot exceed \$25,000 (does not include non-cash assets or retirement) - asset maximum to the first \$200,000 of retirement savings. 	Proposed Terms: Maximum Amount: Up to \$75,000 Terms: <ul style="list-style-type: none"> • 0% interest- repaid if sold or not owner-occupied before 20 years (forgiven at 5% per year) – Maximum 20-year term. The October version did not contain a forgiveness provision. • The borrower must contribute \$1,000 in down- payment or closing costs • Assets cannot exceed \$25,000 (does not include non-cash assets or retirement) – asset maximum to first \$200,000 of retirement savings.
Homebuyer Eligibility: <ul style="list-style-type: none"> • Homebuyers earning up to 120% AMI (\$141,840 for a family of 4) - Assistance is prorated based on need, not maximum eligible • A credit score of 620 or higher • Must occupy the home as the primary residence • Must be a legal resident 	Homebuyer Eligibility: Borrower may not have owned a home within the past seven years. <ul style="list-style-type: none"> • Homebuyers earning up to 120% AMI (\$141,840 for a family of 4) - Assistance is prorated based on need, not maximum eligible • Must be a legal resident • A credit score of 620 or higher • Must occupy the home as the primary residence
Max. Home Price: 12-month median sales price for Minnetonka (2022 is \$460,000) - (previously established by MN Housing First Time Homebuyer Program Limit \$372,600 in 2022)	Max. Home Price: 12-month median sales price for Minnetonka (2022 is \$460,000)
Home Energy Squad: City will pay for Home	Home Energy Squad: City will pay for the Home Energy Squad visit within a year.

Minnetonka down-payment Assistance Program (existing program - modified)	Pathways to Homeownership (new program)
Energy Squad visit within a year (newly added to assist with energy efficiency and cost savings)	
Underwriting Costs: <ul style="list-style-type: none"> • \$1,100 per loan closed • \$5,000 annual fee (for all programs managed by CEE) 	Underwriting Costs: <ul style="list-style-type: none"> • \$1,100 per loan closed • \$5,000 (for all programs managed by CEE) • \$1,500 one-time setup fee for programs managed by CEE (software setup, etc.)

Proposed Down Payment Assistance

The newly proposed Pathways to Homeownership Program expands assistance to first-generation households earning up to 120% AMI based on 2022 income limits for a family of four. The amount of financial assistance is tiered to provide the most assistance to the lowest-income borrower and is adjusted based on the purchase price. The chart below illustrates the highest amount of assistance by purchase price and income level. The amount of assistance adjusts based on the actual purchase price of the property. Both the maximum purchase price and the income limits will be adjusted annually.

Purchase Price	10% assistance at 120% AMI	Balance (mortgage)	15% assistance at 80% AMI	Balance (mortgage)	20% assistance at 60% AMI	Balance (mortgage)	25% assistance at 50% AMI	Balance (mortgage)
\$ 200,000	\$ 20,000	\$ 180,000	\$ 30,000	\$ 170,000	\$ 40,000	\$ 160,000	\$ 50,000	\$ 150,000
\$ 250,000	\$ 25,000	\$ 225,000	\$ 37,500	\$ 212,500	\$ 50,000	\$ 200,000	\$ 62,500	\$ 187,500
\$ 275,000	\$ 27,500	\$ 247,500	\$ 41,250	\$ 233,750	\$ 55,000	\$ 220,000	\$ 68,750	\$ 206,250
\$ 300,000	\$ 30,000	\$ 270,000	\$ 45,000	\$ 255,000	\$ 60,000	\$ 240,000	\$ 75,000	\$ 225,000
\$ 325,000	\$ 32,500	\$ 292,500	\$ 48,750	\$ 276,250	\$ 65,000	\$ 260,000		
\$ 345,000	\$ 34,500	\$ 310,500	\$ 51,750	\$ 293,250	\$ 69,000	\$ 276,000		
\$ 350,000	\$ 35,000	\$ 315,000	\$ 52,500	\$ 297,500				
\$ 375,000	\$ 37,500	\$ 337,500	\$ 56,250	\$ 318,750				
\$ 400,000	\$ 40,000	\$ 360,000	\$ 60,000	\$ 340,000				
\$ 418,000	\$ 41,800	\$ 376,200	\$ 62,700	\$ 355,300				
\$ 425,000	\$ 42,500	\$ 382,500	\$ 63,750	\$ 361,250				
\$ 435,000	\$ 43,500	\$ 391,500	\$ 65,250	\$ 369,750				
\$ 450,000	\$ 45,000	\$ 405,000						

Metropolitan Council affordable home price:

- 120% AMI: purchase price, less city assistance at 10%, affordable up to \$450,000
 - This scenario provides up to \$45,000 in assistance
- 80% AMI: purchase price, less city assistance at 15%, affordable up to \$418,000
 - This scenario provides up to \$62,700 in assistance
- 60% AMI: purchase price, less city assistance at 20%, affordable up to \$345,000

- This scenario provides up to \$69,000 in assistance
- 50% AMI: purchase price, less city assistance at 25%, affordable up to \$300,000
 - This scenario provides up to \$75,000 in assistance

Maximum home price (mortgage amount after assistance):

- Based upon the median home sales price in Minnetonka for a 12-month period reported monthly in the MN realtor's association local market update report.
- In 2022, the rolling 12-month median was roughly \$450,000, with an average sales price of \$518,586.

Affordable Home Price by Income Level (2023 limits are released in April):

2022 Home Ownership	
Family Income Level	Affordable Home Price
120% AMI (\$141,840)	\$ 450,000
80% AMI (\$89,400)	\$ 355,600
60% AMI (\$70,380)	\$ 276,000
50% AMI (\$58,650)	\$ 227,100
30% AMI (\$35,200)	\$ 129,100

Wealth Building Example Scenario (Pathways Program with 5% forgiveness):

Assumptions

- Household of four earning 80% AMI (~\$89,400 per year)
- Purchase price of the home is \$355,600 (\$2,599 per month) at 5% interest on the first mortgage, with 3.5% down
- \$53,340 in down payment assistance
 - Reduces monthly mortgage payment to \$2,160 per month (15% down)
- Property value increases (approximately) 2% each year.

Scenario 1 – Sell home in 12 years with the program	Scenario 2 – Sell home in 12 years without the program
Value of home at 12 years = \$440,800	Value of home at 12 years = \$440,800
Outstanding mortgage in year 12 (assumes monthly mortgage) = \$230,800	Outstanding mortgage in year 12 = \$262,010
Outstanding down payment = \$53,340 – \$32,004 = \$21,336 (5% forgiveness each year)	Outstanding down payment = \$0
Total funds due at sale = \$252,166	Total funds due at sale = \$262,010
Proceeds from sale = \$188,664 + total benefit includes monthly payment savings over 12 years of \$63,216 = Total proceeds after sale \$251,850	Proceeds from sale = \$178,790
City funds not recaptured = \$32,004	City funds not recaptured = \$0

Funding Relating to Down Payment Assistance Program

Staff prepared the attached analysis to provide the council with information on projections for the committed HRA levy balances with the existing and newly proposed programs. Councilmembers should consider that fewer loans will be funded by increasing the amount of

assistance. However, the utilization of the down-payment assistance program remains low as housing costs have increased. Additionally, deferred loans such as the existing down payment assistance program and newly proposed Pathways are only repaid at the sale or after 30 years of ownership. This impacts the ability of the city to recapture the funds to make new loans and is unpredictable based upon how long a resident lives in their home. The council will need to continue to fund the HRA levy or provide funding through the Affordable Housing Trust Fund each year if it wishes to continue providing down payment and home rehabilitation assistance.

Discussion Questions

- *Does the council support the proposed changes to the current down-payment assistance program?*
- *Does the council support the creation of a new program, Pathways to Homeownership, to be funded through the affordable housing trust fund?*
- *Does the council have any additional feedback?*

Supplemental information:

[City Council Meeting – Oct. 3, 2022](#)

- [Minutes](#)

[City Council Study Session – Sept. 19, 2022](#)

[EDAC Minutes – July 14, 2022 \(Pathways Program\)](#)

[City Council Study Session – June 20, 2022 \(2023-2027 EIP\)](#)

[Information on community wealth building](#)

[EDAC Meeting – July 8, 2021 \(2022-2026 EIP\)](#)

- [Minutes](#)

[City Council Study Session – June 21, 2021 \(2022-2026 EIP\)](#)

[City Council Study Session – Aug. 16, 2021 – Preliminary Budget and 2022-2026 EIP](#)

[Economic Development Authority Sept. 13, 2021 – 2022 Preliminary HRA Levy](#)

[Economic Development Advisory Commission – Nov. 4, 2021 – Wealth Building Discussion](#)

- [Minutes](#)

Attachments:

- EDAC Subcommittee Agenda – Oct. 8, 2021

- Minnetonka Down-Payment and Closing Cost Assistance Guidelines
- Saint Louis Park First Generational Wealth Building Homeownership Program Guidelines
- Affordable Housing Workplan
- HRA Sustainability Analysis

**EDAC Subcommittee Agenda Item #3
Meeting of Oct. 8, 2021**

Brief Description Affordable Housing Program Discussion

Recommendation Review and provide feedback

Background

During a previous budget study session held on [Aug. 16, 2021](#) and prior to the adoption of the Economic Improvement Program on [Sept. 13, 2021](#), council requested staff to review additional opportunities for owner occupied affordable housing programs. Specifically, the new First Generation Wealth Building Homeownership Program developed by Saint Louis Park.

The Saint Louis Park program operates similar to the Welcome to Minnetonka Program. The primary difference is the amount of assistance provided under the Saint Louis Park program and the forgiveness of the assistance, aimed at building wealth. The program details are summarized below.

Down Payment Assistance Programs

Minnetonka down-payment Assistance Program	Saint Louis Park - Proposed Wealth Building Program
Name: Welcome To Minnetonka	Name: Generational Wealth Building Program
Source: HRA Levy (\$940,000 committed to down-payment and rehab loans) - \$438,000 balance remaining for programs.	Proposed Source: Pooled TIF (\$300,000 initial contribution)
Proposed Terms: Maximum Amount: \$15,000 Terms: <ul style="list-style-type: none"> • 1% interest, 30 year deferred loan (no payments) – due if refinanced or sold prior to 30 years. Forgiven if in home for 30 years. • Prior to 2018 – 10 year loans with 3% interest (payments required) • Borrower must contribute 25% of total down-payment or closing costs • Assets cannot exceed \$25,000 	Proposed Terms: Maximum Amount: Up to \$75,000 based upon purchase price. Terms: <ul style="list-style-type: none"> • 0% interest, forgiven at 5% each year, remaining prorated balance must be repaid if sold or not owner occupied before 20 years • Borrower must contribute \$1,000 in down- payment or closing costs • Assets cannot exceed \$15,000
Eligibility: First Time Homebuyer, Up to 120% AMI	Eligibility: First Generation Buyer (buyer or parents cannot have previously owned property), <ul style="list-style-type: none"> • Up to 80% AMI, Minimum of 25% of income provided by buyer • Must sign affidavit
Max. Home Price: MHFA First time buyer max \$352,300	Max. Home Price: MHFA First time buyer max \$352,300

Underwriting Costs: <ul style="list-style-type: none">• \$750 per loan closed• \$2,500 annual fee	Underwriting Costs: <ul style="list-style-type: none">• \$350 per loan application and \$700 per loan closed• One-time setup fee of \$1,000• Annual admin fee to CEE
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Saint Louis Park Assistance Model

The Saint Louis Park Assistance model contemplates contributing a higher amount of assistance for lower income households supporting households at the 50% AMI, 60% AMI and 80% AMI income levels. The model requires the homeowner to contribute a minimum of 25% of their gross income to PITI, then the down-payment assistance is based upon the remaining amount required to ensure affordability.

- The maximum homebuyer deferred loan amount will be based on the household's income and the purchase price of the home up to the MHFA first time homebuyer purchase price regardless of household size. All homebuyers are required to spend a minimum of 25% of their gross income as defined below for principal, interest, taxes and insurance (PITI) and homeowner HOA fees if applicable. The maximum deferred loan provided will be as follows:
 - Households with incomes at or below 50% AMI: 25% of the purchase price up to the MHFA first time homebuyer limit regardless of household size, not to exceed \$75,000.
 - Households with incomes between 51% and 60% AMI: 20% of the purchase price up to the MHFA first time home buyer limit regardless of household size
 - Households with incomes between 61% and 80% AMI: 15% of the purchase price up to the MHFA first time homebuyer limit regardless of household size.

Assistance based on purchase price

Purchase price	15% assistance 80% AMI	Balance	20% assistance 60% AMI	Balance	25% assistance 50% AMI	Balance
\$200,000	\$30,000	\$170,000	\$40,000	\$160,000	\$50,000	\$150,000
\$250,000	\$37,500	\$212,500	\$50,000	\$200,000	\$62,500	\$187,500
\$285,000	\$42,750	\$242,250	\$57,000	\$228,000	\$71,250	\$213,750
\$300,000	\$45,000	\$255,000	\$60,000	\$240,000	\$75,000	\$225,000
\$340,000	\$51,000	\$289,000	\$68,000	\$272,000		
\$345,000	\$51,750	\$293,250	\$69,000	\$276,000		
\$352,300	\$52,845	\$299,455	\$70,460	\$281,840		

MHFA First time home buyer purchase price maximum = \$352,300.

Met council affordable home price:

80% AMI \$293,500: purchase price, less city assistance at 15%, affordable up to \$345,000

60% AMI \$228,500: purchase price, less city assistance at 20%, affordable up to \$285,000

50% AMI \$187,500: purchase price, less city assistance at 25%, affordable up to \$250,000

Financing Considerations

Historically, the city has routinely funded both the Welcome to Minnetonka program and the Homes Within Reach Program through the HRA levy as opportunities to promote affordable home ownership. During budget discussions this year, the council expressed interest in exploring other opportunities, such as the St. Louis Park wealth building program. For 2022, the council approved a preliminary HRA levy of \$325,000. The portion of the levy set aside for Homes Within Reach or an alternative affordable housing priority was \$125,000 and the Welcome to Minnetonka and Minnetonka Programs are recommended to receive \$100,000. The city also received ARPA funds and set aside \$375,000 for affordable housing priorities. The city also has access to the pooled TIF that has been placed in the Affordable Housing Trust Fund.

Supporting Information:

Minnetonka

- Median home sale price in 2020 was \$399,000, 2021 projections are at \$450,000 for median sale price.
- Currently 24 properties in Minnetonka available under the first time homebuyer maximum purchase prices of \$352,300 established by MHFA. Two are single-family homes and the remaining are townhomes or condos.

Homes Within Reach

- Average purchase price of the last 5 properties purchased by Homes Within Reach was \$294,580
- Average city assistance provided on last 5 properties purchased by Homes Within Reach was \$93,787

- Average rehabilitation costs for each property is \$40,000.

Welcome to Minnetonka Program

- Average purchase price of the last 5 properties was \$167,326
 - 4 condo or townhomes properties/1 single family property
- Average assistance provided was \$9,591

General Observations

- The median sales price for homes in Minnetonka is significantly higher than St. Louis Park (\$450,000 vs. \$341,000).
 - Minnetonka could consider raising the income limit to 120% AMI with 10% down-payment assistance to expand the pool of eligible applicants.
 - A household of 4 could make up to \$124,344 under this scenario.
 - Minnetonka could adjust maximum purchase price to median home value to support single-family home ownership.
- The Homes Within Reach Program provides basic repairs and improvements to promote stable homeownership. The down-payment assistance programs do not have a mechanism to repair the homes (outside of applying for a separate loan for repairs).
- In 2019, the DPA program was modified to allow for assistance with purchasing a home within the HWR program.
- If the goal of the program is to support first generation BIPOC homeownership, staff would research opportunities to reach organizations that focus on this issue.
- Each program supports different goals and could be packaged as a portfolio of homeownership options:
 - Welcome to Minnetonka – supports homeownership for first time buyers.
 - Homes Within Reach – supports long-term homeownership (with 99 year covenant) and stabilizes housing stock. Can build wealth through retained equity on home.
 - Wealth Building Program – supports first generation homeowners that traditionally could not afford to purchase a home in Minnetonka. Includes a mechanism to forgive the balance of assistance over time.

Next Steps

- Oct. 21, 2021 – EDAC Meeting
- November 15– Second City Council Budget Discussion
- December 6 – Final City Council Budget Discussion

Discussion Questions

- ***Should the EDAC consider adding a new wealth building down-payment assistance program and/or modify the current down-payment program?***
- ***What additional information is needed to present to EDAC?***

Recommendation

Provided feedback.

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Alisha Gray, EDFP, Economic Development and Housing Manager

Additional Information

Welcome to Minnetonka Guidelines

Saint Louis Park Draft Guidelines

- [Link to Saint Louis Park city council study session](#)

[Sept. 13, 2021 City Council – EIP Adopted](#)

Minnetonka Down-Payment and Closing Cost Assistance Deferred Loan

Interest Rate: 1% fixed

Amortization Type: Principal and interest are deferred for the term of the loan

Loan Amount: Maximum of \$15,000. The homebuyer(s) must contribute at least 25% of the total down-payment and/or closing costs of the borrowers own funds. Borrower funds do not include seller credits or pre-paid property taxes.

Total Project Cost: It is the borrower's responsibility to obtain the amount of funds necessary to purchase the property in accordance with the first mortgage guidelines.

Loan term: Deferred for a period of 30 years or when the borrower sells, transfers title or if the home is no longer the primary residence of the original borrower the entire balance is due and payable. The loan may also become due and payable upon refinance. The loan principal and interest is 100% forgiven if the property has not been sold, transferred and has remained the primary residence of the borrower.

Eligible Properties: Single family owner-occupied properties located within the geographical boundaries of the City of Minnetonka. Townhomes and Condominiums are eligible. Property must have an Estimated Market Value at or below the current annually adjusted Minnesota Housing First Time Homebuyer limit, \$352,300 (2021), <http://www.mnhousing.gov/sites/homebuyers/startup> . The property must be homesteaded or in the process of being homesteaded. Properties within the West Hennepin Affordable Land Trust.

Ineligible Properties: Dwellings with more than one unit, cooperatives, manufactured homes, time shares. Properties held within a trust.

Eligible Borrowers: Borrower(s) must be a first-time homebuyer (a person or household that has not owned a home within the last three years). The homebuyer(s) **MUST** attend a Home Stretch workshop and provide evidence prior to closing. All borrowers must be legal residents of the United States, as evidenced by a social security number, Including: U.S. Citizens, Permanent Resident Aliens, and Non-Permanent Resident Aliens. TAX IDENTIFICATION NUMBERS (ITIN) ARE NOT ACCEPTABLE.

Ineligible Borrowers: Including but not limited to: - Foreign Nationals, and Non-Occupant Co-Borrowers.

Ownership/Occupancy: Owner-occupied only.

Loan to Value Ratio N/A

Income Limit: The total gross annual household income cannot exceed 120% of the area median income based on household size. The income limits shall be determined by the U.S. Department of

Housing and Urban Development (HUD), and is adjusted annually. Income shall be the projected gross income for the upcoming 12 months or the average of the prior two years tax returns if self-employed.

Documentation Requirements:

- Copy of purchase agreement
- Commitment letter/approval for first mortgage
- Copy of Title Commitment
- Copy of Initial Loan Estimate for first mortgage
- Value of home (property tax or appraisal)
- Certification of Home Stretch Homebuyers course completed

Asset Limit: Borrower may not own a second property. The maximum assets of the borrower, excluding the residential property to be improved and retirement accounts such as a 401k or IRA shall not exceed \$25,000. Assets will generally be defined as: cash on hand, checking and savings. Borrower will be required to fill out a Declaration of Assets form and provide recent bank statements.

Credit Requirements: Borrower needs to show mortgage approval for the purchase of the home. The purchase mortgage must be a fixed interest rate.

Loan Security: All loans will be secured with a mortgage in favor of the Minnetonka Economic Development Authority. Borrower will pay all applicable title and filing fees, which may be financed in the loan amount.

Borrower Fees: Borrower will be responsible for mortgage filing and service fees, flood certificate, credit report fees and any other applicable closing fees.

Underwriting Decision: Applicants must have acceptable credit history. CEE will approve or deny loans based on a credit report, income verification and other criteria as deemed necessary through CEE's underwriting guidelines. CEE's decision shall be final. Appeals can be made to the Authority.

Disbursement Process: Loan funds will be made payable and delivered to the title/closing agent. The down-payment and closing cost assistance deferred loan will be signed at closing of the purchase mortgage.

General Program Conditions for the Revolving and the Down-Payment & Closing Cost Assistance Loan Programs

Application Processing: Loans will be distributed on a first come first serve basis as borrowers qualify. **Applicants must provide a completed application package including the following in order to be considered for funding.**

- Completed and signed application form
- Proof of income and assets
- Proof of Identity (driver's license, passport, etc.)
- Bids or estimates for proposed projects (if applicable)
- Other miscellaneous documents that may be required.

Contractors/Permits: Contractors must be properly licensed. Permits must be obtained when required by city ordinance.

Program Costs: Loan set up and loan origination fees will be paid out of the Program Budget. Loan program marketing efforts will be billed directly to the Authority and is a separate expense should the city choose to commission CEE for marketing support. Borrowers will pay all mortgage filing fees and related closing costs.

Total Project Cost: It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. In the event the final cost exceeds the original loan amount, the borrower must obtain the additional funds and show verification of the additional funds in order to be approved for the loan.

Disbursement Process for the Revolving Loan Program: Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work. An inspection will be performed by a City Inspector and/or CEE to verify the completion of the work. The following items must be received prior to final disbursement of funds for the Revolving Loan Program:

- Final invoice or proposal from contractor (or materials list from supplier);
- Final inspection verification by a City Inspector;
- Completion certificate(s) signed by borrower and contractor;
- Lien waiver for entire cost of work;
- Evidence of city permit (if required)

Disbursement Process for the Down-Payment and Closing Cost Assistance Deferred Loan Program: Payment will be made to the title company and sent with the loan closing package to the place of closing.:

First Generation Wealth Building Homeownership Program

Program summary

Issue: It is recognized that historical and institutional racism has disproportionately created housing challenges and disparities for Black, Indigenous, and People of Color (BIPOC) communities and other underserved low-income communities. Black persons/households have historically been prohibited from purchasing and owning a home due to redlining, block busting and decimation of Black neighborhoods for “public purposes” (i.e., freeways). Additionally, the income and education gap between households of color and White households has resulted in difficulty for Black persons and households of color to obtain a mortgage and subsequent on-going housing stability issues. Due to this income gap and other social injustices, many households of color have poor credit or no credit, making it even harder to get a mortgage or to get a mortgage with a favorable interest rate. This program is designed to address these historic injustices and inequities, to facilitate affordable homeownership and to provide a means for wealth-building.

What: The city is proposing to create a homeownership program designed to address these historic injustices and inequities, to facilitate affordable homeownership for Black, Indigenous and persons of color households and other underrepresented households and to provide a means for wealth-building.

The goal is to address housing disparities, build power in communities most impacted by housing challenges and disparities and pilot an innovative program to address housing challenge for Black, Indigenous, and People of Color (BIPOC) communities and other low-income communities and support inclusive and equitable communities.

2. Eligible Borrower:

- First generation buyer – buyer(s) and parents of buyer(s) cannot have previously owned a home.
- Must occupy this property as their primary residence.
- Must be a legal resident.
- The borrower’s maximum household income cannot exceed 80% of the area median income (AMI) based on a family size of four for households of 1-4. Income limits will be increased based on family size for families with more than four members. Income is calculated using paystubs W2’s, if self-employed two years tax returns, and any other documentation needed to verify projected gross income. The income of the following persons must be verified and included when calculating income:
 - Anyone who will have title to the subject property and signs the Mortgage Deed.
 - The legal spouse of the mortgagor who will also reside in the subject property.
 - Multi-generational buyers are allowed. Income used for mortgage eligibility; would also be included to determining income eligibility for SLP program.
- Credit score of 620+ for all borrowers

- No outstanding liens and judgements.
- Maximum liquid assets \$15,000 following closing on home, does not include retirement assets or noncash assets (i.e. cars, jewelry, vehicles, etc.)

Eligible Properties:

A single family (including a townhome or condominium) or duplex property located within the city limits of St Louis Park

- Purchase price may not exceed the MN Housing 11 county home value limit for the down payment assistance program (2021 - \$352,300) a single-family home for households with 1 – 4 people. The purchase price limit for households with 5 or more people is 15% above the MN Housing home value limit. There is no maximum purchase price for duplexes.
- Owner occupied dwellings only. The homebuyer must homestead and occupy the home within 60 days following the home purchase closing.

Loan Terms:

- The loan has a zero percent interest rate (0% APR).
- There are no monthly payments.
- The loan is forgiven at a prorated rate (5% per year) over a twenty-year owner occupancy period. If the homeowner ceases to occupy the home as a primary residence during the twenty-year owner occupancy period, the remaining balance of the loan must be repaid.
- The mortgage may be subordinated as part of a refinance of the primary loan.
- Borrower must contribute at least \$1,000 to down payment or closing costs to purchase home

Loan Amount:

- The maximum homebuyer deferred loan amount will be based on the household's income and the purchase price of the home up to the MHFA first time homebuyer purchase price regardless of household size. All homebuyers are required to spend a minimum of 25% of their gross income as defined below for principal, interest, taxes and insurance (PITI) and homeowner HOA fees if applicable. The maximum deferred loan provided will be as follows:
 - Households with incomes at or below 50% AMI: 25% of the purchase price up to the MHFA first time home buyer limit regardless of household size, not to exceed \$75,000.
 - Households with incomes between 51% and 60% AMI: 20% of the purchase price up to the MHFA first time home buyer limit regardless of household size
 - Households with incomes between 61% and 80% AMI: 15% of the purchase price up to the MHFA first time home buyer limit regardless of household size
- This program may not be layered with Down Payment Assistance Program for First Time Homebuyers from the City of St. Louis Park.

Use of Funds:

- Down payment costs and closing costs as needed per the restrictions listed above.

Required Homebuyer Financial and Homeownership Counseling and Education:

Homebuyers must complete homeownership HomeStretch™ (sponsored by the Minnesota Homeownership Center, 651-659-9336 or www.hocmn.org), Framework® (online homebuyer education available at www.hocmn.org), or the Minneapolis Urban League American Dream Program or another designated program approved by the city.

- Financial wellness counseling through a designated service provider approved by the city. Buyers must have completed a financial wellness counseling program that pre-dates the purchase agreement or have enrolled and attended at least one session. Buyers are required to complete the financial wellness counseling.
- Certificates for homeownership education or counseling older than two years will not be accepted.
- Must complete training before funds are reserved.
- The city will reimburse buyers for any approved educational program costs following the closing.

Eligible Primary Financing:

- This loan must be a fixed interest rate.

Loan Security:

- The loan funds will be separately secured by a Promissory Note and Mortgage.
- The loan may be secured in a subordinate lien position behind other lender resources.

Application and reservation of funds:

- Must complete homeownership counseling program before applying. Must complete financial counseling or have enrolled and attended at least one session before applying.
- Upon determination of approved eligibility applicant must submit confirmation of preapproval for a first mortgage at which time funds will be reserved.
- Funds will be reserved for 90 days and will be extended to accommodate a scheduled closing provided a purchase agreement is in place.
- One 60-day extension will be granted if applicant is actively searching for a home.
- Another extension will be considered if no other applicants have applied and are waiting for a loan reservation.
- If funds are not available due to prior reservations, eligible homebuyers may be placed on a waiting list. A maximum of 10 people will be placed on the waiting list. Applicants will be contacted in the order they are placed on the waiting list.

Home energy squad visit

- The city will pay for a Home Energy Squad Visit to be completed within the first year following purchase.

Updated Housing Work plan – Feb. 06, 2023

Topic	Type	EDAC	Council
Fair Housing Policy	Policy	Nov. 8, 2018	Adopted Nov. 26, 2018
Affordable Housing Policy (mixed income)	Policy	May 8, 2019	Adopted updated policy July 8, 2019
2021-2025 EIP Review Intro Noah Strategies <ul style="list-style-type: none"> • 4d Program (concept)* • Legacy Education Program Intro (concept)* • Multifamily Rehab Loan Intro (concept)* 	Policy/Program	June 24, 2020 – Noted on conceptual pages	Adopted July 27, 2020 EIP Implementation strategies being developed.
Tenant Protection <ul style="list-style-type: none"> • Notice of Sale • 90 Day Protection • Relocation 	Ordinance	Winter 2020 Update	Staff monitoring state implementation effort and applicability. Staff will provide an update at the July 13 study session.
Accessory Apartment (ADU) – in a detached structure.	Ordinance Amendment	Fall 2020	Adopted on Oct. 4, 2021
Other <ul style="list-style-type: none"> • Redevelopment of city owned properties • Senior Affordable Housing Exploration • Affordable Housing for Public Service • Research General Funding for Affordable Housing • Payment-in-lieu of affordability requirements 	Continued Research	Ongoing	Plan for Redevelopment of city owned properties at Sept 19. 2022 Study Session <ul style="list-style-type: none"> - 2023 sale of properties with plan for future affordable housing. Extended affordability at Cedar Hills with rehabilitation of units. Expanded Homelessness Resources Expansion of city dashboards.

Sustainability analysis of the HRA Levy Loan Programs

With the addition of new loan programming, the Economic Development and Housing staff has conducted an analysis projecting the HRA Levy balance dedicated to loan programs to project the program's future funding needs. The analysis reviewed three different scenarios of loan usage based on the type and number of loans made over the year.

Study Assumptions

The study projections are based on the current estimated HRA Levy balance and project the balance to 2030. The total available for loans stands at \$636,137.

Annual Average Repayments: \$20,000

Annual Levy Contribution: \$100,000

Current Maximum Loan Amounts: \$15,000 for Home Enhancement, \$15,000 for DPA

Proposed Maximum Loan Amounts and New Programming: \$15,000 for Home Enhancement, \$50,000 for DPA, and \$75,000 for Pathways.

Currently Approved Programming Scenario

New Loans (Annual Average)

Home Enhancement: 3 for \$45,000

Down Payment Assistance: 3 for \$45,000

This scenario illustrates the rolling HRA Levy balance with currently approved programming and loan limits. This assumes that no changes are made to the current loan limits, no new programming is added, and that there continues to be a \$100,000 annual levy contribution. Under this scenario, the available levy balance would increase by about \$30,000 annually. By 2030, the HRA levy balance will have over \$200,000 more than its current amount available for loans.

Alternatively, if HRA Levy contributions are not continued, the available balance to make new loans is projected to be depleted by 2031.

Projections with Proposed Programming

Scenario 1 (Average):

New Loans (Annually)

Home Enhancement: 3 for \$45,000

DPA: 3 for \$150,000

Pathways: 1 for \$75,000

This scenario analyzed the rolling HRA Levy balance by assuming that we continue to produce new loans at the average year-over-year level that we are currently at. We now make three Minnetonka Home Enhancement Loans per year, and three Welcome to Minnetonka loans per year and are projecting that we will make one Pathways loan per year. Under this scenario, the levy balance will deplete by 2026 unless contribution amounts are changed.

Scenario 2 (Intensive):

New Loans (Annually)

Home Enhancement: 6 for \$90,000

DPA: 3 for \$300,000

Pathways: 3 for \$225,000

This scenario looked at the HRA Levy balance if we drastically increased the number of loans made annually from what we currently average. This scenario projects what would occur if we made six Minnetonka Home Enhancement loans per year, six Welcome to Minnetonka loans per year, and three Pathways loans per year. Under this scenario, the levy balance will deplete by 2024 unless contribution amounts are changed.

Scenario 3 (Low Use):

New Loans (Annually)

Home Enhancement: 1 for \$15,000

DPA: 1 for \$50,000

Pathways: 1 for \$75,000

This scenario looked at the HRA Levy balance if we were to scale back on the number of loans made annually from what we currently average. This projects what would occur if we made one Minnetonka Home Enhancement loan per year, one Welcome to Minnetonka loan per year, and one Pathways loan per year. Under this scenario, the levy balance is reduced by about \$20,000 annually. However, it would maintain a balance to make loans by 2030 and beyond.

Summary:

This analysis was conducted to demonstrate the long-term sustainability of the loan programs. Since a majority of the loan programming is structured to defer payments and features loan forgiveness, the city cannot rely on loan principal and interest payments to sustain the long-term funding of these programs. While the number of loans made annually is variable, the city would need to consider continuing HRA levy contributions to continue making loans.



**Study Session Agenda Item #4
Meeting of Feb. 6, 2023**

Title: 2023 Community Survey review
Report From: Moranda Dammann, Assistant City Manager
Submitted through: Mike Funk, City Manager

Action Requested: Review community survey and provide any further additions

Summary Statement

Each year the city conducts a statistically valid telephone survey of residents on a variety of topics of interest. These topics range from demographic, quality of life, city services, public safety, natural environment, development and redevelopment, city parks and recreational facilities, public transit issues, city government and staff, local authority and communication issues. Staff is currently in the process of reviewing the annual survey questions and developing further areas of topics and themes to add for 2023 survey.

Strategic Profile Relatability

- | | |
|--|---|
| <input type="checkbox"/> Financial Strength & Operational Excellence | <input type="checkbox"/> Safe & Healthy Community |
| <input type="checkbox"/> Sustainability & Natural Resources | <input type="checkbox"/> Livable & Well-Planned Development |
| <input type="checkbox"/> Infrastructure & Asset Management | <input checked="" type="checkbox"/> Community Inclusiveness |
| <input type="checkbox"/> N/A | |

Background

For many years, the City of Minnetonka has consulted with The Morris Leatherman Company to conduct an annual survey. This survey is a statistically valid telephone survey of approximately 400 Minnetonka resident on a variety of topics and allows the organization to ensure high quality of services and watch trends from year to year. The community survey is conducted in the month of March annually and results are delivered back to the organization in April or May.

Surveying residents is intended to inform strategic planning and budgeting decisions, help set performance targets, and strengthen community engagement. It is important for residents to have the opportunity to share their opinions. It is equally important for them to feel confident that their voices are being heard. Conducting a survey is a proactive approach to initiating and completing the communication loop with the community.

At the June 13, 2022 city council meeting, Mr. Leatherman presented the 2022 annual survey results. In 2021 members of the City Council expressed the interest in allowing council members to play a more interactive role when topics and themes were being developed. The 2022 final survey presentation of results can be found in the [June 13, 2022, council packet](#).

Staff is currently in the process of reviewing the annual survey questions and developing further areas of topics and themes to add for the 2023 survey. Staff is recommending additional questions surrounding the topics of buckthorn pickup, The Marsh, speeding and Diversity Equity and Inclusion.

Staff plan to continue with the annual topics ranging from demographic, quality of life, city services, public safety, natural environment, development and redevelopment, city parks and recreational facilities, public transit issues, city government and staff, local authority and communication issues.

Discussion Questions

1. Are there any additional topics or themes the Minnetonka City Council would like incorporated into the annual community survey?



**Study Session Agenda Item #5
Meeting of Feb. 6, 2023**

Title: March study session – topics and date

Report From: Mike Funk, City Manager

Submitted through:

Action Requested: Affirm upcoming topics and date

Summary Statement

This item is informational and is intended to provide the council with the upcoming study session agenda items and study session schedule.

Background

The Minnetonka city council is scheduled to hold a total of twice (12) study sessions in 2023. To maximize study session meetings, provide staff direction and focus on council priorities, council members ranked specific topics they expressed interest to review. At the Dec. 19, 2022 Study Session the city council reviewed these rankings, discussed priorities and provided direction to staff.

At the Jan. 30, 2023, regular council meeting the city council unanimously approved the 2023 Study Session Work plan. See attached. Staff committed that at each proceeding study session the topics for the upcoming study session will be provided.

Section 1.5 of the City Council Rules of Procedure states, individual council members may propose agenda items for future meetings at a study session, and the council may provide direction to the city staff regarding scheduling such matters. In essence, this document can be modified throughout the remainder of the year by a majority of council members.

Unless modified by the city council, the 2023 Study Session Work Plan agenda items for March 20, 2023, are:

- Council compensation
- Director presentations
- Overview of recreation programming

Discussion Questions

1. Does the city council confirm upcoming topics and date?

2023 Council Study Session Work Plan

Quarter 1	
23-Jan	
	Board and Commission Interviews
	Sales and/or Lodging Tax
	Study session work plan
06-Feb	
	Housing updates (pathways and homelessness)
	Review and Update Council Policy & Rules of Procedure (1.3, 2.7)
	2023 Community Survey questions review
20-Mar	
	Council compensation
	Director presentations
	Overview of recreation programming
Quarter 2	
24-Apr	
	Public Safety master plan
	Buckthorn Pilot pick-up program
15-May	
	2024 Kick-Off Budget discussion
	DEI and Human Rights Commission structure
12-Jun	
	2024 CIP/EIP
	Transit Orientated Development
July	Boards & Commissions dinner
24-Jul	
	Homelessness/policy/process
	Small business programs
Quarter 3	
21-Aug	
	2024 budget discussion
31-Aug	Annual joint Planning Commission, EDAC and City Council tour
06-Sep	Annual Park Board and City Council joint meeting with Tour
	Dog Park/Leash policy (start w/Park Board)
11-Sep	
	Storm water management fees
	Zoning - density (community development project)
23-Oct	
	Storage of garbage/recycling containers
	On-street parking regulations/enforcement
Quarter 4	
01-Nov	<i>Annual Park Board and City Council joint meeting (combine w/ tour) Potential Cancel</i>
20-Nov	
	2024 Enterprise budget discussion
	2024 budget discussion
11-Dec	
	2024 Strategic Profile Action Steps
	2024 Study Session Work plan
	2024 Legislative Breakfast - confirm priorities

* No Mow May- Sustainability Commission to regular council meeting