AGENDA
CITY OF MINNETONKA
ECONOMIC DEVELOPMENT ADVISORY COMMISSION
Thursday, July 27, 2017
6:00 p.m.

Council Chambers
Minnetonka Community Center

1. Call to Order

2. Roll Call

   Ken Isaacson
   Michael Happe
   Melissa Johnston
   Lee Jacobsohn
   Jacob Johnson
   Jerry Knickerbocker
   Charlie Yunker

3. Approval of May 25, 2017 minutes

BUSINESS ITEMS

4. 2018 Preliminary Budget

   Recommendation: Review the 2018 budget information and provide feedback

5. Staff Report

6. Other Business

   The joint EDAC/CC/PC Tour is scheduled for **Thursday, August 3 at 5:00 p.m.**

   There is a joint City Council and EDAC meeting scheduled for **Monday, August 14 at 5:00 p.m.**

   The next regularly scheduled EDAC meeting will be held on**, August 17 at 6:00 p.m.**

7. Adjourn

If you have questions about any of the agenda items, please contact:
Alisha Gray, EDFP, Economic Development and Housing Manager (952) 939-8285
Julie Wischnack, AICP, Community Development Director, (952) 939-8282

Unapproved
Minnetonka Economic Development Advisory Commission
Meeting Minutes

May 25, 2017
6 p.m.

1. Call to Order

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

2. Roll Call

EDAC commissioners present: Michael Happe, Lee Jacobsohn, Melissa Johnston, Charlie Yunker, and Ken Isaacson were present. Jacob Johnson and Jerry Knickerbocker arrived shortly after roll call.

Staff present: Community Development Director Julie Wischnack, Economic Development Housing Manager Alisha Gray, and consultant Stacey Colvin with Ehlers and Associates.

3. Approval of April 27, 2017 Minutes

Happe moved, Yunker seconded a motion to recommend that the EDAC approve the minutes from the April 27, 2017 meeting as included in the agenda. Happe, Jacobsohn, Johnson, Johnston, Knickerbocker, Yunker, and Isaacson voted yes. Motion passed.

4. Review EIP

Gray reported.

Happe said that the EIP document is great. He appreciated staff creating the EIP document and keeping it updated. It is a great resource.

Happe moved, Yunker seconded a motion to recommend that the city council adopt a resolution approving the EIP. Happe, Jacobsohn, Johnson, Johnston, Knickerbocker, Yunker, and Isaacson voted yes. Motion passed.

5. Newport Midwest “Mariner”

Gray reported.

Chair Isaacson recalled that during the last review, commissioners felt that the request for assistance is appropriate for the project as described. The structure of the assistance was unknown at that time.

Becky Landon, with Newport Midwest, introduced herself and was available for questions.

Chair Isaacson asked if deferring the developer's fee was considered to cover a portion of the requested assistance. Ms. Landon explained that the entire developer's fee would be deferred for the market-rate portion. The developer's fee for the affordable side would not be deferred for two reasons. The first reason would be to allow deferment of the developer fee until the spring when the project would be out for bid in order to cover an unexpected increase in construction costs or interest rates. The second reason is that the MHFA's scoring criteria works against the applicant if more than a small sliver of the developer's fee would be deferred at this time.

Chair Isaacson asked if Ms. Landon and an equity investor would be comfortable with 100 percent cash flow. Ms. Landon was not sure if an equity investor would be comfortable. There are different provisions built into a cash flow for the owner to get some sort of incentive to keep the building full and keep the operating expenses on budget. She noted that the county would want to be included in the cash-flow provision as well. Chair Isaacson agreed. He was supportive of the concept. It would be an appropriate use of funds. He wants to help facilitate and help the applicant be successful with the affordable piece. He was concerned with stripping off 100 percent of the cash flow. He wanted to get others' input. Every dollar of additional effort would pay debt. Chair Isaacson wants to be supportive and structure the debt so that it would allow the applicant to own it well.

Ms. Landon said that the developer does not have a strong preference of which lender would be in which position. That would be up to the funding partners to decide. It would make sense for a lender who provided a large amount to have priority. The cash flow is usually on a pro-rated basis. Chair Isaacson thought this would potentially provide funds for the city. It would be a recycling fund, so when it would pay back debt it would provide a pool of resources available for future projects. It would be self-sustaining to some degree.

Johnston asked how far the term of the loan would be extended. Chair Isaacson thought the loan term would have to be concurrent with the first mortgage. It could be paid back sooner, but the term would be 35 years.

Stacey Colvin, with Ehlers and Associates, consultant for the city, stated that she has seen 100 percent cash flow done in the past. It all depends on how it would be structured, the lender, and the tax credit provider. The hope is that the project would receive tax credit. The funding source is great and provides an opportunity. The hope is that after the term, the city would receive something back.

Chair Isaacson and Ms. Colvin agreed that the definition of "cash flow" is key.

Chair Isaacson recommends that the commission follow the tax credit allocators' "cash flow" definition. It is widely used across the state. Ms. Colvin said that it could save thousands of dollars in legal fees. Commissioners agreed.

In response to Chair Isaacson's suggestion, Wischnack stated that staff will check with the MHFA before the city council reviews the item to see if it would have a problem with a sunset provision being included. Chair Isaacson agreed.

In response to Chair Isaacson's question, Ms. Colvin explained that the dollar amount would be included in the developer's agreement instead of the resolution. Wischnack would keep that on the to-do list. Chair Isaacson agreed.

Happe confirmed with Chair Isaacson that the subcommittee supports staff's recommendation.

Johnston moved, Yunker seconded a motion to recommend that the city council adopt a resolution approving items for Newport Midwest Mariner. Happe, Jacobsohn, Johnson, Johnston, Knickerbocker, Yunker, and Isaacson voted yes. Motion passed.

6. Staff Report

Gray reported:

- The legislature is in the middle of a special session, so staff is waiting to find out how funding stands for SWLRT projects. There is a new video of the Green Line extension that shows how the stations would be laid out.
- The city council will review the proposal submitted by Metro Transit related to public bus services June 12, 2017.
- There are a lot of projects under construction.
- Zvago opened. The deck overlooks Glen Lake and looks great.
- Legacy Home Care is proposing an eight-unit care facility on Eden Prairie Road.
- A new trail is proposed to be constructed to connect Lone Lake Park to the existing trail on Nine Mile Creek.
- The city council approved a liquor license for Total Wine.
- The city council tabled action on a liquor license application for Target on County Road 101 and Highway 7.
- Three restaurant pads should begin construction later this summer at Ridgedale Center.
- Lecesse should begin construction soon.
- Jay Jensen contacted staff to notify the city that due to the devaluation of housing credits, the developer will not be able to continue with the Music Barn project, but the developer will complete the Elmbrook Townhome rehabilitation.

- Staff is waiting to receive the allocation of CDBG funds. In June, the city council will look at entering into the Urban County program to assist with administrative compliance related functions.

7. Other Business

The SLUC luncheon and boards and commissions dinner will take place May 31, 2017.

The next EDAC meeting is scheduled for Thursday, June 15, 2017 at 6 p.m.

8. Adjournment

Jacobsohn moved, Yunker seconded a motion to adjourn the meeting at 7 p.m. Motion passed unanimously.

EDAC Agenda Item #4
Meeting of July 27, 2017

Brief Description	2018 Preliminary Budget
Recommendation	Review the 2018 budget information and provide feedback

Overview

Annually, the city is required to prepare a budget for the upcoming year. In addition to the general fund, which contains budgets for such things as public safety and general government activities, budgets are also prepared for other accounts, such as development and other special purpose funds. It is the EDAC's responsibility to provide recommendations to the city council/EDA on:

- Development account—a fund for redevelopment and economic development activities
- Livable Communities account—a fund for affordable housing and directly-related public improvements
- Community Development Block Grant fund—federal funds the city receives for community development activities, which must meet national objectives
- HRA Levy—a mechanism to fund economic development and housing activities

The 2017 adopted budget pages and detailed information for these accounts are attached.

Economic Improvement Program (EIP)

The 2018-2022 EIP was adopted by the city council on June 12. The EIP's purpose is to provide information on all economic development programs, their intent, key measures and budget impacts over a five year (or more) timeline. Below are highlights from the EIP that will be included into the budget pages, which the EDAC will review and make recommendations on for city council consideration.

Development Account (for 2018-2027 EIP budget)

- Economic Development Activities—This line item will encompass the Open to Business fee of $15,000. Since 2011, the city has received grants from Hennepin County to pay for half of the city's costs related to this service. This is not expected to continue, and the full $15,000 is included for 2018.

- The EIP shows a continuation of the city's GreaterMSP membership at a fee of $25,000. The city became a member in 2013.

- Pre-development activities are reflected in the “other” category. These funds provide upfront analysis on things such as TIF/tax abatement research, design assistance, and geotechnical data to inform the city on potential development projects. The EIP budgets this activity at $50,000.

Livable Communities Account (for 2018-2027 EIP budget))

- The Crown Ridge and Minnetonka Heights pages were deleted from the EIP as the Livable Communities Account is no longer available

- The Homes Within Reach funding for 2017 will begin to decrease to $100,000 (through 2019) as reflected in the EDAC’s 2014 recommendation for future funding of that organization. The EIP reflects the HRA Levy as the potential source of funding beginning in 2018. In addition, the EIP indicates that by 2020 the fee will be reduced to $25,000 annually to assist with ongoing maintenance and operations.

- There is an existing fund balance of $309,921 which will be allocated to the purchase and rehabilitation of two additional homes in 2017/2018.

Community Development Block Grant (CDBG) (for 2018-2027 EIP budget)

On June 12, 2017 the council approved participation in the Urban County CDBG Program for program years 2018-2020. Previously, the city had participated in CDBG as an entitlement community. The advantages of participating in the Urban County CDBG Program include the following:

- The city does not have to submit its own annual Action Plan or certifications
- The county handles most or all IDIS software activity reporting
- The county completes the environmental reviews for the housing projects
- The city does not need to individually meet spend-down timeliness tests (the tests would instead be applied across the entire county program)
- The county coordinates fair housing activities
- The county conducts monitoring of the public service agency recipients
- The county will coordinate a public service funding through an RFP process

In addition, the administration of the Small Projects Rehabilitation Program loan administration will be administered by the county staff. Approximately, 85 percent of the city’s allocation will be used for the small projects housing rehab program, county administration costs and fair housing (one percent).

The future public service allocations, to be awarded in 2018, associated with this fund will be allocated by Hennepin County through a single competitive application process. The county will establish a selection committee comprised of city staff that are members of the Urban County CDBG program. Under this new streamlined process, public service agencies will submit a single application to the county through the public service

RFP process. Previously, public service agencies would submit applications to each city individually. The city will no longer hold meetings in the fall (beginning in 2017 for program year 2018) to make funding recommendations for public service funding. The public services agencies that have historically received funding in Minnetonka were notified of this change in process. Up to 15 percent of the city's total allocation can be used for public service funding.

The amount of CDBG funds the city will receive in 2018 is unknown at this time. The city is notified of the actual award in early 2018. Because CDBG funding distribution and the federal fiscal year do not coincide with the city's fiscal year, expenditures and revenue figures may seem lower or higher than the allocation on the budget pages.

HRA Levy (for 2018-2027 EIP budget)

An HRA levy is a mechanism commonly used by many communities to undertake housing and redevelopment activities. State law limits such levies, and the maximum rate is .0185 percent of a city's taxable market value. This equals approximately $1.56 million in Minnetonka.

The first levy for housing and redevelopment began in 2009. The table below shows the history of the amounts and the uses of the HRA levy.

Year	Amount/Rate	Use
2009	$100,000 .001171%	Homes Within Reach
2010	$175,000 .002121%	•Village Center Master Planning ($75,000) •Housing programs ($100,000)
2011	$175,000 .002233%	•Village Center Master Planning ($85,000) •Housing programs ($90,000)
2012	$175,000 .002233%	•Village Center Master Planning ($75,000) •Housing programs ($100,000)
2013	$175,000 .002324%	•Village Center Master Planning ($75,000) •Housing programs ($100,000)
2014	$175,000 .002330%	•Marketing ($75,000) •Livable Communities Fund ($100,000)
2015	$175,000 .002196%	•Marketing ($75,000) •Village Center Master Planning ($100,000)
2016	$175,000 .002126%	•SWLRT ($75,000) •Housing Programs ($75,000) •Business Outreach ($25,000)
2017	$175,000 .002187%	•SWLRT ($75,000) •Housing Programs ($100,000)

Housing Programs

In June 2011, two new housing loan programs began—the Welcome to Minnetonka first time homebuyer program and the Minnetonka Home Enhancement housing rehab program. Since 2010, there has been $565,000 put into the two programs. As described to the EDAC and City Council in 2011 the funds would be distributed on a sliding scale approach depending upon the interest in the programs. A maximum of 80% of the funds and a minimum of approximately 50% would be available for the Minnetonka Home Enhancement Program. These loan programs have been set up so that within a period of time, they become self-sustaining through loan paybacks; however, with the 1% interest rate of both programs this will take a number of years. As shown below there has been a significant increase in interest in the program, as well as loans closed, over the past year.

- Program fund balances

  The program fund balance through June, 2017 is shown below, with detail under each of the revenues and expenditures. The loan repayment, which is the amount that has been repaid through the monthly payment of the closed loans, is approximate.

Revenues for housing programs	
2010 HRA Levy	100,000
2011 HRA Levy	90,000
2012 HRA Levy	100,000
2013 HRA Levy	100,000
2016 HRA Levy	75,000
2017 HRA Levy	100,000
Loan repayments	26,000
	$591,000

Expenditures for housing programs		
Loan #1 (WTM*)	6,923	2012
Loan #2 (WTM)	6,855	
Loan #3 (MHEP**)	15,000	2013
Loan #4 (MHEP)	8,836	
Loan #5 (WTM)	10,000	
Loan #6 (MHEP)	4,685	
Loan #7 (MHEP)	15,000	
Loan #8 (MHEP)	14,259	2014
Loan #9 (MHEP)	15,000	
Loan #10 (MHEP)	2,800	
Loan #11 (MHEP)	15,000	
Loan #12 (MHEP)	15,000	
Loan #13 (WTM)	6,000	

Loan #14 (MHEP)	15,000	
Loan #15 (MHEP)	8,178	
Loan #16 (MHEP)	9,477	2014
Loan #17 (MHEP)	12,652	
Loan #18 (MHEP)	15,000	
Loan #19 (WTM)	10,000	
Loan #20 (MHEP)	11,283	
Loan #21 (MHEP)	11,107	
Loan #22 (MHEP)	14,600	2015
Loan #23 (MHEP)	15,000	
Loan #24 (MHEP)	15,000	
Loan #25 (MHEP)	15,000	
Loan #26 (WTM)	10,000	
Loan #27 (MHEP)	15,000	
Loan #28 (MHEP)	15,000	
Loan #29 (WTM)	7,300	2016
Loan #30 (WTM)	3,575	
Loan #31 (WTM)	7,700	
Loan #32 (WTM)	10,000	
Loan #33(MHEP)	14,965	
Loan #34 (MHEP)	15,000	2017
GMHC*** Admin	42,911	
Total:	$429,107	
Pending Loans as of 6/30/2017	$10,000	
Amount Available:	$151,893	

*WTM Welcome to Minnetonka Program
**MHEP Minnetonka Home Enhancement Program
***GMHC Greater Metropolitan Housing Corporation

Approximately 10 new loans can be made with the balance that was available on June 30, 2017. Based upon current interest in the two programs it is anticipated that the funds will be exhausted by the summer of 2018. Staff is recommending adding additional funding for the program in 2018. During the budget discussion in 2017, staff recommended that any earned interest and loan repayments are rolled back into the program to ensure long term program sustainability. The current estimated balance of the earned interest is $12,000 as of 5/30/2017. In addition, have been two early loan repayments totaling $26,000.

Annually, loan repayments based upon the current outstanding loans will total approximately $30,000, which is enough for an additional two to three loans per year. In a self-sustaining analysis, if $100,000 is loaned annually, it will take approximately six more years before programs are self-sustaining. It should be noted that with the loan paybacks increasing each year, less levy funds need to be provided for each of those six years. Staff will conduct this self-sustaining analysis on an annual basis during the budget review.

Business

There is a fund balance of $25,000 to assist with business outreach. Staff is dedicating a portion of these funds to develop a business newsletter with the goal of engaging the business community. This effort supports business retention and expansion in the community. The city's communication team is currently undertaking a branding initiative that is expected to be completed in the fall of 2017. The newsletter will be developed following the completion of the strategic branding effort. The EIP indicates an additional contribution of $25,000 in contributions through the HRA Levy for 2018.

Southwest LRT

In July 2015, the city council committed $2 million towards the SWLRT project. This is being partially funded through the Special Assessment Construction Fund. Partial payment and payback will occur from the HRA levy funds over a 10 year period for a total of $750,000. The EIP indicated a cost of $75,000 per year to be funded through the HRA levy for 2018-2022.

Recommendation

The EDAC is asked to provide feedback and recommendations on the following question in preparation for the development of the 2018 preliminary budget.

- *Are there items/projects not currently included in the budget that should be reflected?*

The next steps for the 2018 budget review process are as follows:

August 21—City Council study session on preliminary budget
September 11—City Council sets maximum preliminary tax and HRA levies
November 20—City Council study session on final budget
December 4—Public hearing and adopt final 2017 budget and tax levy
February 2018—City Council public hearing on 2018 CDBG funds
March 2018—Public Service selection committee meets to discuss applications and decide funding amounts

Originated by:
Julie Wischnack, AICP, Community Development Director
Alisha Gray, EDFP, Economic Development and Housing Manager

Supplemental information

City Council Meeting June 12, 2017 - CDBG Urban County Election

City Council Study Session Item #2
Meeting of March 17, 2008

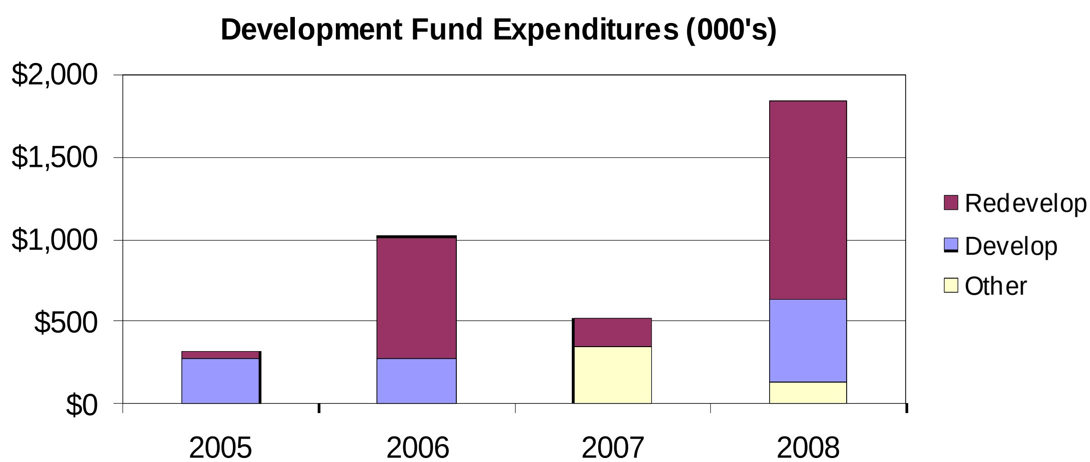
Brief Description: Development-related funds

Recommended action: Provide policy direction for future uses and funding sources.

Background

Since the 1990's, Minnetonka has maintained a development fund and a livable communities fund to help channel resources to redevelopment and economic development projects and to affordable housing initiatives. With growing demands for use of the funds, council requested a review of the history and status of these funds so that policy alternatives could be discussed prior to the next city budget cycle. Because of their direct involvement in these projects and initiatives, EDA commissioners were invited to the city council study session.

Development fund. Minnetonka's development fund was established in 1993, and was initially funded with the proceeds remaining after early retirement of bonds issued for the original Glen Lake and Carlson Center projects. With a beginning deposit of $2.2 million, the development fund has been used to assist various redevelopment and economic development projects in recent years:



Most notably, the development fund is being used to cover certain initial costs associated with the Glen Lake and United Health Group (UHG) redevelopment projects. UHG project expenditures for Bren Road improvements will be fully reimbursed by the developer in the same year and much of the Glen Lake expenditures will be repaid over time through TIF receipts in accordance with the comprehensive redevelopment agreement with the developer.

The development fund also finances various economic development programs, such as a deposit to the Twin Cities Community Capital Fund for Minnetonka's participation in that initiative. Additionally, pass-through grants, such as those from the state's Minnesota Investment Fund, directed to Cargill-Dow and Nestle Nutrition, are accounted for through the development fund, even though there is no city money involved.

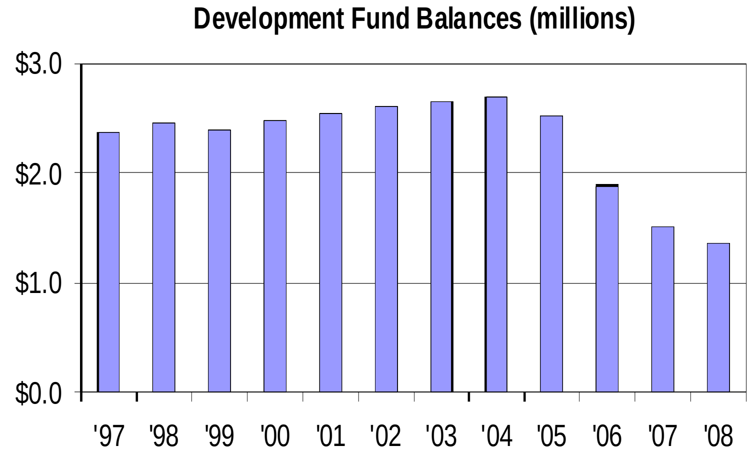
The development fund is also paying part of the cost of the comprehensive plan update, since a significant part of the planning work evaluates future redevelopment possibilities. Significant recent expenditures include:

Year	Project	Amount
2005	Twin Cities Capital Fund	$187,500
2005-06	Cargill/Dow DEED Financing	$316,000
2005-08	Glenhaven (Glen Lake) TIF	$1,300,000
2007-08	Comprehensive Plan	$195,000
2008	Glen Lake TOD Grant	$280,000
2008	Nestle/Novartis Project	$500,000
2008	United Health Group	$552,000

Development fund revenues are almost entirely made up of interest earnings and tax increment financing (TIF) reimbursements. Since these reimbursements are based on direct expenditures for certain project and administrative costs, they only offset those previous outlays, and the reimbursements are not available to help cover other, unreimbursed expenditures. Examples of these outlays include the comp plan update, as well as some of the extraordinary costs associated with relocating the Alano facility to "make them whole."

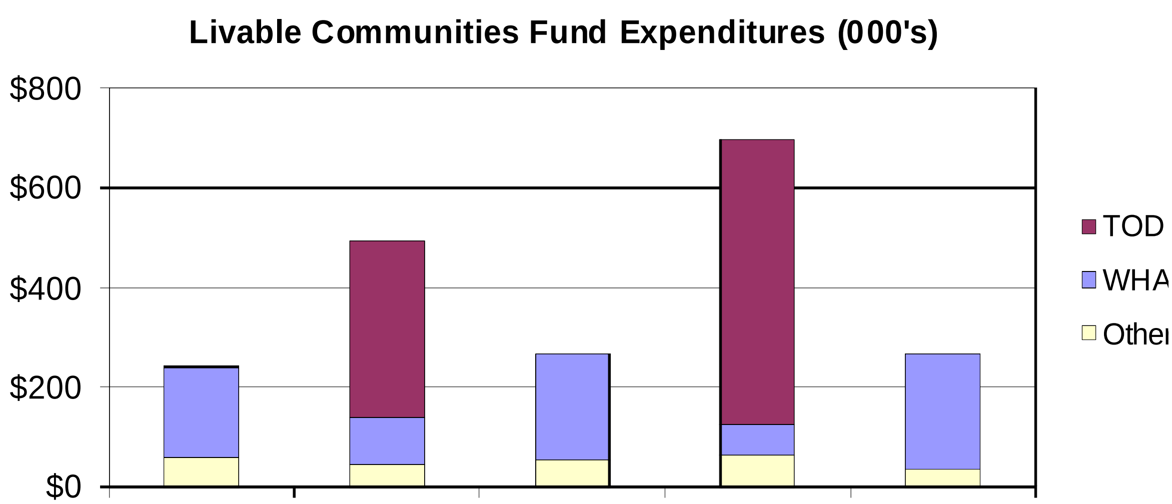
Another example of an unreimbursed outlay is paying for a portion of the costs of the Glen Lake streetscaping plan. While it is expected that TIF reimbursements will cover the costs of the new sidewalks, streetlighting and plantings related to the redevelopment project, the development fund will need to help cover the costs of rejuvenating the infrastructure in the other parts of the Glen Lake commercial area.

In the past, it has been possible to accommodate these occasional unreimbursed outlays in the development fund without significant impact. Similarly the capacity of the fund has been sufficient to make advances to redevelopment projects in anticipation of future TIF reimbursement. However, recent demands on the fund have reduced fund balances, such that the capacity to support additional redevelopment projects is limited until Glen Lake TIF reimbursements replenish the fund over time.



The cost of future redevelopments in the I-394 corridor, Opus business park area, and potential other locations could easily outstrip the resources of the fund unless criteria are developed to maintain the integrity of the fund. Such considerations might include the nature and structure of the uses, as well as new ongoing sources of revenue.

Livable communities fund. The livable communities fund was established in 1997 by special legislation, which allowed the city of Minnetonka to retain monies remaining after early decertification of the Ridgepointe-Cliffs housing TIF district. The special legislation was approved with the provision that the money could only be used for housing activities and directly-related public improvements. Recent expenditures include:

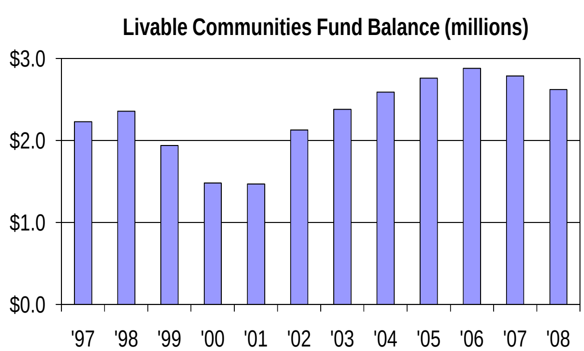


Examples of housing activities covered through the livable communities fund include annual contributions to help Homes Within Reach (WHAHLT) write-down the net cost of purchasing homes in Minnetonka, and paying a quarterly off-set amount for a part of the subsidized rents at the Cedar Pointe Townhomes. Over the past several years, the livable communities fund has also contributed annually to the cost of family-oriented support programs at the Crown Ridge and Minnetonka Heights affordable housing developments. This was a commitment the city made as a partner in developing this housing during area redevelopment.

The livable communities fund also accounts for certain pass-through grants, such as the Hennepin County transit-oriented development (TOD) grants used to assist affordable housing at The Sanctuary and Deephaven Cove through WHAHLT. Average outlays over the past five years include:

Project	**Five Year Average Amount**
WHAHLT support	$155,000
Cedar Pointe Affordable Housing	$30,800
Minnetonka Heights & Crown Ridge	$16,200
WHALT TOD Grants	
Sanctuary (2005 & 2007)	$533,500
Deephaven Cove (2007)	$395,000

Livable communities fund revenues are largely made up of interest earnings, and in past years, reimbursement of certain TIF-related costs. To date, these resources have been adequate to cover the relatively minor unreimbursed outlays to WHAHLT, and the fund balance has remained healthy. However, new sources of revenue would be necessary to sustain any significant new affordable housing initiatives.



Affordable housing efforts. The city of Minnetonka has been fortunate to add a substantial amount of new affordable housing without having to make many direct outlays of city funds. Most publicly-supported affordable housing projects received substantial allocations from federal, state and Family Housing Fund grants, with local contributions coming from private TIF reimbursement or Metropolitan Council grants:

Affordable Housing Project	Source of Funds
Presbyterian Homes/Beacon Hill	TIF land writedown
Westridge Market:	
The Gables townhomes	TIF land writedown
Crown Ridge apartments	TIF land writedown & Met Council grant
Boulevard Gardens apts	TIF land writedown & Met Council grant
Twin City Christian Homes	TIF land writedown
Minnetonka Heights	City grant & Met Council grant
Minnetonka Mills Townhomes	TIF land writedown & Met Council grant
Ridgebury	TIF land writedown
Habitat for Humanity	Land donation, hookup fees waived
WHAHLT	Developer contributions used as “start up” funds

Minnetonka’s allocation of federal CDBG funds have also been used to assist certain housing developments with some capital costs, including Sojourner, CIP Supportive Housing, WHAHLT home rehab work and the Cedar Hills Townhomes renovation.

These resources have allowed the city of Minnetonka to preserve most of the original balance of the development and livable communities funds. However, while some of these resources will likely continue to be available, new sources of revenue would be necessary to sustain any significant new affordable housing initiative.

Policy Considerations

The development fund and livable community fund have served the city well for the smaller scale applications historically supported by the two funds. However, if any expanded uses are to be considered to support expected future affordable housing and redevelopment demands, a more permanent funding source must be available, and a sound financial policy structure adopted to guide use of the resources.

Use of the funds. Staff recommends that the two development-related funds continue to be used as initially intended. The development fund can effectively function as a "general fund" for housing, redevelopment and economic development activities and programs. Staff believes it is appropriate to continue to use this fund for expenditures directly related to redevelopment and economic development activities.

The special legislation allowing the city to establish the livable communities fund only allows that fund to be used for affordable housing activities, and directly-related public improvements. The city has strictly followed this policy since the fund was established, and should continue to do so. Various options exist for possible expansion of the city's traditional redevelopment and affordable housing roles:

- **WHAHLT.** The city of Minnetonka is currently providing about $250,000 annually to support the efforts of the West Hennepin Affordable Housing Land Trust (WHAHLT). That current allocation helps purchase five or six homes each year, and staff believes the land trust could continue to effectively leverage that amount to help writedown the cost of properties purchased in Minnetonka. An HRA levy would provide an ongoing source of support to replace the draw from one-time fund balances.

- **Affordable housing writedown.** As previously noted, the city of Minnetonka has been fortunate in the past to support new affordable housing with federal, state and private funds. However, the demand for local matches and direct city contributions is increasing to help affordable developments, primarily through land writedowns. Staff suggests considering an annual appropriation of about $100,000 to start a new program for that purpose.

- **Neighborhood connections.** The need to improve Minnetonka's walkways and trails systems is consistently noted as a growing priority by community residents, businesses and focus groups in the Comp Plan update process. In fact, it is emerging as the single biggest redevelopment issue to be addressed by the Comp Plan Steering Committee. Various projects could improve the practical usability of connections to such areas as Glen Lake, 5 & 101, Opus, Ridgedale, Shady Oak, 5 & 169 and Minnetonka Mills, as well as to schools, libraries and other public facilities throughout the community. Staff suggests considering $250,000 annually to support a multi-year improvement program.

- **Senior housing transitions.** The EDA has suggested consideration of local incentives to encourage seniors to transition into other housing, thereby making their existing homes available as “move-up” housing for younger families. Staff suggests considering an annual allocation of $100,000 to initiate this effort.

- **Minnetonka Heights/Crown Ridge.** Youth and family programs are provided by CommonBond and the Ridgedale YMCA in the Minnetonka Heights and Crown Ridge developments. Although these programs have historically been supported through various fund-raising efforts and by volunteers, an annual unmet need of about $30,000 has been identified.

- **Land purchases.** From time to time, the city has opportunities to purchase properties that are likely to be suitable for future affordable housing. Examples include properties on Martha Lane and Rowland Road/Baker Road, which accounted for the two-year dip in the livable communities fund balances. Providing for the ongoing capacity to continue these past ad hoc efforts will be increasingly important as land values keep escalating. Although an adequate fund balance will be necessary to cash flow acquisitions, staff suggests structuring these purchases as revolving loans to minimize levy requirements.

- **Housing rehabilitation.** CDBG funds have historically been adequate to support the city’s emergency repair and housing rehab programs. However, as CDBG funding continues to decline, and as demand increases (especially from seniors), an annual city supplement may be needed in the future. While not now recommended, future support could require up to $100,000 annually.

- **Program support.** The general fund has historically borne all the support costs associated with the city’s housing, redevelopment and economic development activities. Staff recommends assigning ten percent of any annual levy for development and livable communities activities to help off-set these costs.

Discussion questions: Does council agree with continuing the traditional fund uses? Which programs should be considered for possible expansion?

Structure of public assistance. Staff recommends that guidelines for use of the funds be established to help maintain financial integrity. Such guidelines should include a preference for investments where the city would recapture public assistance – either through TIF reimbursement or loan repayments – thereby managing the assets as revolving funds to the greatest extent possible.

Specifically, public assistance should be structured as “loans,” especially when tied to explicit programs, or for such activities as speculative land purchases. Depending on the circumstances, “repayment” terms might reflect lending rates ranging from zero interest loans up to rates earned by city investments. Loans might also be structured to be forgivable if certain criteria are net, such as completion of public improvements, creation of jobs, or the provision of programs that benefit community residents or businesses. In the case of speculative land purchases, staff recommends that stricter loan portfolio standards be established.

By establishing the concept of public assistance as “loans,” the EDA could function as a loan committee, much like the review committee of a financial lending institution. While lending standards would obviously differ, staff believes it would be useful to view potential public assistance applications within this context.

> ***Discussion questions: Does council concur with the need to develop guidelines for public assistance, and the suggested role of the EDA?***

Source of funds. The city and EDA have been careful with past applications of the two development-related funds, only using these resources for expenses directly related to affordable housing and economic development activities. Absent a reliable source of revenue, policy officials have been reluctant to draw down the fund balance through any single large expenditure.

The primary shortcoming of the two funds is the lack of a reliable, ongoing revenue source. At present, the funds are largely dependent on reimbursements, where those have been arranged, and limited investment earnings. Recent examples of these limitations include the outlays for the Alano relocation and Glen Lake streetscaping. Although outlays of a similar magnitude are not currently planned, little capacity exists for any similar future considerations.

The most commonly used source of funding for economic development activities by cities is an HRA property tax levy. Under state law, such levies are limited to 0.0144% of a city’s market value, any may be spent on any authorized activity of the EDA, including housing, economic development and redevelopment.

Any HRA levy is outside of state levy limits and is not reported on Truth-in-Taxation statements as a levy of the city. In Minnetonka, the EDA acts as the city’s HRA and is authorized to adopt an HRA levy to be approved by city council.

Most other comparable communities in the western suburban area have already adopted EDA and HRA levies to support their development-related activities. This approach provides a reliable revenue stream, as set each year by the city council, to maintain the financial health of their development funds. Examples include:

City	Levy	Uses
Bloomington	$1,700,000	housing, preservation, redevelopment
Brooklyn Park	$1,200,000	housing, redevelopment, infrastructure
St. Louis Park	$797,000	redevelopment and infrastructure costs
Plymouth	$524,000	housing subsidies, staff, overhead
Brooklyn Center	$265,000	redevelopment, staff, overhead
Crystal	$229,000	housing, redevelopment, staff, overhead
Eden Prairie	$200,000	housing and redevelopment

The amounts and purposes of development-related levies vary considerably among nearby cities, but are generally related to the same uses the city of Minnetonka has made of the development and livable community funds. Staff believes the traditional uses of both the development and livable communities funds continue to be viable and appropriate, and that the original policy goals are being met.

However, the lack of a reliable source of revenue makes these funds less capable of assisting expected future housing and redevelopment activities, and recommends consideration of an HRA levy in the next budget cycle. The maximum total amount that could be levied for both funds would be approximately $1.2 million. Staff recommends consideration of an initial levy less than the maximum for the following purposes:

Program	Recommended 2009 HRA Levy
Homes Within Reach	$250,000
Affordable housing writedown	$100,000
Neighborhood connections	$250,000
Senior housing transitions	$100,000
Minnetonka Heights/Crown Ridge	$30,000
Land purchases	revolving
Housing rehabilitation	CDBG
Program support	$80,000
Total Levy	$810,000

About two-thirds of the new funding would be allocated to affordable housing activities, with the remainder for redevelopment activities. The recommended HRA levy of 0.93% would be an increase of about 2.8 percent above the expected 2009 levy for all other city operating and capital purposes. The suggested levy would represent a cost about $32 annually for a $350,000 home in Minnetonka. Current HRA levies in other area cities are:

	Levy	**Rate**	**Cost for $350,000 home**
St. Louis Park	$797,000	1.344%	$47
Brooklyn Park	$1,200,000	1.302%	$46
Minnetonka	**$810,000**	**0.930%**	**$32**
Plymouth	$524,000	0.454%	$16
Eden Prairie	$200,000	0.179%	$6

Discussion questions: Does council wish to consider an HRA levy for 2009? If so, what range and potential uses should be evaluated for consideration in budget discussions?

Submitted through:
John Gunyou, City Manager

Originated by:
Merrill King, Finance Director
Ron Rankin, Community Development Director

EDAC Agenda Item #5
Meeting of July 27, 2017

Brief Description Staff Report

Transit Updates

Green Line Extension (Southwest LRT)

- The latest version of the Southwest Project Office's newsletter *Extending Tracks* is now available. This edition covers the impact of the dissolution of CTIB on the project, includes a pie chart detailing the final configuration of the local funding; and includes a short biography of the new Met Council Chair.

- Two new narrated design visuals of the METRO Green Line Extension are now available. The video includes the Louisiana Station and Wooddale Avenue Station Areas in St. Louis Park, and the Shady Oak Station and Opus Station area in Minnetonka. The videos also highlight the trail connections and pedestrian/bike facilities. https://metrocouncil.org/Transportation/Projects/Current-Projects/Southwest-LRT/Project-Videos/Local-Area-Visualizations.aspx

Metro Transit

- Community Development staff continue to meet with Metro Transit on a quarterly basis. Most of the time has been devoted to new development connections and preparing for the LRT opening. The extension of the contract with Metro Transit was approved in June and will be in place through July 31, 2020.

- Metro Transit announced two changes to its bus services that will benefit Minnetonka and its residents, and will improve the city's connectivity to downtown Minneapolis, St. Louis Park, and other surrounding communities.

  - Beginning in August, Route 9N will improve with later service and more trips. Route 9N operates between downtown Minneapolis, the West End area in St. Louis Park, and Greenbrier/Hopkins High School. Previously, the final Route 9N bus left downtown at 9 p.m. on weekdays and 6:30 p.m. on weekends. Now, the route will operate with trips leaving downtown through 11:30 p.m. Monday-Saturday, and through 10:30 p.m. on Sunday.

  - Route 675 will also be re-numbered to Route 645 and will provide direct service between Ridgedale, the West End and downtown Minneapolis. This change will provide a quick, all-day, seven days-a-week connection between downtown and the western suburbs.

Development Updates

Under Construction

- Highland Bank, Redevelopment, 1700 Plymouth Road
- Cherrywood Pointe, 2004 Plymouth Road
- Minnetonka High School Ice Arena, 18313 State Hwy 7

Grading Permits

- Groveland Elementary, 17310 Minnetonka Blvd
- Ridgedale Library, 12601 Ridgedale Dr

Complete

- Prestige Preschool, 14730 Excelsior Blvd
- Zvago, 14217 Stewart Lane
- Unmapped Brewing, 14625 Excelsior Boulevard

Under Review/Other

PROJECT	DESCRIPTION	LOCATION	PLANS	STATUS
Minnetonka Hills Apts	Multiple items for construction of a 75-unit apartment building	2828 & 2800 Jordan Ave	http://tinyurl.com/MtkaHillsApts2nd	Under Review
Hopkins High School	CUP for accessory storage structure	2400 Lindberg Dr	http://tinyurl.com/HopkinsHSgarage	Under Review
Kai's Sushi	CUP for full service sushi restaurant with beer and wine	17420 Minnetonka Blvd	http://tinyurl.com/KaisSushi	Under Review
Midwest Master Craft	Items concerning a new marine sales building.	17717 Highway 7	http://tinyurl.com/17717Hwy7	Under Review
Mariner (Newport Midwest)	Concept plan for rental building	10400, 10500 & 10550 Bren Rd E	http://tinyurl.com/newportmidwest	Waiting for Formal Application
Ridgedale Restaurant Pads	New restaurant pad sites in the NW corner of the Ridgedale Mall property	12415 Wayzata Blvd	http://tinyurl.com/12415WayzataBlvd	Waiting for Building Permit Application

Crest Ridge Senior Housing	Items concerning a senior rental building	10955 Wayzata Blvd	http://tinyurl.com/CrestRidgeSH	Waiting for building permit application
Lecesse	Multiple items for construction of a 322-unit apartment building	10101 Bren Road East	http://tinyurl.com/lecesse	Grading and building permits under review
Ridgedale Corner Shoppes	Multiple items for redevelopment of the existing TCF bank site.	1801 Plymouth Road	http://tinyurl.com/ridgedale-TCF	Under Construction

Business Development Update

The "Open To Business Program" will be advertised on city billboards August 1- October 31. More information on the program can be found on the city's website at: http://eminnetonka.com/economic-development/starting-or-expanding-a-business

Shady Oak Redevelopment Update

In June, Ron Clark Construction announced it would modify the concept plan that was submitted in February 2017, following feedback from the city and community. Ron Clark Construction intends to submit a formal application for the proposed project the week of July 24, 2017 which will be presented at an open house on August 2, 2017. The revised concept plan will be reviewed at several public meetings in August and September. For more information, please visit the Shady Oak Redevelopment webpage at: http://eminnetonka.com/current-projects/planning-projects/1490-shady-oak-rd-redevelopment

Aug. 2, 2017 Neighborhood Open House

- 7:30-9 a.m., 11 a.m.-1 p.m., 5-7 p.m.
- Minnehaha Conference Room in Minnetonka City Hall
- Developer and city staff on-hand for informal discussions and Q&A; no formal presentations

Housing Updates

Greater Metropolitan Housing Corporation (GHMC)

In July, GHMC notified city staff that it would be closing the HousingResource Center branch of its organization and would no longer be able to administer the Welcome to Minnetonka and Minnetonka Home Enhancement Programs. Staff is exploring other agencies to take over the administration of the program and plans to provide an update at the EDAC at the August 17 meeting. No new applications are being accepted at this time.

CDBG

In June, the city council approved the action allowing the city to join the Hennepin Urban County CDBG program for the 2018-2020 qualification cycle. Under the new election, Hennepin County will administer the Small Projects Loan program, coordinate fair housing activities, complete IDIS software reporting, monitor public service agency recipients, and coordinate public service funding through a consolidated RFP process.

In June, HUD released the CDBG formula allocation amounts for FY 2017. The City of Minnetonka received a total of $157,386 that will be allocated as follows:

Use of Funds	**Allocation amount**
Small Projects Program (SPP)	$122,205
CAPSH	$2,409
TreeHouse	$3,854
ResourceWest	$4,336
SCS	$5,300
ICA	$7,708
Fair Housing	$1,574
Administration	$10,000
Total	**$157,386**

Upcoming Events

Wednesday, July 26	Downtown East – How US Bank Stadium Spurred Development EDITION Residences – Club Room – 3:00pm 511 S 4th Street, Club Room Minneapolis, MN 55415
Friday, October 6	Urban Land Institute Complexity: Dutch and American Housing Rapson Hall – 3:00 p.m 89 Church Street SE Minneapolis, MN 55405
Thursday, August 3	EDAC/PC/CC Annual Tour 5:00 p.m.
Monday, August 14	Joint EDAC/CC Meeting

	City Council Chambers 5:00 p.m.
Thursday, August 17	EDAC Meeting City Council Chambers 6:00 p.m

Originated by:

Alisha Gray, EDFP, Economic Development and Housing Manager
Julie Wischnack, AICP, Community Development Director