

**Unapproved  
Minnetonka  
Economic Development Advisory Commission  
Minutes**

**Aug. 23, 2023**

**1. Call to Order**

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

**2. Roll Call**

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

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

Financial consultant Sean Lentz of Ehlers and Associates was present.

Councilmember Deb Calvert was present.

**3. Approval of Minutes: April 27, 2023 and May 11, 2023**

There were not enough commissioners present who attended the April 27, 2023 meeting to take action on the April 27, 2023 minutes.

Hromatka moved, Falk seconded, a motion to approve the May 11, 2023 meeting minutes as submitted. Duginske Cibulka, Falk, Hromatka and Jacobsohn voted in favor of passing the motion. Tyacke, Yunker and Johnston were absent. Motion carried.

**4. Greystar Financing Request**

Acting Chair Jacobsohn introduced the item and called for the staff report.

Gray provided the staff report. Staff recommend commissioners review the request for financing and make a recommendation to the city council.

Hromatka asked the applicant to explain what the southwest light rail (SWLRT) would do for the project. Mr. Dodington answered that a significant component of the underwriting is based on the expectation of the SWLRT being completed.

Hromatka asked if \$3.3 million would be sufficient for the project. Mr. Dodington stated that capital markets are challenging right now. This amount of TIF would probably not make the project financeable in today's market. The amount would probably not be enough to move forward if Greystar was not so committed to the project.

Duginske Cibulka asked how the proposal has changed since the last review and where the \$7 million would come from. Mr. Dodington stated that changes were made to address issues with the size and scale of the project, stormwater management, landscaping and sunlight in the courtyard. The number of units has been reduced by seven units. Greystar's goal is to have capital in place to start construction.

Acting Chair Jacobsohn asked if the intention would be for Greystar to sell the building down the road. Mr. Dodington answered that is Greystar's traditional business model. Usually one year after stabilization, Greystar would begin looking for a buyer.

Acting Chair Jacobsohn asked for a percentage breakdown among the causes for the increase in the financial request between reduced revenue due to fewer units; design changes; an increase in construction costs; and an increase in the cost of financing. Mr. Dodington answered that the report shows that reducing the number of units by seven caused a \$3.6 million impact in revenue to be offset by TIF. That would be the biggest change at 50 percent.

Lentz explained how the previous report and current report were calculated by Ehlers and Associates. The markets right now are very uncertain. Ehlers' report triangulates the amount needed to get the project done for allowable uses to be paid by this type of TIF district. There is a decent amount of funds in the TIF district because of the increase in unit value over the life of when the district was created.

Duginske Cibulka asked for the differences in calculations between the Ehlers' financial analysis and Greystar's financial analysis. Lentz explained that Greystar subtracted the \$5.1 million as a grant from the total development cost to calculate the yield on cost. Ehlers puts that money directly into the revenue stream instead of it being used as a grant. The developer could have financed the cost in present value. Ehlers sets the inflation on revenues and costs level which can impact the difference. Ehlers' property tax estimate was significantly lower than Greystar's.

Hromatka asked if a \$2.8 million developer's fee to pay money to themselves is reasonable. Lentz stated that Greystar would be acting as a third party in this case. The fee is within the reasonable market range.

Hromatka moved, Falk seconded, a motion to approve the financial assistance request of \$3.3 million for Greystar Development, Inc. as provided in the staff report.

In response to Duginske Cibulka's question, Wischnack explained that changes to the proposal were done to allow more light in the courtyard; move plantings away from the infrastructure; decrease site congestion; and address issues with storm water management, green space and landscape requirements.

Calvert noted that the proposal's issues with site design were significant. The proposal did not meet tree protection ordinance standards or code requirements. The shape of the building would have prevented light from reaching the courtyard area.

Acting Chair Jacobsohn could see the correlation between the decrease in units and increase in the financial assistance request. It would be one of the most expensive projects based on cost per unit, per year. Part of that is caused by the market conditions.

Duginske Cibulka asked if the green roof was required by the city. Wischnack explained that the green roof was not specifically required by the city, but was added by the applicant in order for the project to meet the landscape valuation requirement.

Duginske Cibulka, Falk, Hromatka and Jacobsohn voted in favor of passing the motion. Tyacke, Yunker and Johnston were absent. Motion carried.

## **5. 2024-2028 Economic Improvement Program (EIP)**

Hromatka appreciated staff making the EIP user friendly and easy to understand.

Duginske Cibulka would appreciate a breakdown of the differences between the consultant's financial analysis and the applicant's financial analysis for each project in the future to be able to consider all of the factors. Calvert agreed. Gray will discuss with the city attorney what information may be made public at EDAC meetings. Developers have not been favorable toward making a proposal's pro forma public information in the past.

Hromatka would like to see a follow up with what financing a developer is able to secure for each proposal that moves ahead. He would like to know if Greystar monetizes the pay-as-you-go note. It would help provide a better understanding for future proposals.

Acting Chair Jacobsohn introduced the item and called for the staff report.

Gray provided the staff report. Staff recommends commissioners review the 2024-2028 Economic Improvement Program (EIP) and make a recommendation to the city council.

Hromatka asked if the residence on Rowland Road would become part of Homes Within Reach. Gray answered in the negative. She explained that the city would create a declaration and have an affordability component tied to the residence to maintain the long-term affordability of the residence. Wischnack explained that this would be the first time the city would do this to see if it would allow more equity to be built up for the homeowner in an effort to build personal wealth. The Homes Within Reach program would put a cap on the resale amount.

Acting Chair Jacobsohn confirmed with staff that loans provided to homeowner associations are paid back to the city over 10 to 20 years.

Acting Chair Jacobsohn asked how residents feel about mass transit in Minnetonka. Wischnack shared the results of a recent survey that found that 54 percent of respondents were somewhat or very interested in expanding mass transit in Minnetonka. Of the survey respondents, 19 percent reported that they rode in a bus in the last two

years; nine percent took a bus daily; 12 percent took a bus twice a week; and 20 percent took a bus a couple times a month. Of the survey respondents, 20 percent reported that they took the bus to avoid traffic congestion; 16 percent for shopping; 18 percent to attend a sporting event; and 11 percent to travel to the state fair. Of the survey respondents, 73 percent rated senior transportation as a high priority and transportation for disabled patrons was rated by 39 percent a top priority and 28 percent a high priority. The entire city-wide survey is available online in the staff report for the city council study session dated Aug. 21, 2023. The survey is done every year.

Hromatka asked if the increase in interest rates has prompted more interest in the city's loan programs. Gray answered affirmatively. The number of calls is increasing. Homebuyers sometimes do not plan for a down payment until the paperwork is presented at closing and the buyer becomes aware of a financial gap that needs to be filled. Wischnack noted that many homeowners start home improvement projects in the fall.

In response to Hromatka's question, Calvert explained councilmembers' differing views on affordable housing land trusts and the attempt to assist a homeowner with accumulating wealth through home ownership. It is great to see that residents are taking advantage of the loan programs and keeping up on repairs to their residences so those residences maintain their equity.

Hromatka moved, Falk seconded, a motion to recommend that the city council approve the 2024-2028 Minnetonka Economic Improvement Program as presented in the staff report. Duginske Cibulka, Falk, Hromatka and Jacobsohn voted in favor of passing the motion. Tyacke, Yunker and Johnston were absent. Motion carried.

The city council is scheduled to review this item at its meeting on Aug. 31, 2023.

## **6. Staff Report**

Hanson and Wischnack provided the staff report:

- MTC route 645 will be restored. The frequency of routes 615 and 645 will increase from 120-minute intervals to 60-minute intervals. The frequency of route 9 will be improved from 60-minute intervals to 30-minute intervals.
- Development updates on The Pointe, Minnetonka Station, Doran, The Townline Apartments, Greystar Development, Marsh Run II, Ridgedale Commons Park, Dave's Hot Chicken, Ichiddo Ramen, Nike, Evereve and Spavia.
- The Thrive newsletter was mailed to 1,208 addresses and sent electronically to 1,674 email subscribers in June.
- Elevate Hennepin assisted 12 Minnetonka businesses with 84 hours of assistance.

- The business work plan update included staff reviewing commercial and multifamily plans for identifiable safety issues; staff working to obtain updated traffic pattern data for the city; and accepting applications for the emergency assistance and code compliance funds.

Hromatka complimented staff for creating and distributing the Thrive newsletter to keep its recipients informed about opportunities that would benefit them and keep businesses thriving in Minnetonka.

Gray provided housing updates :

- The city selected ZoneCo to analyze the zoning ordinance relative to comprehensive guide plan goals and provide a diagnostic report to the city.
- Staff will begin developing a program to create a rental registry in the next few months.
- The state made a \$2.6 billion investment to create housing stability and prevent homelessness by providing services and support.
- A significant update was made to tenant/landlord law to make privacy rules stronger, expand emergency repair items, require transparency in housing-fee costs and make pre-eviction protections stronger.

## **7. Other Business**

The commissioners and councilmembers city tour will take place Aug. 31, 2023 starting at 4:30 p.m. Check your email for the meeting location.

The next EDAC meeting is scheduled to be held on Sept. 21, 2023.

The city hall open house is scheduled to be held Oct. 10, 2023 from 5 p.m. to 8 p.m.

The October EDAC meeting is scheduled to be held Oct. 19, 2023 at 6 p.m.

## **8. Adjournment**

The meeting was adjourned at 7:30 p.m.