**AGENDA**
**CITY OF MINNETONKA**
**ECONOMIC DEVELOPMENT ADVISORY COMMISSION**
Monday, November 27, 2017
6:00 p.m.

Council Chambers
Minnetonka Community Center

1. Call to Order

2. Roll Call

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

3. Approval of September 7, 2017 minutes

**BUSINESS ITEMS**

4. Dominium Apartments Concept and Financial Request

   *Recommendation: Review and provide feedback*

5. Staff Report

6. Other Business

   The next regularly scheduled EDAC meeting will be held on**, December 7 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**

**September 7, 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, Ken Isaacson, Lee Jacobsohn, Jacob Johnson, Jerry Knickerbocker, Charlie Yunker were present. Melissa Johnston was absent.

Staff present: Community Development Director Julie Wischnack, Economic Development Housing Manager Alisha Gray, consultant Stacie Kvilvang with Ehlers and Associates, and consultant Julie Eddington of Kennedy and Graven.

Councilmember present: Tony Wagner.

## 3. Approval of July 27, 2017 Minutes

<u>Knickerbocker moved, Johnson seconded a motion to recommend that the EDAC approve the minutes from the July 27, 2017 meeting as included in the agenda and modified by the change memo dated September 7, 2017.</u> Happe, Jacobsohn, Johnson, and Knickerbocker voted yes. Yunker and Isaacson abstained. Johnston was absent. <u>Motion passed.</u>

## 4. Shady Oak Redevelopment

Gray reported.

Knickerbocker asked if the new contract would include a termination point if activity did not begin. Wischnack stated that commissioners could recommend 2018 or 2019. Chair Isaacson was comfortable with a two-year time frame. Commissioners agreed with the concept of adding language to the contract requiring the developer to request an extension if the first round of tax credit allocation is not awarded. The commissioners agreed that the timing of construction should not be open ended.

In response to Knickerbocker's question, Wischnack explained tax-increment pooling. Funds are returned to the city through the purchase and reimbursement through TIF pooling. Money is expended through the development account and special assessment account which are not general taxation funds. It is an accounting issue to make sure that funds are returned to the right place.

Kvilvang explained how funds would be transferred at the closing.

Jacobsohn stated that the contract should include language that the purchase price of $734,000 is reflective of the market appraisal.
Isaacson asked if the surplus cash calculation, to repay the TIF Note, could be prepared by the project accountants identified in the LPA. In response to Isaacson's question, Kvilvang stated that the audit could be prepared by the accountant for the partnership.

Isaacson suggested that the developer apply for Hennepin County HOME funds and Affordable Housing Investment funds. Kvilvang said that could be reflected in the contract.

Mike Waldo, Ron Clark Construction, applicant, stated that the MN Housing Standard is structured for 50 percent of the cash flow going to the owner and 20 percent of the excess going to the loan entity. The applicant may be back if the project does not receive county or clean-up funds. There may be a stronger take from the cash flow at that point. He would apply June of 2018 for tax credits. It would be an April close and a May of 2019 start. If not awarded in 2018, then they would apply again and possibly receive an award in October of 2019. Closing on the land in December of 2019 would probably be doable, but, realistically, the start of construction would not occur until August. He could look at HOME funds. There are strings attached there. Getting an award before the application would be key. Chair Isaacson said that their typical cycle is January to April. Mr. Waldo said that it would limit the rents to a full 30 years at 50 percent, but, he would take a look at it. Chair Isaacson said that the developer could limit the HOME funds to a certain number of units, so the rent restriction would be approximately 2 to 4 units. Mr. Waldo stated that staff has made everything clear.

Jacobsohn was inclined to stay at 50 percent.

Chair Isaacson was inclined to leave it as it is at 50 percent. If there would be a problem in a year or at the time of the award, then that would be the appropriate time to look for a change prior to close.

Chair Isaacson invited the public to provide comments.

Andy Braun, 4408 Crawford, stated that:

- The EDAC commissioners are the experts. Some of it makes some sense. A lot of it does not make a lot of sense.
- One of his concerns is that the site is publically owned land. Developers are being asked what they want to do with it rather than residents.
- Sustainability should be the first priority, but it is totally ignored.

- After 10 years, there would be a 10 percent gap and after 20 years, there would be a 20 percent gap. The measure of affordability is crawling up year by year and becomes unaffordable pretty quick. Those numbers do not seem to add up. Chair Isaacson said that revenue would go up 2 percent and expenses 3 percent, not the other way around. Mr. Braun said that the projected increase in the tenants' income would be 2 percent and the projected increase in rent would be 3 percent.
- He asked someone to explain how public funds would be used to buy public land "gifted" to a developer.
- The proposed units would be valued more, at $260,000, than the surrounding neighbors' properties at $220,000.
- It looks like the developer would get an 8 percent profit. That seems reasonable.

Mr. Waldo explained the rigid standards that would have to be met in accordance with Minnesota Housing's Green Communities Act. It would be a very sustainable building. He was very proud. The budget assumes a 2 percent increase in income or rent each year and a 3 percent increase in costs. The reality is that there have only been rent increases 2 of the last 6 years.

Kvilvang explained that the city paid the fair market value to the property owner and relocated the businesses. On top of that, the city paid for demolition. The developer is paying for the value of the land based on an appraisal for $734,000. It is not unreasonable, unrealistic, or uncommon for the current market. In redevelopments, there are, typically, additional sources of funds.

Chris Aanestad, 4255 Oak Drive Lane, stated that:

- He would like to see the appraisal.
- He did not understand TIF pooling. He thought it is a shell game. It is his land and money.
- The site needs mowing. He thinks the city is doing that on purpose.

Wischnack stated that she would e-mail Mr. Aanestad the appraisal.

Wischnack explained that the city council made a policy decision to determine the source of the funds. Wagner provided that the council made a decision in 2013 that workforce housing is a strategic value for the city's workforce community. The Boulevard Gardens TIF district was set up to fund activities to provide workforce housing. The benefit of that decision is that the funds could be used anywhere in the city. That TIF district massively over-performed. The funds would not be used on a project if it did not include the restriction that tenants must have an income equal to or lower than 50 to 60 percent of the average area median income (AMI).

Wischnack reviewed the slide that listed the purchase price at $1.9 million. The Hennepin County contribution for the road project and the city's costs for the road project were subtracted. Relocation costs were estimated at $700,000; $800,000 for purchase out the door; and costs for taxes and professional services.

Mr. Aanestad asked if the developer would pay more for the land if it would go up in value in 2019. Wischnack said that the EDAC could consider including a price increase in the contract if the value of the land would increase. Staff met with Mr. Johnson during the road project. There were no negotiations for the purchase of Mr. Johnson's property since he did not provide a purchase price.

Chair Isaacson thought the appraised value would be a fair approach. There is a time limit for this deal.

Knickerbocker agreed with Chair Isaacson. The signed contract should be upheld. He did not support an escalator clause.

Johnson agreed with that. It would also protect the city from a loss due to a decrease in property value.

Happe liked the idea of an escalator clause.

Eddington has never seen an escalator in a purchase and redevelopment contract. In particular, in the affordable housing world, that would be difficult because they have to be proforma.

Stephen Philbrook, 4222 Oak Drive Lane, stated that:

- He wants to know why he is continually being lied to.
- Mr. Johnson said that he would be willing to work with staff at the last meeting.

Mr. Waldo stated that he met with Mr. Johnson one or two times and the architect for the project met with him once. The plan that Mr. Johnson supports does not facilitate an access point, so the sale price would be way higher than what could be justified for an access point. Mr. Waldo would be happy to consider a sale price, but, based on past conversations, the property would not be priced to be used as an access point.

Mr. Braun stated that he wants the facility to have net zero waste, zero landfill, and use solar and geothermal power.

Abby Holm, 4234 Oak Drive Lane, stated that the safety and security of the neighborhood road has extremely high value. Putting in the stoplight would be worth millions of dollars of safety for the neighborhood.

Happe confirmed with staff that the motion would recommend to the EDA the use of TIF poolings funds and that the contract is appropriate to execute the funds with the changes provided in the motion.

Jacobsohn moved, Knickerbocker seconded a motion to recommend that the city council adopt a resolution approving the contract for private development for Shady Oak Redevelopment with modifications to the commencement and completion dates to accommodate the tax credit application and tax credit award dates; have the project accountant provide the cash flow computation; provide market value qualification language for the purchase price; and require the developer to submit additional funding source applications for HOME and AHIF funding. Happe, Isaacson, Jacobsohn, Johnson, Knickerbocker, and Yunker voted yes. Johnston was absent. Motion passed.

**5. Staff Report**

Gray reported:

- Agreements were completed with DNSF and Twin Cities and Western Railroad to allow the SWLRT project office to apply for federal funding.
- The civil bids were opened the week of August 21, 2017 for the SWLRT. The bids will be awarded in November.
- The park and ride was open for the state fair express.
- Staff meets quarterly with MTC to discuss route improvements.
- Cherrywood Pointe is under construction.
- Groveland Elementary is still under construction.
- The Ridgedale Library is closed for construction.
- Work is being done to prepare for Ridgedale restaurants. The parking lot traffic pattern is being modified.
- Woodlands on Linner Avenue is under construction.
- Eldorado Villas, The Rize, Highview Place, and Williston Woods West are under construction.
- Highland Bank is complete.
- Prestige Preschool and Unmapped are now open.
- Hopkins High School construction is complete.
- Midwest Mastercraft has applied for a conditional use permit for a boat dealership.
- Masaba Capital was approved by the city council.
- Minnetonka Hills received final approval.
- Kai Sushi was approved on Minnetonka Boulevard.
- Dash Fire, a micro-distillery, has applied for a conditional use permit at the former Lucid Brewery site.
- The Shady Oak redevelopment project will be reviewed by the planning commission immediately following this meeting. The EDA and city council will review the Shady Oak redevelopment project September 25, 2017.
- Open to Business is advertised on billboards now.

- Hennepin County is looking for participants in the Economic Gardening program. It is a mentorship program to provide second-stage growth companies with research and peer to peer advice. There is more information on Hennepin County's website.
- The Greater Metropolitan Housing Corporation announced that it would be closing, so staff is working with the Center for Energy and Environment to get the loan programs back up and running. Changes are being looked at for the program guidelines.
- The city received its Community Development Block Grant award, so staff has been processing the applications. The city hopes to do 24 loans this year.

**6. Other Business**

The next EDAC meeting is scheduled for Thursday, October 19, 2017 at 6 p.m.

**7. Adjournment**

Jacobsohn moved, Knickerbocker seconded a motion to adjourn the meeting at 7:15 p.m. Happe, Jacobsohn, Johnson, Knickerbocker, Yunker, and Isaacson voted yes. Johnston was absent. Motion passed.

**EDAC Agenda Item #4**
**Meeting of November 25, 2017**

**Brief Description** Dominium Apartments concept and request

**Recommendation** Review and provide feedback

**Background**

Dominium Apartments is proposing the redevelopment of an existing commercial property located at 11001 Bren Road East (Digi International). The concept plan contemplates redevelopment of the existing Digi International site to construct 475 units of rental housing on the 9.4 acre site. The proposed redevelopment includes mix of workforce and senior housing units ranging from one to three bedrooms. The developer is proposing that all 475 units would consist entirely of workforce and senior housing affordable to households earning up to 60% AMI ($54,240 for a family of four). The rents are structured to be capped at approximately 30% of the 60% AMI income level and range from $1,017 for a 1-bedroom, $1,221 for a two-bedroom, and $1,410 for a three-bedroom unit (inclusive of utilities). The three buildings are proposed to have the following mix of unit types.

| **Senior Community (55+)** | |
|---|---|
| **Unit Type** | **# of Units** |
| One bed, one bath | 70 |
| Two bed, two bath | 135 |
| Three bed, two bath | 60 |
| **Total** | **265** |

| **Workforce Community (2 buildings)** | |
|---|---|
| **Unit Type** | **# of Units** |
| One bed, one bath | 45 |
| Two bed, two bath | 90 |
| Three bed, two bath | 75 |
| **Total** | **210** |

The concept plan also includes common-space amenities, outdoor recreational space, underground parking and a boulevard with surface parking. Additionally, the site is located adjacent to the proposed Southwest LRT station. The concept plan includes additional trail connections and connections to the station platform.

**Funding Inquiry**

Dominium's financing sources, totaling approximately $114 million, include a request to the city to issue approximately $64 million in conduit bond debt, nearly $30 million in 4% low-income housing tax credits (LIHTC) equity, and $11 million in deferred fees. The developer will seek additional funding through Hennepin County and the Metropolitan Council to attract an additional $900,000 to the project. The project as proposed results in a gap of approximately $8.5 million dollars.

To fill the gap, the developer is requesting that the city participate financially by creating a new 26-year Tax Increment Financing (TIF) Housing District to generate up to approximately $7.6 million in assistance. Dominium's request also assumes a 2% annual inflation on the valuation. Historically, the city has not included inflation in the TIF calculation. Without the inclusion of inflation, the financing gap increases by $1,468,000. The attached memo from Ehlers further explains the financial request and explains inflation in greater detail.

Dominium would be responsible for finding ways to reduce costs and/or seek additional non-city financing to solve for the remaining financing gap of $880,000, assuming inflation of 2% is included in the TIF calculation. If inflation is not included the financing gap is $2,348,000 ($1,468,000 + $880,000). The EDAC should discuss whether or not the request for inflation is reasonable.

The EDAC is being asked to review the request and provide feedback to the council. The developer is requesting assistance of up to $7,611,000. It is likely that the requested amount of assistance will fluctuate as Dominium refines the unit mix and site plan. Any assistance would be adjusted proportionately to reflect the demonstrated gap. Staff is proposing that any TIF assistance be structured as a pay-as-you-go TIF Note to ensure the TIF payment risk is the responsibility of the developer. The attached Council Policy 2.14, provides further guidance on the use of TIF. In addition, Policy 2.5 provides guidance on the issuance of tax-exempt financing.

**EDAC Subcommittee Review**

On October 25, EDAC Commissioners Isaacson, Yunker, and Jacobsohn met as a subcommittee to review the request using Council Policy 2.14, the council's policy on TIF Financing as a guide for the assistance request. The EDAC subcommittee expressed that the request for TIF assistance with 2% inflation was reasonable and concluded that it met the following criteria:

- The project is compatible with the Comprehensive Guide Plan as a proposed mixed-use development;
- The project would not occur "but for" the assistance;
- The project is in a high priority "village area" as identified in the Comprehensive Guide Plan;
  - Project is located in Opus and is a high priority "village area"
- The project includes affordable housing units, which meets the city's affordable housing standards;
  - 100% of units with rents at 60% AMI.

- The proposed project amenities will benefit a larger area than identified in the development; and
- The project will maximize and leverage the use of other financial resources.
    - Developer is proposing a mix of financing sources.

In addition, the EDAC subcommittee provided feedback on items for the EDAC to consider at the November 25 meeting. The EDAC subcommittee requested the following additional information:

- The commissioners asked staff to prepare an analysis on the historical context of property value inflation on a sample of Minnetonka multifamily projects. Staff analyzed the historical property valuation on Belgrove (1988-2017), Boulevard Gardens (1998-2017), and Claremont (1988-2017). The Belgrove and Claremont both experienced a 14% cumulative increase in valuation while Boulevard Gardens experienced an 11% cumulative increase in valuation. Both the Belgrove and Claremont apartments experienced short timeframes with a decline in valuation year over year. However, the cumulative individual valuations for the three properties is positive.

- The commissioners requested information on the existing and proposed housing developments in OPUS. The attached map includes an overview of housing in Opus. There are currently 1,440 units of existing housing (red), 332 units under construction (yellow), and 721 proposed (blue). The Southwest LRT Housing Gaps Analysis recommended the following housing production in Opus in 2015-2030
    - Rental
        - 120 units at 80-100% AMI
        - 340 units at 100%+ AMI
    - Ownership
        - 70 units entry-level
        - 70 units mid-market
    - Total of 600 rental and ownership units

  In addition, Minnetonka has currently met 50% (122 units) of the city’s 2011-2020 Livable Communities Affordable housing goals for production of new affordable (rental and ownership) and 136% (509 units) of the new lifecycle housing as of 2017.

  Lastly, recent housing data prepared for the 2040 comprehensive plan by Marquette Advisor’s, indicated that Minnetonka lost approximately 2,200 units affordable to households earning <80% of the area median income between 2010 and 2015. It is anticipated that this trend will continue on naturally occurring affordable housing (NOAH) properties as rents continue to rise, vacancy rates remain historically low, and new households enter the market.

**Discussion Questions**

- ***Is the request for assistance appropriate?***
    - *Up to $7,611,000 with 26-year TIF with 2% inflation, or*
    - *Up to $6,143,000 26-year TFI without inflation (increases gap)*

- ***If assistance is appropriate, what level of assistance is the EDAC recommending to the city council?***

**Recommendation**

The project concept by Dominium will help meet the city's affordable housing goals outlined in the 2008 Comprehensive Guide Plan, the city's 2011-2020 affordable housing goals, and new housing construction needs identified in the Southwest Corridor Housing Strategy. Staff recommends the EDAC review the funding inquiry and provide feedback to the council on the financial request. No formal recommendation is requested at this time. If the developer submits a formal planning application and financing request, a detailed financial analysis would be prepared and presented to the EDAC to consider at a future date.

**Next Steps**

- December 4 - City Council review concept plan and financial request
- TBD – Prepare a development agreement

Submitted through:
Julie Wischnack, AICP, Community Development Director

Originated by:
Alisha Gray, EDFP, Economic Development and Housing Manager

**Additional Information**

Memo from Ehlers

Dominium Financial Request

TIF Policy

Tax Exempt Financing Policy

Opus Area Housing

History of Affordability and Assistance

Minnetonka Housing Action Plan (2011-2020 Affordable Housing Goals)

Draft Concept Plans

Southwest LRT Corridor Housing Strategy

Southwest LRT Housing Gaps Analysis

# Memo

**To:** Alisha Gray, Economic Development and Housing Manager

**From:** James Lehnhoff & Stacie Kvilvang - Ehlers

**Date:** November 20, 2017

**Subject:** Digi Site Redevelopment – Dominium Project Proposal Review

The City of Minnetonka requested that Ehlers review the development pro forma and Tax Increment Financing (TIF) request from Dominium for their proposal to construct 475 affordable apartments at 11001 Bren Road East. The existing office building would be demolished and replaced with 210 general occupancy apartments and 265 age-restricted apartments. All of the apartments would be affordable to households at or below 60% of area median income (AMI). If the number of units change, the analysis would be updated and the TIF calculation adjusted accordingly.

To help close a nearly $8.5 million financing gap, Dominium requested that the City create a new 26-year Housing TIF District with a 2% inflationary factor to generate up to $7,611,000 of TIF assistance. The remaining gap amount would need to be filled through a combination of project cost reductions and other non-City sources. The project must comply with the statutory required income restrictions for the term of the Housing TIF District (statutes do not require rent restrictions). However, the City has extended the compliance period to 30 years and required rent restrictions in prior projects. The 2017 income limits as calculated by the United States Department of Housing and Urban Development are:

| Income Limit by Household Size | |
|---|---|
| **Household Size** | **60% AMI Income Limit** |
| 1 | $37,980 |
| 2 | $43,440 |
| 3 | $48,840 |
| 4 | $54,240 |

We have reviewed the project based on general industry standards for construction, land, and project costs; affordable rental rates and operating expenses; developer fees; available funding sources; underwriting criteria; and, project cash flow. The development pro forma assumptions are generally reasonable and within industry standards. The site acquisition costs of approximately $21,000 per unit are above the typical range of $5,000 to $15,000 per unit found in similar affordable apartment projects throughout the metro area. Dominium contends that the higher site costs relate, in part, to the existing buildings on the site and market demand for locations near future LRT stations.

Dominium has maximized the first mortgage and 4% low-income housing tax credits (LIHTC). They expect to apply for at least $900,000 in additional public resources from such entities as Hennepin County and the Metropolitan Council. Nevertheless, the project currently has a remaining demonstrated funding gap of $880,000 as noted in the table below. Dominium will need to reduce costs and/or seek other non-City sources to fill the remaining gap.

| Proposed Sources and Uses | | | |
|---|---|---|---|
| **Sources** | **Amount** | **Per Unit** | **% of Cost** |
| First Mortgage | $64,020,000 | $134,779 | 56% |
| TIF Note Request (26 years with 2% Inflation) | $7,611,000 | $16,023 | 7% |
| 4% LIHTC | $29,924,000 | $62,998 | 26% |
| Met Council/Hennepin County TOD | $500,000 | $1,053 | 0% |
| Hennepin County HOME Funds | $400,000 | $842 | 0% |
| Deferred Developer/Contractor Fee (79% of total fees) | $10,819,427 | $22,778 | 9% |
| Gap (TBD) | $880,000 | $1,853 | 1% |
| ***Total*** | **$114,154,427** | **$240,325** | **100%** |
| **Uses** | **Amount** | **Per Unit** | **% of Cost** |
| Acquisition Costs | $10,000,000 | $21,053 | 9% |
| Construction Costs | $79,587,222 | $167,552 | 70% |
| Professional Services | $2,868,195 | $6,038 | 3% |
| Financing Costs | $2,347,395 | $4,942 | 2% |
| Contractor Fee | $4,578,785 | $9,640 | 4% |
| Developer Fee | $9,091,788 | $19,141 | 8% |
| Cash Accounts/Escrows/Reserves | $5,681,042 | $11,960 | 5% |
| ***Total*** | **$114,154,427** | **$240,325** | **100%** |

## TIF Inflation Implications

The requested TIF assistance of $7.611 million assumes 2% annual inflation in valuation. Including inflation helps reduce the gap from $2.348 million to the current $880,000 and is a strategy that has been employed in other communities on other Dominium projects (however the TIF term has typically been only been 15 years).

The risk of including inflation remains with the developer. When calculating the potential value of the TIF for a development project, it is common to assume 0% inflation in valuation during the term of the District. This is the most conservative method to estimate future TIF because the TIF is calculated not only on the property valuation, but is also based upon the overall tax rate of the City. In calculating annual TIF, the City must use the *lesser* of the frozen overall tax rate when the district was certified or the current tax rate. When overall property valuations are increasing in the City, the City's overall tax rate will likely go down. Likewise, if property valuations are decreasing (like the recent recession), the City's overall tax rate will likely go up. What this means is that over the term of a TIF district, the TIF will be calculated based upon the frozen rate and the current rate, depending upon which is lowest. As noted in the charts on the following page, if the City's overall tax rate were to decrease by 3.15 percentage points, the property's valuation would need to increase by approximately 5.5% in order to generate the same amount of TIF:

| 0% Inflation | | | | | | |
|---|---|---|---|---|---|---|
| Year | % Increse in Market Value | Market Value | Captured Tax Capacity | Tax Rate | Reduction in Tax Rate (From Frozen) | Tax Increment |
| 2017 | 0% | $85,500,000 | 431,780 | 116.838% | 0.000% | $504,483 |

| 2% Inflation | | | | | | |
|---|---|---|---|---|---|---|
| Year | % Increse in Market Value | Market Value | Captured Tax Capacity | Tax Rate | Reduction in Tax Rate (From Frozen) | Tax Increment |
| 2017 | 5.5% | $90,202,500 | 443,536 | 113.685% | -3.153% | $504,234 |

For comparison purposes, the following chart shows the result of assuming 0%, 1%, and 2% inflation on the estimated present value of TIF for the development:

| TIF Inflation Scenarios | | | |
|---|---|---|---|
| | TIF Inflation Assumption | | |
| **Sources** | ***2%*** | ***1%*** | ***0%*** |
| First Mortgage | $64,020,000 | $64,020,000 | $64,020,000 |
| **TIF Note Request** (maximum 26 year term) | **$7,611,000** | **$6,826,000** | **$6,143,000** |
| 4% LIHTC Equity | $29,924,000 | $29,924,000 | $29,924,000 |
| Other Non-City Public Sources (e.g. Met Council, Hennepin Cty) | $900,000 | $900,000 | $900,000 |
| Deferred Developer/Contractor Fee (79% of total fees) | $10,819,427 | $10,819,427 | $10,819,427 |
| **Remaining Gap (TBD)** | **$880,000** | **$1,665,000** | **$2,348,000** |
| ***Total*** | **$114,154,427** | **$114,154,427** | **$114,154,427** |
| **Uses** | **$114,154,427** | **$114,154,427** | **$114,154,427** |

The City's TIF Districts are structured with a "pay-as-you-go" TIF Note. With this type of structure, the City does not provide up-front funding. The developer seeks the funding either through their first mortgage or a second mortgage for the TIF amount. Therefore, the risk of the TIF being generated is borne by the developer, not the City. If the TIF is inadequate to repay the TIF Note in full, the City has no obligation to make up the shortfall. If we look at the difference in allowing inflation, Dominium has $785,000 at risk if the City allows 1% annual inflation. Likewise, if the City allows 2% annual inflation, Dominium has approximately $1.47 million at risk.

Overall, Dominium is making payments on both their first and second (TIF) mortgages. Both of these mortgages require certain debt coverage (typically 120% to 125%) to provide banks the comfort that the revenues generated will be adequate to repay the mortgages. In review of their coverage on both mortgages, they have approximately 120% coverage (even at the 2% inflation on the TIF). If for whatever reason the development falls below the required coverage, the developer is still able to make the payments, they just receive less profit. If the coverage falls below 100%, typically their financing parameters are full recourse, meaning that the developer has to make the payment from other sources, regardless.

Excluding inflation in the sizing of a TIF Note is a common approach because it reduces risk to the developer. The developer is more likely to realize the full value of the TIF Note because it doesn't rely on ever increasing property values and, in reality, the TIF Note is likely to be repaid early. With or without inflation, the primary risk remains with the developer because there is never a guarantee that a TIF District will produce the projected amount of increment.

Including or excluding inflation is solely the City's decision. When a developer, like Dominium, has substantial experience, strong organizational finances, and is well-capitalized, there is less concern about their ability to manage or absorb a potential future shortfall. Dominium has acknowledged the risk associated with including inflation, and other communities have permitted inflation to help close up-front gaps when justified by a project.

Please contact either of us at 651-697-8500 with any questions.

DOMINIUM

October 23, 2017

Julie Wischnack & Alisha Gray
***Community Development – City of Minnetonka***
14600 Minnetonka Boulevard
Minnetonka, MN 55345

***Re: Proposed Redevelopment of Digi International HQ, 11001 Bren Road East***

Dear Julie and Alisha,

Dominium is proposing to build a multifamily apartment community on the site located at 11001 Bren Road East, the current headquarters of Digi International Inc. If approved, this would be Dominium's second multifamily apartment community in Minnetonka. Dominium, founded in 1972 and headquartered in Plymouth, MN, specializes in high quality rental housing. Dominium also has a professional management company that manages our 28,000 apartment homes across the U.S. We are excited about the opportunity to make a significant investment in to the City of Minnetonka and contribute to the redevelopment and transformation of the Opus campus area into a transit-friendly, walkable, and diverse mixed-use neighborhood.

**Proposed Development**

Directly adjacent to the planned Opus Station on the Metro Transit Green Line Light Rail Extension, the proposed development would consist of two projects on the 9.4 acre site: a 265-unit independent living senior community and a workforce community of two approximately 105-unit buildings. The buildings are oriented to minimize density near the townhome neighbors to the north and maximize the features of the site, including mature trees and a small wetland to the north, the proximity to the LRT stop to the east, and the public walking path to the south.

The proposed development would also contribute to the other recent developments that are bringing additional housing to the area that has to date has predominantly been comprised of office space. This project would help accelerate the demand created for services that typically follow the development of new housing units, adding amenities and retail businesses that all nearby residents can enjoy.

These communities would also make a major impact in maintaining the affordability of the neighborhood well into the future, with all units reserved for tenants at the 60% Area Median Income (AMI) level. In the metro region, a family of four at the 60% AMI level can make up to $90,400 per year; rents are capped at about $950 for a one bedroom home, $1,150 for a two bedroom, and $1,350 for a three bedroom. See below for the planned unit mix (mix subject to change):

| Senior Community | |
|---|---|
| **Unit Type** | **# of Units** |
| One-bedroom, one bath | 70 |
| Two-bedroom, two bath | 135 |
| Three-bedroom, two bath | 60 |

| Workforce Community (2 buildings) | |
|---|---|
| Unit Type | # of Units |
| One-bedroom, one bath | 45 |
| Two-bedroom, two bath | 90 |
| Three-bedroom, two bath | 75 |

**Financing Details**

The proposed development is expected to exceed $112 million in total development costs. Due to the nature of having the rents capped at affordable levels, and increasing land prices as discussed in the City's 2030 Comprehensive Plan, the project is left with a funding gap (after maximizing the first mortgage proceeds and tax credit equity) which would need to be filled in order to make this project feasible. As such, the development will be applying to a variety of additional sources of funding to fill this gap, including several local public grants and loan programs. These funding opportunities are as follows:

1. Metropolitan Council Transit Oriented Development (TOD) funds
2. Metropolitan Council Local Community Development Account (LCDA) funds
3. Hennepin County Transit Oriented Development (TOD) funds
4. Hennepin County HOME funds
5. Minnesota Department of Employment and Economic Development (DEED) Brownfield and Cleanup funds

While Dominium is hopeful in receiving awards for these funds, all of the sources above have been oversubscribed in several of the recent funding rounds. Since the development does qualify well for some of these programs, we are assuming being awarded $900,000 between these funding opportunities.

**Benefits to City from the Proposed Development**

In connection with the proposed development, the City would receive several benefits. Among these are financial benefits which are summarized below.

| Financial Benefits to City | |
|---|---|
| Water Equivalency Charge | $867,100 |
| Sewer Equivalency Charge | $488,000 |
| Park Dedication Fees | $2,375,000 |
| Tax-Exempt Bond Fees | $84,000 |
| TIF Administrative Fees *(over TIF term)* | $1,663,000 |
| Building Permit & Plan Review Fees | $523,000 |
| **Total** | **$6,000,100** |

Also, as required and planned for in partnership with the Metropolitan Council, the City of Minnetonka has goals for affordable rental housing production for seniors and families, especially near fixed transit. This development would provide a significant number of high-quality affordable housing units for 30 years towards those goals, adding housing options to the neighborhood to balance the luxury market-rate development pressure that accompanies transit investment.

**Request for City Assistance**

We are requesting the following funds from the City of Minnetonka:

1. Tax Increment Financing (TIF)
   a. 26 year term
   b. 2% inflation on property taxes to calculate amount of TIF Note
   c. TIF Note Amount - $7,491,000
   d. 30 year affordability term
2. Other Assistance
   a. $1,000,000 deferred payment of park dedication fees
   b. Note from City of $1,000,000
   c. 30-year term
   d. No payments until maturity
   e. "Last in Dollars"
      i. If Dominium receives more than $900,000 from the local sources of funding described above, it will reduce its $1,000,000 request to the City dollar-for-dollar.

Please contact us with any questions or comments. We sincerely appreciate the consideration of the City and look forward to continuing our work together on this proposed redevelopment.

Best Regards,

Ryan Lunderby
Vice President & Project Partner
(763) 354-5634
rlunderby@dominiuminc.com

CC:
Willy Boulay, Dominium
Ahmed Abdelhameed, Dominium

# Policy Number 2.18
# Tax Increment Financing and Tax Abatement

**Purpose of Policy:** This policy establishes criteria which guide the economic development authority and the city council when considering the use of tax increment financing and tax abatement tools in conjunction with proposed development.

## Introduction

Under the Minnesota Statutes Sections 469.152 to 469.1799, the city of Minnetonka has the authority to establish tax increment financing districts (TIF districts). Tax increment financing is a funding technique that takes advantage of the increases in tax capacity and property taxes from development or redevelopment to pay public development or redevelopment costs. The difference in the tax capacity and the tax revenues the property generates after new construction has occurred, compared with the tax capacity and tax revenues it generated before the construction, is the captured value, or increments. The increments then go to the economic development authority and are used to repay public indebtedness or current costs the development incurred in acquiring the property, removing existing structures or installing public services. The fundamental principle that makes tax increment financing viable is that it is designed to encourage development that would not otherwise occur.

Under Minnesota Statutes, Sections 469.1812 to 469.1815, the city of Minnetonka has the right to abate property taxes. A city may grant an abatement of some or all of the taxes or the increase in taxes it imposes on a parcel of property if the city expects the benefits of the proposed abatement agreement to at least equal the costs of the proposed agreement. Abatement would be considered a reallocation or rededication of taxes for specific improvements or costs associated with development rather than a "refund" of taxes.

It is the judgment of the city council that TIF and abatement are appropriate tools that may be used when specific criteria are met. The applicant is responsible for demonstrating the benefit of the assistance, particularly addressing the criteria below. The applicant should understand that although approval may have been granted previously by the city for a similar project or a similar mechanism, the council is not bound by that earlier approval. Each application will be judged on the merits of the project as it relates to the public purpose.

## TAX INCREMENT FINANCING

The Economic Development Authority (EDA), as authorized by the city, will be responsible to determine that (1) a project would not occur "but for" the assistance provided through tax increment financing; and (2) no other development would occur on the relevant site without tax increment assistance that could create a larger market value increase than the increase expected from the proposed development (after adjusting for the value of the tax increment). At the time of any application for a Comprehensive Guide Plan amendment, rezoning or site plan approval for a project, whichever occurs first, the applicant must divulge that TIF financing will be requested.

Projects eligible for consideration of tax increment financing include but are not limited to the following:

- Projects must be compatible with the Comprehensive Guide Plan (or acquire an amendment) and the development and redevelopment objectives of the city.

- Priority will be given to those projects which:

    - are within the "village areas" identified in the city's most recently adopted Comprehensive Guide Plan;

    - are mixed use or residential in nature, and include affordable housing units which meet the city's affordable housing standards;

    - contain amenities or improvements which benefit a larger area than the identified development;

    - improve blighted or dilapidated properties, provide cohesive development patterns, or improve land use transitions; or

    - maximize and leverage the use of other financial resources.

**Costs Eligible for Tax Increment Financing Assistance**

The EDA will consider the use of tax increment financing to cover project costs as allowed for under Minnesota Statutes. The types of project costs that are eligible for tax increment financing are as follows:

| | |
|---|---|
| Utilities design | Site related permits |
| Architectural and engineering fees directly attributable to site work | Soils correction |
| Earthwork/excavation | Utilities (sanitary sewer, storm sewer, and water) |
| Landscaping | Street/parking lot paving |
| Streets and roads | Curb and gutter |
| Street/parking lot lighting | Land acquisition |
| Sidewalks and trails | Legal (acquisition, financing, and closing fees) |
| Special assessments | Surveys |
| Soils test and environmental studies | Sewer Access Charges (SAC) and Water Access Charges (WAC) |

| | |
|---|---|
| Title insurance | Landscape design |

**Forms of Assistance**

Tax increment financing will generally be provided on a "pay-as-you-go" basis wherein the EDA compensates the applicant for a predetermined amount for a stated number of years. The EDA will have the option to issue a TIF Note with or without interest, where the principal amount of the TIF Note is equal to the amount of eligible project costs incurred and proven by the developer. In all cases, semi-annual TIF payments will be based on available increment generated from the project. TIF payments will be made after collection of property taxes.

**Fiscal Disparities**

TIF Districts will generally be exempt from the contribution to fiscal disparities. Tax revenues for fiscal disparities, generated by the TIF project, will be the responsibility of properties inside the district. The exception to this policy is when MN Statutes require that fiscal disparities be paid from within a TIF District, as is the case with Economic Development Districts.

## TAX ABATEMENT

The tax abatement tool provides the ability to capture and use all or a portion of the property tax revenues within a defined geographic area for a specific purpose. Unlike TIF, tax abatement must be approved by each major authority under which the area is taxed, and therefore, usually only city property taxes will be abated. In practice, it is a tax "reallocation" rather than an exemption from paying property taxes. Tax abatement is an important economic development tool that, when used appropriately, can be useful to accomplish the city's development and redevelopment goals and objectives. Requests for tax abatement must serve to accomplish the city's targeted goals for development and redevelopment, particularly in the designated village center areas. At the time of any application for a Comprehensive Guide Plan amendment, rezoning or site plan approval for a project, whichever occurs first, the applicant must divulge that tax abatements will be requested.

**Projects Eligible for Tax Abatement Assistance**

Projects eligible for consideration of property tax abatement include but are not limited to the following:

- Projects must be compatible with the Comprehensive Guide Plan (or acquire an amendment) and the development and redevelopment objectives of the city; and

- Priority will be given to those projects which:

  - increase or preserve the tax base

  - provide employment opportunities in the City of Minnetonka;

- provide, help acquire or construct public facilities;
- finance or provide public infrastructure;
- improve blighted or dilapidated properties, provide cohesive development patterns, or improve land use transitions; or
- produce long-term affordable housing opportunities.

**Fiscal Disparities**

Tax revenues for fiscal disparities, generated by the abatement project, will be the responsibility of properties inside the district.

## REVIEW PROCESS

All applications for TIF and tax abatement will be reviewed by city's community development director. After review by the city's financial consultant, the community development director may refer the request to the EDA. The EDA will hold appropriate public hearings and receive public input about the use of the financial tools. The EDA will provide a recommendation regarding the assistance to the city council.

The city council must consider, along with other development decisions, the request for assistance and will make the final decision as to the amount, length, and terms of the agreement.

Adopted by Resolution No. 2014-074
Council Meeting of July 21, 2014

# Policy Number 2.5
# Tax Exempt Financing for Industrial Development, Health Care Facilities, Multi-Family Housing, and 501 (c)(3) Projects
# (Private Activity Tax Exempt Financing)

**Purpose of Policy:** This policy establishes factors that guide the city council in consideration of applications for tax exempt financing for industrial development, health care facilities, multi-family housing developments, and qualified 501 (c)(3) projects.

---

## Introduction

Under the Minnesota Municipal Industrial Development Act, Minnesota Statutes Sections 469.152 to 469.165 (the "IDR Act"), the city of Minnetonka has the authority to issue industrial development and health care facility bonds or notes to attract or promote economically sound industry, commerce, and health care in the city.

Under Minnesota Statutes, Chapter 462C (the "Housing Act"), the city is authorized to issue housing revenue bonds to finance multi-family residential housing projects for low and moderate income persons and elderly persons. Projects must be embodied in a Housing Program, as defined in the Housing Act.

Additionally, the city may issue tax exempt financing for qualified 501 (c)(3) entities for various project types including housing, health care, nursing homes and educational facilities.

The council is aware that such financing for certain private activities may be of benefit to the city and will consider requests for tax exempt financing subject to this council policy. The council considers tax exempt financing to be a privilege, not a right.

It is the judgment of the council that tax exempt financing is to be used on a selective basis to encourage certain development that offers a benefit to the city as a whole, including significant employment and housing opportunities, as well as for those projects that may be carried out through a qualified non-profit organization. It is the applicant's responsibility to demonstrate the benefit to the city, both in writing and at the public hearing(s). The applicant should understand that although approval may have been granted previously by the city for the issuance of financing for a similar project or a similar debt structure, the council is not bound by that earlier approval. Each application will be judged on the merits of the project as it relates to the public purpose of the Housing Act or the IDR Act and benefit to the city at the time the request for financing is being considered.

## Part A: Standards

Applications must meet all of the following standards to be eligible for consideration:

- At the time of any application for a guide plan amendment, rezoning or site plan approval for a project, whichever occurs first, the applicant must divulge that private activity tax exempt financing will be requested.

- The project must meet the objectives of and be otherwise consistent with the IDR Act or the Housing Act and any other controlling laws.

- The projects must comply with all applicable federal, state, regional, and city laws, including compatibility with the Comprehensive Guide Plan and the development plans and objectives of the city, as well as applicable zoning and land use regulations and ordinances.

- A project application must demonstrate financial feasibility and adequate bond holder security through credit enhancement, rating or a financial review by a third party accounting firm or the city’s financial advisor.

- Industrial and health care projects must not be speculative, i.e., they must either be for the applicant's sole use or 60 percent of the square footage must be pre-leased.

- The principal amount of the tax-exempt obligations will be limited to the sum of costs that are financeable with tax-exempt obligations under state and federal law. The proceeds of the tax-exempt obligations cannot be used for working capital expenditures. Capital equipment may be financed with the proceeds of tax-exempt obligations only if the City Council finds the equipment to be essential to the new, redeveloped or expanded business.

Those applications which exceed the minimum standards will generally be considered more favorably than those which only meet these standards.

**Part B: Additional Review Standards**
Those applications meeting all of the standards listed above will be further reviewed to determine compliance with the following additional review standards. Applications meeting more of the following standards will generally be considered before those which just meet some of them or meet them less extensively:

- Facilitation of the city's development or redevelopment objectives.

- The number and type of additional jobs created or retained in the city.

- For housing projects, the number, type and affordability of new or newly available housing units.

- The projected increase in property tax revenue.

- The amount of equity participation above 10 percent.

- The quality of the project, as represented by renderings, site plans, the applicant's record of development, etc.

- The project's impact on additional city services.

- For projects located outside of the city, the benefit the project brings to the region, including the number of Minnetonka residents and/or businesses served.

The view of individuals and businesses expressed at the public hearing(s) on the project will also be considered.

**Part C: Other Provisions**

- A project will not normally be given preliminary approval until all city planning and zoning requirements have been met and all related permits and approvals have been issued. Planning and zoning matters may be considered simultaneously with preliminary approval of the project.

- City officials will not deliver documents for the issuance of tax exempt obligations until all required fees have been paid by the applicant to the city and special counsel to the city has issued a favorable opinion on those matters for which special counsel is responsible.

- The council resolution giving preliminary approval to a project must specify:

  - That the approval given terminates at the end of the calendar year from the date of the resolution and may be renewed only upon request of the applicant.

  - That the applicant agrees to pay all required fees and reimburse the city for any and all costs incurred by it in the financing.

  - That the city reserves the right in its sole discretion to withdraw the preliminary approval at any time prior to the issuance of tax exempt obligations for the project upon its determination that the purposes of the appropriate Act and this policy would not be served thereby, or if any material misstatement is made. The council's decision on this matter is uncontestable.

- The director of community development, under the direction of the city manager, is responsible for the administration and processing of applications for tax exempt financing. The director of community development is to prepare and revise, from time to time, necessary application forms and informational material in order to carry out the objectives of the policy.

- The following fees for the processing of applications are established:

  - A non-refundable application fee of $3,500, and

    An administrative fee equal to one-eighth of one percent (.125%) of the principal amount of the bonds. The application fee must accompany the original application. The administrative fee must be paid at or prior to delivery of the bonds to the original purchaser. The proceeds of the administrative fee must be deposited in a special fund of the city to be used to defray administrative costs of the city in the administration of private activity financing.

- The applicant must select a financial advisor acceptable to the city or an underwriter to assist the applicant in preparing all necessary application documents and materials. The financial adviser will subject a letter that establishes the financial feasibility of the project. Applications may, in the alternative, include a signed letter from a responsible financial institution or underwriter indicating that the project is economically feasible and viable and stating that bonds can be successfully sold for the project or that an individual or institution intends to purchase all of the bonds.

  The applicant must receive approval from the appropriate state agencies, secure financing by the end of the calendar year in which approval was given and commence construction within one year of the date of the resolution giving preliminary approval to the project or the housing program. Upon application, the council may approve an extension of the preliminary approval.

- The city is to be reimbursed and held harmless for any out-of-pocket expenses related to the tax exempt financing including, but not limited to, legal fees, financial analyst fees, bond counsel fees, and the city's administrative expenses in connection with the application. The applicant must execute a letter to the city undertaking to pay all such expenses even if they exceed the deposit.

**Part D: Miscellaneous Matters**

Refundings

The council will approve the refunding of a tax-exempt issue only upon a showing by the applicant of substantial debt service savings and/or the removal of bond covenants significantly impairing the financial feasibility of the project.

For each application for refunding, the non-refundable application fee must be paid together with any city expenses in excess of that fee. If the administrative fees listed in paragraph 5 of Part C were paid for the original bond issue, no new administrative fees are required. If the administrative fees were not paid for the original bond issues, they must be paid for the refunding issue.

Subsequent Proceedings

Where changes to the underlying documents or credit facilities of outstanding bond issues are to be made and require council action, no administrative fee is charged but a non-refundable fee of $2,500 must be deposited with the city to cover administrative costs. No formal application form is required.

Arbitrage and Reporting

The city must be copied on any reporting to bondholders and/or trustees that the borrower produces. The borrower must also undertake arbitrage calculations every five years or more often if required for legal compliance, and copy the city with these calculations.

IRS Examination/Audit

If the borrower is subject to an IRS examination/audit on the tax exempt financing, the city's bond counsel must be involved in a timely fashion on any responses to IRS inquiries. The borrower will reimburse the city for any costs the city occurs related to the examination/audit.

Issue by Another Political Subdivision (Host Approval)
The city will consider requests for approval of tax exempt financing by another political subdivision for projects located in the city of Minnetonka. In these cases, a non-refundable application fee of $250 must be paid and all procedures followed through the approval of the preliminary resolution. No administrative fee is charged.

City as Issuer for Another Political Subdivision
The city may consider requests for tax exempt financing for projects located in another city. Host approval must first be given by the jurisdiction in which the project is located. All projects must meet the city's standards as deemed applicable by the Community Development Director, and application and administrative fees will be collected as called out in Part C.

Deadlines
The council conducts all tax exempt financing matters at regularly scheduled council meetings generally held on the second and fourth Monday of each month. Documents for council consideration must be at the city office ten days preceding the council meeting at which the matter is to be considered. No exceptions to this requirement will be made. In the case of a publicly offered bond issue, the documents, when submitted, may specify a maximum price and maximum effective interest rate if prices and rates have not yet been established.

Public Hearings
Published and mailed notice of any required public hearing may be set and arranged administratively by city staff.

Economic Development Authority as Issuer
Regarding any tax exempt financing for which the Minnetonka Economic Development Authority (EDA) is to be the issuer, the EDA is to follow the adopted council policy applicable to such financing.

Adopted by Resolution No. 84-7547
Council Meeting of August 6, 1984

Adopted by Resolution No. 84-7563
Council Meeting of August 27, 1984

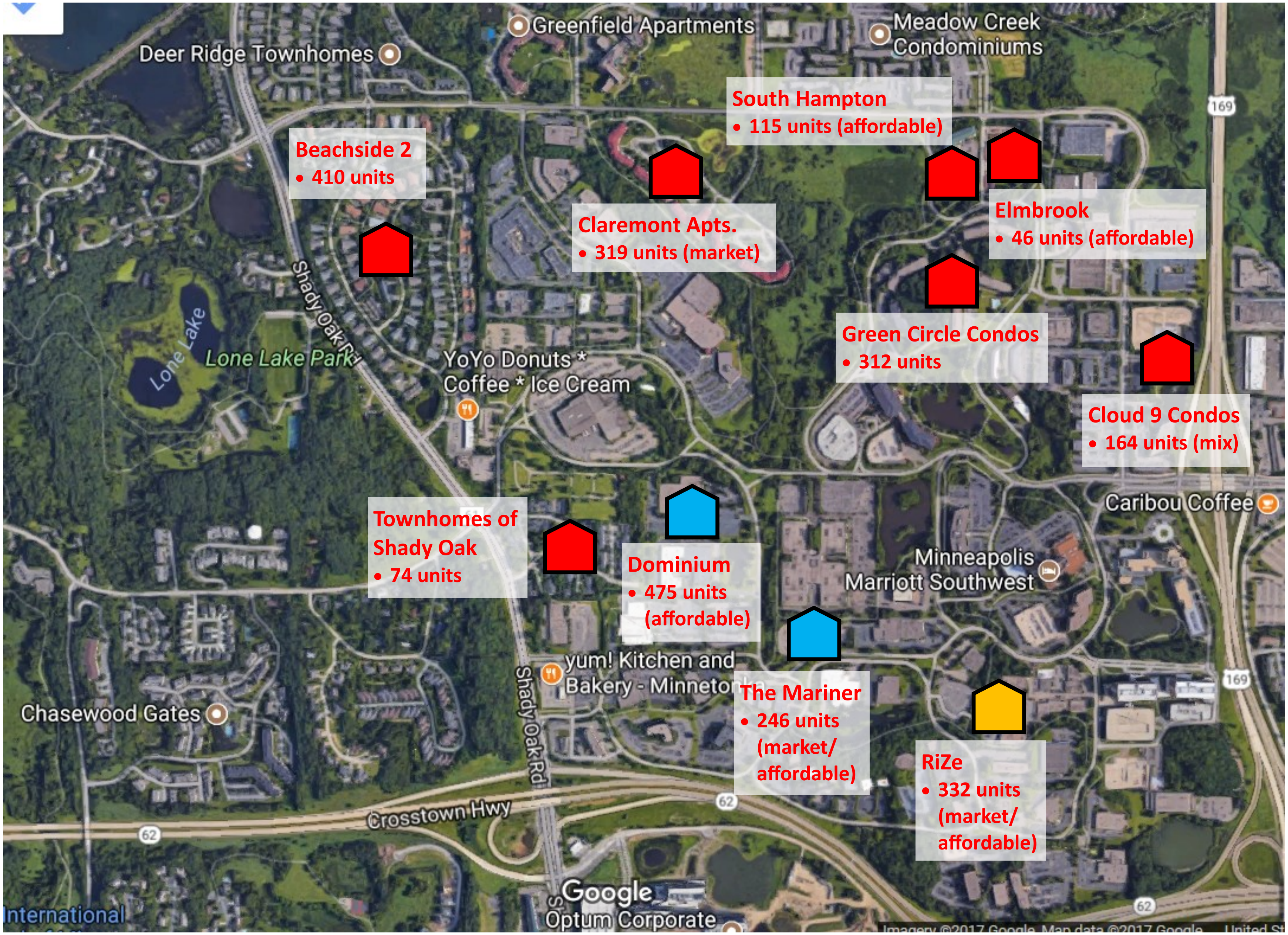
Amended by Council Motion
Council Meeting of November 18, 1985

Amended by Resolution No. 97-104
Council Meeting of July 28, 1997

Amended by Resolution No. 2003-077
Council Meeting of August 25, 2003

Amended by Resolution No. 2015-019
Council Meeting of March 23, 2015

# Opus Area Housing



# ASSISTANCE TO AFFORDABLE HOUSING PROJECTS

| Name of Project | Number of Affordable Units | Total Assistance | Years of Affordability | Assistance per Unit per Year | Affordability Level |
|---|---|---|---|---|---|
| Dominium | 475 | $7,611,000 (est) | 30 | $534 | 60% AMI |
| Shady Oak Redevelopment | 49 | $1,209,000 (est) | 30 | $822 | 60% AMI |
| Newport Partners (Mariner) | 55 | $556,179 (est) | 30 | $337 | 60% AMI |
| Tonka on the Creek | 20 | $2,283,000 | 30 | $3,805 | 50% AMI |
| Applewood Pointe | 9 | $1,290,000 | Initial Sale/Ongoing maximum % | $4,777(est) | 80% AMI |
| At Home (Rowland) | 21 | $2,500,000 | 30 | $3,968 | 50% AMI |
| Cedar Point Townhomes | 9 | $512,000 | 15 | $3,792 | 50% AMI |
| Glen Lake (St. Therese, Exchange) | 43 | $4,800,000 | 30 | $3,721 | 60% AMI |
| Ridgebury | 56 | $3,243,000 | 30 | $1,930 | Initially--80% AMI<br>Now—No income limit |
| Beacon Hill (apartments) | 62 | $2,484,000 | 25 | $1,602 | 50% AMI |
| West Ridge Market (Crown Ridge, Boulevard Gardens, Gables, West Ridge) | 185 | $8,514,000 | 30 | $1,534 | *Crown Ridge*—60% AMI<br>*Boulevard Gardens*—60% AMI<br>*Gables*—initially 80% AMI, now no income limit<br>*West Ridge*—50% AMI |
| The Ridge | 52 | $1,050,000 | 30 | $673 | 60% AMI |
| Homes Within Reach (2004-2012 grant years) | 35 | $1,740,000 | 99 | $502 | 80% AMI |

**MINNETONKA HOUSING ACTION PLAN**
**FOR THE YEARS 2011-2020**
**METROPOLITAN LIVABLE COMMUNITIES ACT**

## *Introduction*

In 1995, the Minnesota Legislature created the Livable Communities Act (LCA) to address the affordable and life-cycle housing needs in the Twin Cities metropolitan area. When the LCA was established, Minnetonka was one of the communities to sign up to participate in the program, negotiating a series of affordable and lifecycle housing goals with the Metropolitan Council for 1996-2010.

In August 2010, the Minnetonka City Council passed a resolution electing to continue participating in the LCA for the years 2011-2020. As part of that resolution, the city agreed to the following affordable and lifecycle housing goals:

| | |
|---|---|
| New Affordable Units (rental and ownership) | 246 to 378 |
| New Lifecycle Units | 375 to 800 |

The purpose of this Housing Action Plan is to outline the steps and tools that the city may use between the years 2011-2020 to help meet its LCA goals.

## *Overview of Minnetonka Housing Trends*

### *Development Conditions*

Minnetonka is a desirable community in which to live. Its natural environment, good schools, and homes on large lots contribute to the attraction of Minnetonka as a great place to live, work and play. As such, the demand for these community attributes has led to increased home values that have risen to the point that most single-family homes, despite their age, are not affordable to low and moderate income families. Land values, in particular, have increased substantially, making it difficult for developers to build affordable and mid-priced single-family homes.

Additionally, Minnetonka is a fully developed city with little vacant or underdeveloped land available for new housing development. With the combination of increasing land values and little developable land, most of the affordable homes in the community are rental units and for-sale condominiums and townhomes.

### *Aging of the Population*

One of the biggest demographic shifts affecting this nation is the aging of the “baby boomer” generation (the large generation of people born between 1946 and 1964). This trend is already apparent in Minnetonka, where the median age in 2007 was 52 years old and 44% of the households were age 55 and older. As the population continues to age, housing location, types, and proximity to public transit or transit alternatives will become increasingly important.

*Preservation and Rehabilitation of the Existing Housing Stock*

Much of Minnetonka's single-family housing stock was built between 1950 and 1970 while most multi-family housing was built in the 1970s and 1980s. As the housing stock continues to age, additional maintenance and repairs will be needed in order to keep homes in adequate condition and to preserve neighborhood character. Older homes may need to be updated in order to attract younger families to the community. Also, as both Minnetonka's population and housing age, older residents may require increased support through funding and in-kind service programs that will help them to maintain and make necessary repairs to ensure that their homes are safe, accessible, energy efficient, and habitable.

While not all older homes are affordable, older homes tend to be the more affordable housing stock in Minnetonka. The preservation of these homes is critical to providing homeownership opportunities for those who could normally not afford to live in the community.

***Current Housing Conditions***

In 2007, there were approximately 22,500 housing units in Minnetonka, of which 76.6% are owner-occupied. The housing stock includes a mix of the following types:

- 57% single-family
- 20% condominium/townhome
- 18% general-occupancy rental
- 5% senior (including independent and assisted living facilities)

Land values in Minnetonka continue to greatly influence the cost of housing. In Minnetonka, land accounts for about one-third of a home's total value, thus making up a large proportion of the home value. For a single-family home, the median value is $326,850, with only about 1% of the single-family homes valued under $200,000. The median value of Minnetonka's multi-family for-sale homes (i.e. condominiums and townhomes) in 2007 was $200,000. Multi-family homes contribute to the bulk of the city's affordable for-sale housing stock because they are generally more affordable than Minnetonka's single-family detached homes.

The average monthly rents at Minnetonka's market-rate multi-family apartments are much higher than other market-rate apartments in the metropolitan area. In the 1st Quarter 2007, Minnetonka's average apartment rents were $1,106 compared to the metropolitan area's average apartment rental rate of $876. Additionally, only about 20% of Minnetonka rental units are considered affordable under the Metropolitan Council's definition.

## ***Housing Goals***

In addition to the city's agreement to add new affordable and lifecycle housing units as set out in the 2011-2020 affordable and lifecycle housing goals with the Metropolitan Council, the city's 2008 Comprehensive Plan update also provides a series of housing goals that the city will be working towards achieving. These goals include:

1. Preserve existing owner-occupied housing stock.
2. Add new development through infill and redevelopment opportunities.
3. Encourage rehabilitation and affordability of existing rental housing and encourage new rental housing with affordability where possible.
4. Work to increase and diversify senior housing options.
5. Continue working towards adding affordable housing and maintaining its affordability.
6. Link housing with jobs, transit and support services.

More details on these goals as well as action steps are provided in the 2008 City of Minnetonka Comprehensive Plan Update.

## ***Tools and Implementation Efforts to Provide Affordable and Lifecycle Housing***

### *Housing Assistance Programs*

The purpose of housing assistance programs is to provide renters or homeowners help in obtaining a housing unit. These programs can be federal, state, or local programs. For the years 2011-2020, Minnetonka anticipates the following programs will be available to Minnetonka residents.

<u>Section 8 Voucher Program</u>
The Section 8 Voucher Program is funded by the U.S. Department of Housing and Urban Development (HUD), and administered by the Metro HRA on behalf of the city. The program provides vouchers to low income households wishing to rent existing housing units. The number of people anticipated to be served depends on the number of voucher holders wishing to locate in Minnetonka as well as the number of landlords wishing to accept the vouchers.

<u>Shelter Plus Care</u>
The Shelter Plus Care program is another federal program administered by the Metropolitan Council and sometimes the City of St. Louis Park. This program provides rental assistance and support services to those who are homeless with disabilities. There are a small number of these units (less than 10) in the city currently, and it is unlikely there will be any more added.

<u>Minnesota Housing Finance Agency Programs</u>
The Minnesota Housing Finance Agency (MHFA) offers the Minnesota Mortgage Program and the Homeownership Assistance Fund for people wishing to purchase a

home in Minnetonka. The Minnesota Mortgage Program offers a below market rate home mortgage option, while the Homeownership Assistance Fund provides downpayment and closing cost assistance. It is unknown how many people are likely to use these services as it seems to depend on what the market conditions are.

Homes Within Reach

Homes Within Reach, the local non-profit community land trust, acquires both new construction and existing properties for their program to provide affordable housing in the city. Using a ground lease, it allows the land to be owned by Homes Within Reach and ensures long-term affordability. Additionally, if rehabilitation is needed on a home, Homes Within Reach will rehabilitate the home before selling the property to a qualified buyer (at or less than 80% area median income). It is anticipated that approximately three to five homes per year will be acquired in Minnetonka as part of this program.

City of Minnetonka First Time Homebuyer Assistance Program

In 2010, the city levied for funds to begin a first time homebuyer assistance program. The program is anticipated to begin in 2011. General program details include funds for downpayment and closing costs of up to $10,000, which would be structured as a 30 year loan and available to those at incomes up to 115% of area median income or those that can afford up to a $300,000 loan. The number of households to be assisted depends on the amount of funding available for the program. Currently, this program is anticipated to be funded with HRA levy funds.

Employer Assisted Housing

Through employer assisted housing initiatives, Minnetonka employers can help provide their employees with affordable rental or home ownership opportunities. There are several options that employers can use to both increase the supply of affordable housing, as well as to provide their employees with direct assistance by:

- Providing direct down payment and closing cost assistance
- Providing secondary gap financing
- Providing rent subsidies

No employer assisted housing programs have been set up to date; however, it is a tool that the city has identified in the past as an opportunity for those who work in Minnetonka to live in Minnetonka.

*Housing Development Programs*

Housing development programs provide tools in the construction of new affordable housing units—both for owner-occupied units as well as rental units.

Public Housing

There are currently 10 public housing units, located in two rental communities, which offer affordable housing options for renters at incomes less than 30% of area median income. The Metropolitan Council and Minneapolis Public Housing Authority administer the public housing program on behalf of the city. It is not anticipated that more public housing units will be added to the city.

HOME Program
HOME funds are provided through Hennepin County through a competitive application process. The city regularly supports applications by private and non-profit developers that wish to apply for such funds. Homes Within Reach has been successful in the past in obtaining HOME funds for work in Minnetonka and suburban Hennepin County.

Other Federal Programs
The city does not submit applications for other federal funding programs such as Section 202 for the elderly or Section 811 for the handicapped. However, the city will provide a letter of support for applications to these programs.

Minnesota Housing Finance Agency Programs
The Minnesota Housing Finance Agency (MHFA) offers a variety of financing programs, mainly for the development of affordable rental housing. Similar to federal programs, the city does not usually submit applications directly to MHFA; however, it will provide letters of support for applications to the programs.

Metropolitan Council Programs
The Metropolitan Council, through participation in the LCA, offers the Local Housing Incentives Account and Livable Communities Demonstration Account programs to add to the city’s affordable housing stock. Over the past 15 years, the city has received nearly $2 million in funds from these programs, and will continue to seek funding for projects that fit into the criterion of the programs.

Twin Cities Habitat for Humanity
The Twin Cities Habitat for Humanity chapter has had a presence in Minnetonka in the past, completing four affordable housing units. At this time there are no projects planned for Minnetonka, as land prices make it significantly challenging unless the land is donated. The city is willing to consider projects with Habitat for Humanity in the future to assist those with incomes at or below 50% of area median income.

Tax Increment Financing
Minnetonka has used tax increment financing (TIF) to offset costs to developers of providing affordable housing in their development projects. The city will continue to use TIF financing, as permitted by law, to encourage affordable housing opportunities. Unless the state statutes provide for a stricter income and rental limit, the city uses the Metropolitan Council’s definition of affordable for housing units.

Housing Revenue Bonds
The City has used housing revenue bonds for eight rental projects since 1985. Housing revenue bonds provide tax exempt financing for multi-family rental housing. The bond program requires that 20 percent of the units have affordable rents to low and moderate income persons. The city will continue to use housing revenue bonds for projects that

meet housing goals and provide affordable units meeting the Metropolitan Council's guidelines.

Housing and Redevelopment Authority (HRA) Levy
By law, the city's Economic Development Authority (EDA) has both the powers of an economic development authority and a housing and redevelopment authority (HRA). It can use these powers to levy taxes to provide funding for HRA activities, including housing and redevelopment. The city first passed an HRA levy in 2009 to support Homes Within Reach, and now uses the funds to support its own housing rehabilitation and homeownership activities for those at 100-115% of area median income.

Community Development Block Grant (CDBG) funds
CDBG funds are allocated to the city by HUD each year. Based upon the needs, priorities, and benefits to the community, CDBG activities are developed and the division of funding is determined at a local level. CDBG funds are available to help fund affordable housing.

Livable Communities Fund
In 1997, special legislation was approved allowing the City to use funds remaining from Housing TIF District No. 1 for affordable housing and Livable Communities Act purposes. The city can use these funds to help achieve its affordable housing goals.

*Housing Maintenance and Rehabilitation*

As the city's housing stock continues to age, a number of programs are already in place to help keep up the properties.

Minnesota Housing Finance Agency Programs--Rental
The Minnesota Housing Finance Agency (MHFA) offers a variety of financing programs, for the rehabilitation of affordable rental housing. The city does not submit applications for these programs as the city does not own any rental housing; however, it will provide letters of support for those wishing to apply.

Minnesota Fix-up Fund
The Minnesota Housing Fix-Up Fund allows homeowners to make energy efficiency, and accessibility improvements through a low-interest loan. Funded by MHFA, and administered by the Center for Energy and Environment, the program is available to those at about 100% of area median income.

Community Fix-up Fund
The Community Fix-Up Fund, offered through Minnesota Housing, is similar to the Fix-Up Fund, but eligibility is targeted with certain criteria. In the city, Community Fix-Up Fund loans are available to Homes Within Reach homeowners, since community land trust properties cannot access the Fix-Up Fund due to the ground lease associated with their property.

Home Energy Loan
The Center for Energy and Environment offer a home energy loan for any resident, regardless of income, wishing to make energy efficiency improvements on their home.

Emergency Repair Loan
Established in 2005, the City's Emergency Repair Loan program provides a deferred loan without interest or monthly payments for qualifying households to make emergency repairs to their home. The amount of the loan is repaid only if the homeowner sells their home, transfers or conveys title, or moves from the property within 10 years of receiving the loan. After 10 years, the loan is completely forgiven. This loan is funded through the City's federal Community Development Block Grant (CDBG) funds in order to preserve the more affordable single-family housing stock by providing needed maintenance and energy efficiency improvements. The program is available to households with incomes at or below 80% of area median income. On average, 10 to 15 loans are completed each year.

City of Minnetonka Home Renovation Program
In 2010, the city levied for funds to begin a home renovation program. The program is anticipated to begin in 2011. This program would be similar to the existing federal community development block program (CDBG) rehabilitation program. The challenge with CDBG funding involves the maximum qualifying household income of 80% of AMI, Use of HRA funds, would allow the City of Minnetonka Home Renovation Program more flexibility to include households up to 115% AMI, which equates to 82% of all Minnetonka households. The program would be geared toward maintenance, green related investments and mechanical improvements. Low interest loans would be offered up to $7,500 with a five year term.

H.O.M.E. program
The H.O.M.E. program is a homemaker and maintenance program that is designed to assist the elderly. The H.O.M.E. program assists those who are age 60 and older, or those with disabilities with such services as: house cleaning, food preparation, grocery shopping, window washing, lawn care, and other maintenance and homemaker services. Anyone meeting the age limits can participate; however, fees are based on a sliding fee scale. Nearly 100 residents per year are served by this program.

Home Remodeling Fair
For the past 17 years, the city has been a participant in a home remodeling fair with other local communities. All residents are invited to attend this one day event to talk to over 100 contractors about their remodeling or rehabilitation needs. Additionally, each city has a booth to discuss various programs that are available for residents. Approximately 1,200 to 1,500 residents attend each year.

*Local Official Controls and Approvals*

The city recognizes that there are many land use and zoning tools that can be utilized to increase the supply of affordable housing and decrease development costs. However, with less than two percent of the land currently vacant in the city, most new projects will be in the form of redevelopment or development of under-utilized land. New infill development and redevelopment is typically categorized as a planned unit development (PUD), which is given great flexibility under the current zoning ordinance.

<u>Density Bonus</u>
Residential projects have the opportunity to be developed at the higher end of the density range within a given land use designation. For example, a developer proposing a market rate townhouse development for six units/acre on a site guided for mid-density (4.1-12 units/acre) could work with city staff to see if higher density housing, such as eight units/acre, would work just as well on the site as six units/acre. This is done on a case by case basis rather than as a mandatory requirement, based on individual site constraints.

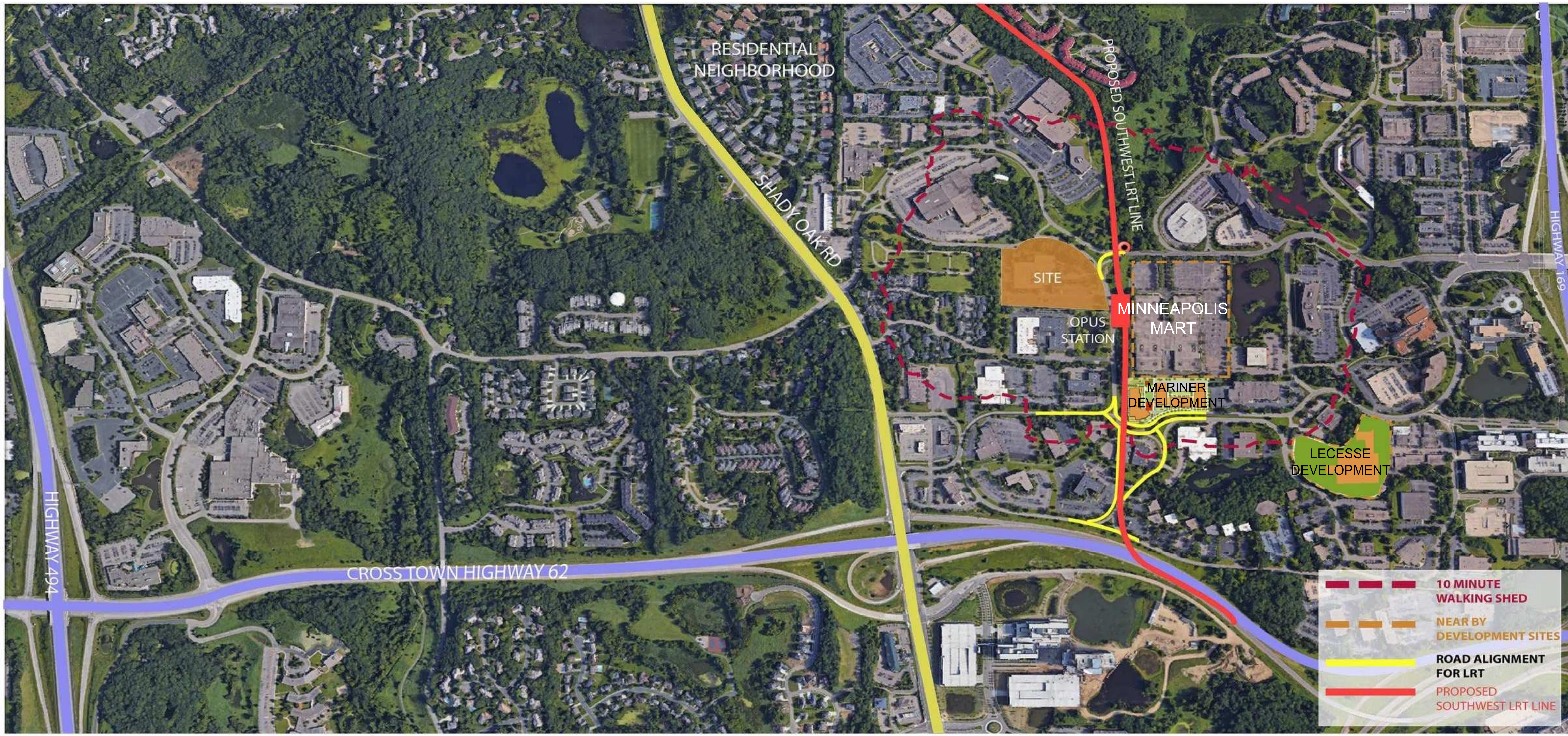
<u>Planned Unit Developments</u>
The use of cluster-design site planning and zero-lot-line approaches, within a planned unit development, may enable more affordable townhome or single-family cluster developments to be built. Setback requirements, street width design, and parking requirements that allow for more dense development, without sacrificing the quality of the development or adversely impacting surrounding uses, can be considered when the development review process is underway.

<u>Mixed Use</u>
Mixed-use developments that include two or more different uses such as residential, commercial, office, and manufacturing or with residential uses of different densities provide potential for the inclusion of affordable housing opportunities.

<u>Transit Oriented Development (TOD)</u>
TOD can be used to build more compact development (residential and commercial) within easy walking distance (typically a half mile) of public transit stations and stops. TODs generally contain a mix of uses such as housing, retail, office, restaurants, and entertainment. TODs provides households of all ages and incomes with more affordable transportation and housing choices (such as townhomes, apartments, live-work spaces, and lofts) as well as convenience to goods and services.

### *Authority for Providing Housing Programs*

The City of Minnetonka has the legal authority to implement housing-related programs, as set out by state law, through its Economic Development Authority (EDA). The EDA was formed in 1988; however, prior to that time, the city had a Housing and Redevelopment Authority (HRA).




# EXISTING SITE CONTEXT

BREN ROAD DEVELOPMENT, MINNETONKA

N

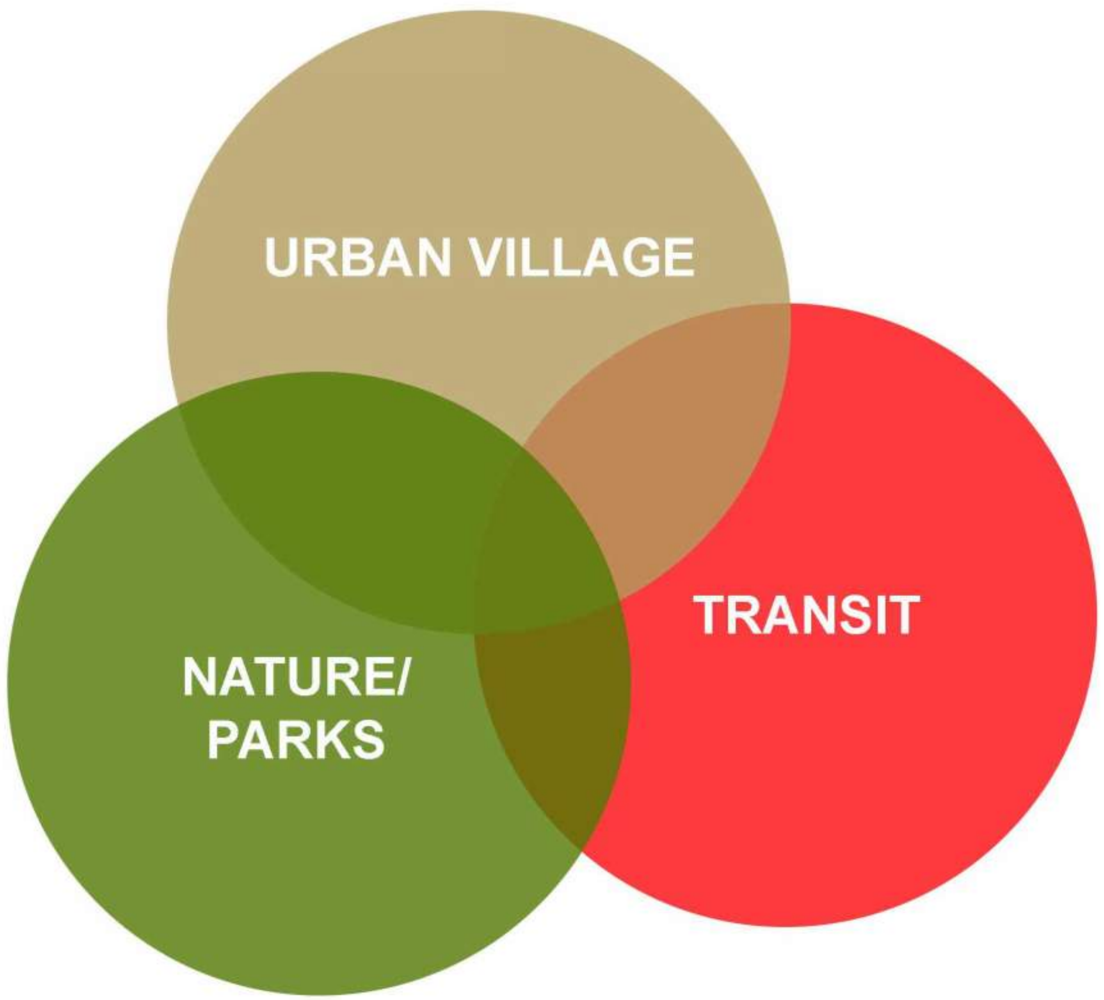
DOMINIUM

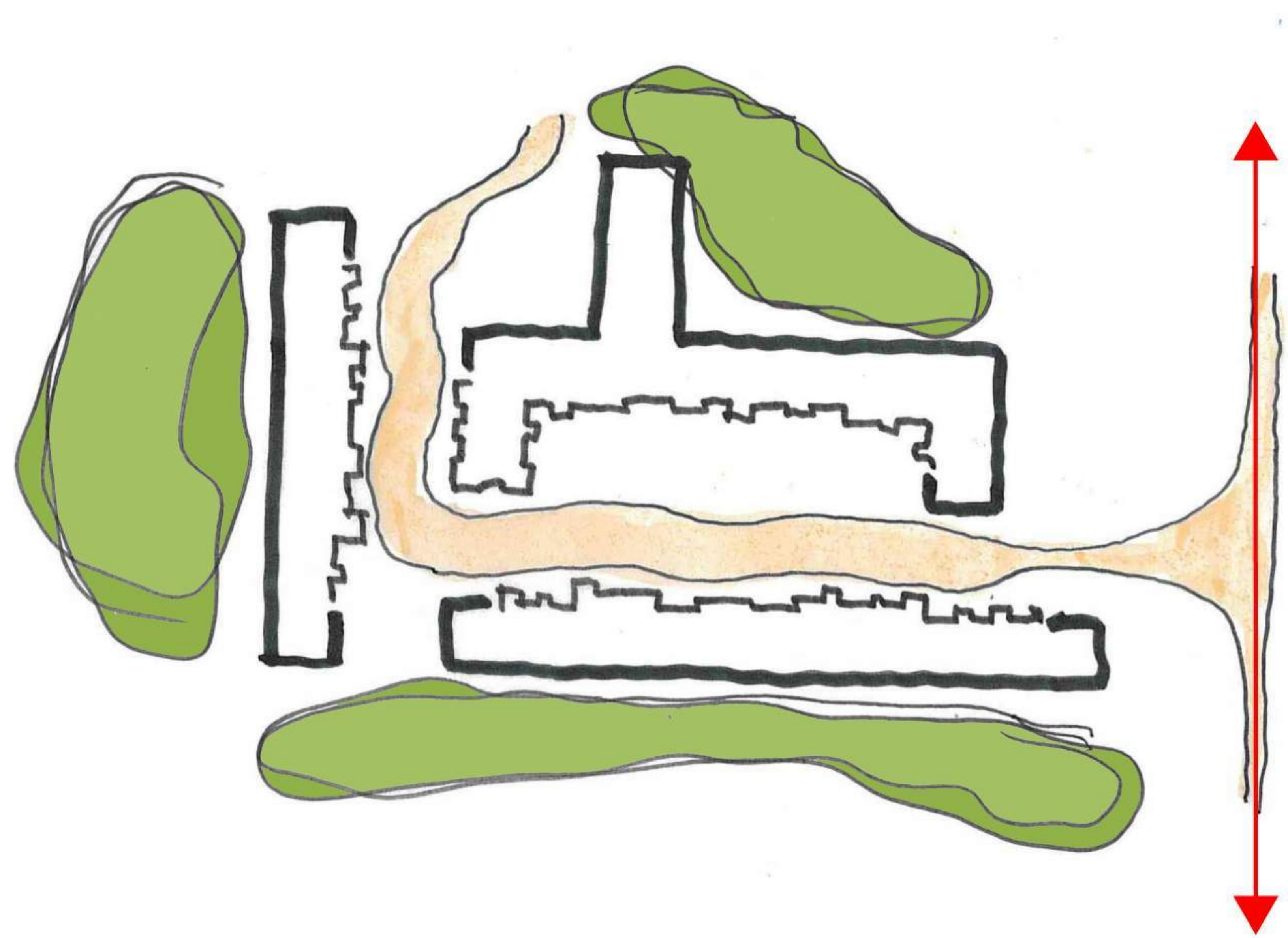
BKV GROUP


# EXISTING SITE INFLUENCES

BREN ROAD DEVELOPMENT, MINNETONKA

DOMINIUM BKV GROUP



# CONCEPT DESIGN

BREN ROAD DEVELOPMENT, MINNETONKA

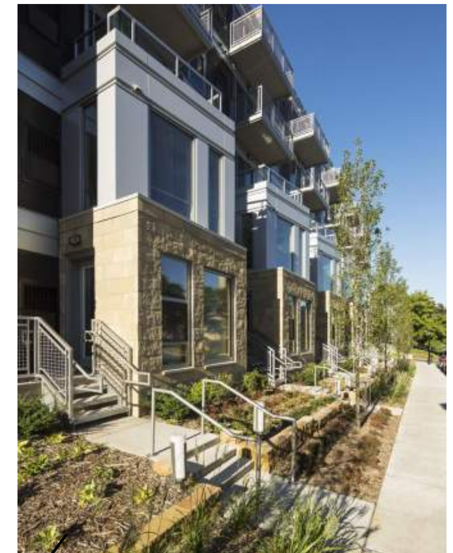
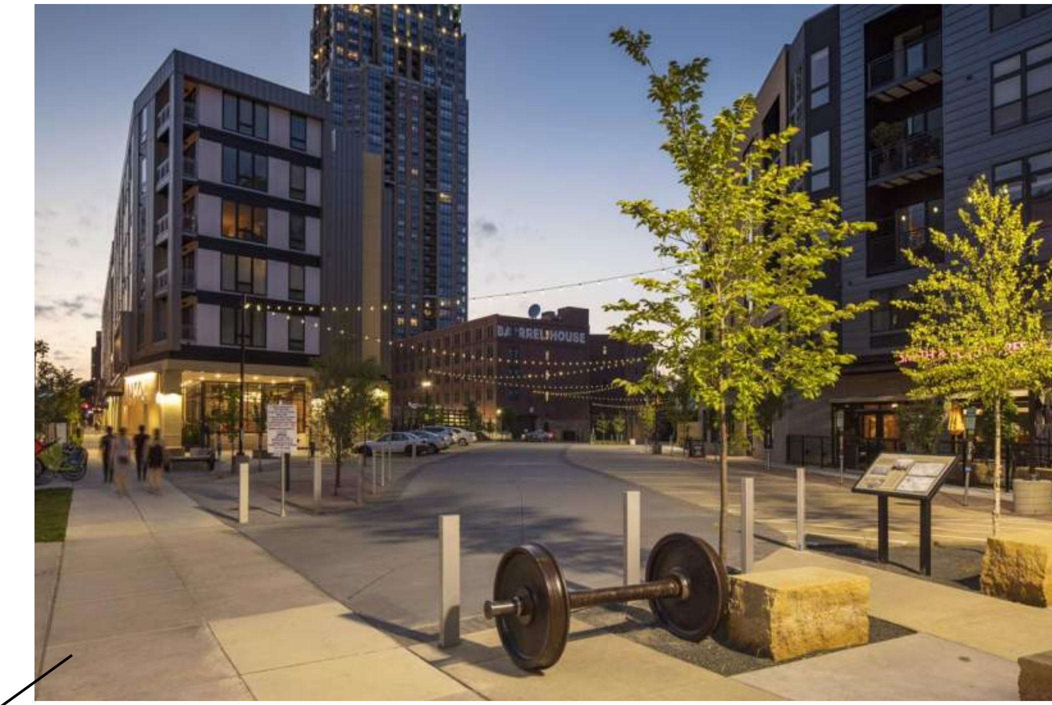
DOMINIUM

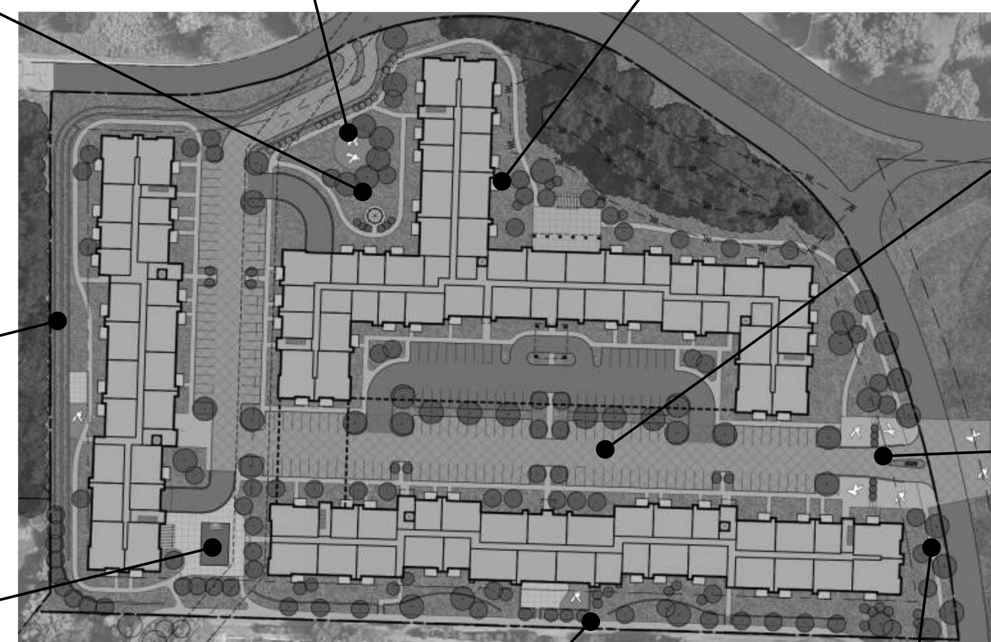
BKV GROUP

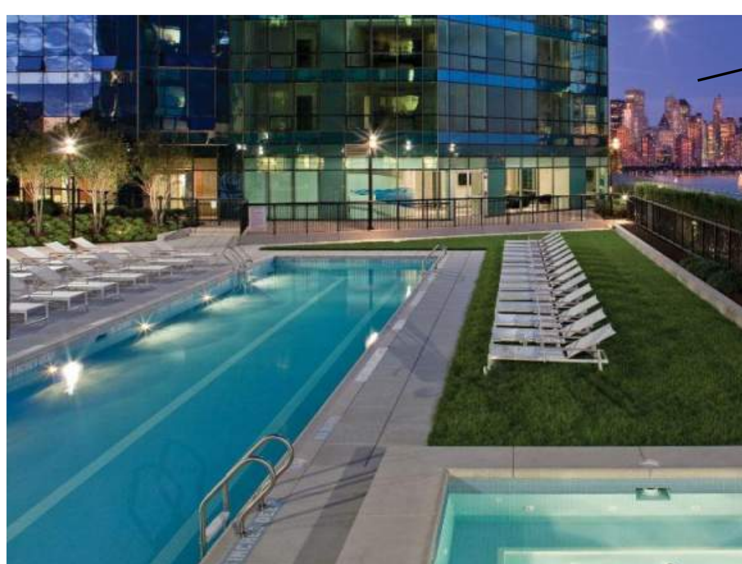

# PROPOSED SITE

BREN ROAD DEVELOPMENT, MINNETONKA







# VISIONING

BREN ROAD DEVELOPMENT, MINNETONKA

DOMINIUM

BKV GROUP


# EXTERIOR RENDERING/ELEVATION - NATURE/PARKS

BREN ROAD DEVELOPMENT, MINNETONKA

DOMINIUM BKV GROUP


# EXTERIOR RENDERING/ELEVATION - TRANSIT

BREN ROAD DEVELOPMENT, MINNETONKA

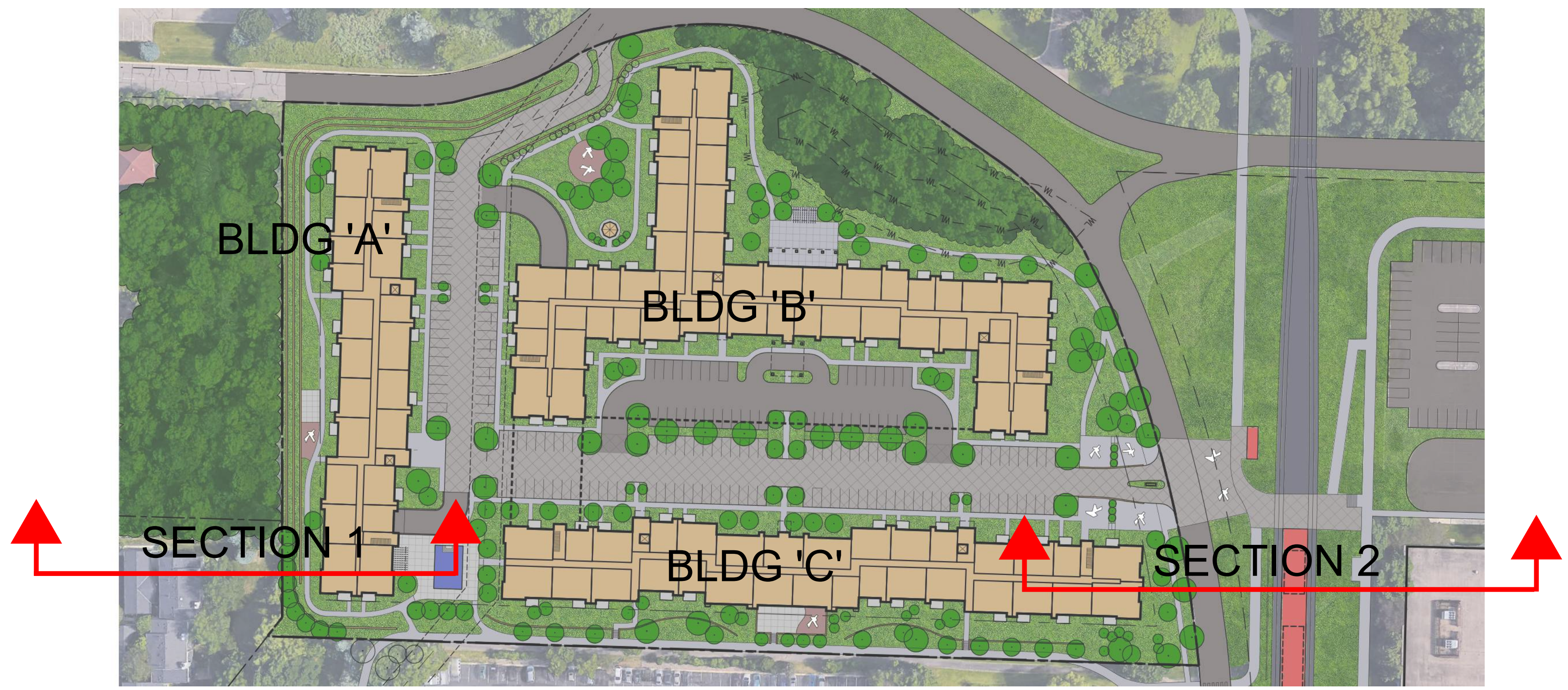
DOMINIUM BKV GROUP


# EXTERIOR RENDERING/ELEVATION - URBAN VILLAGE

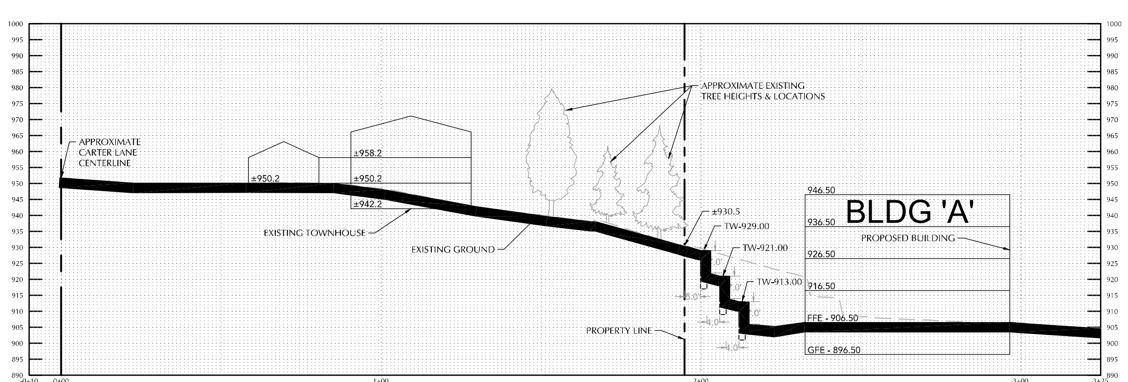
BREN ROAD DEVELOPMENT, MINNETONKA

DOMINIUM

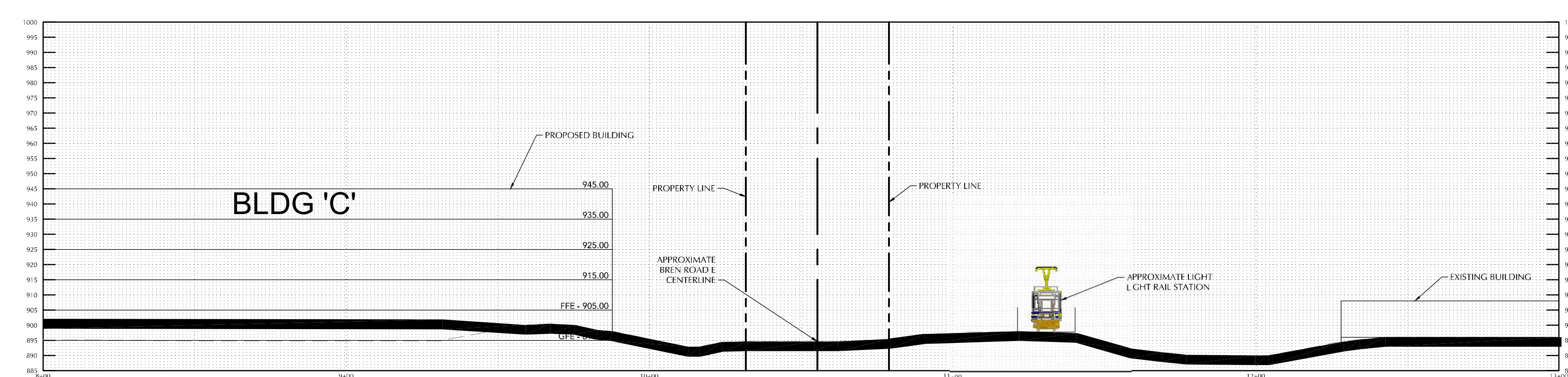
BKV GROUP




SITE PLAN




SECTION 1




SECTION 2

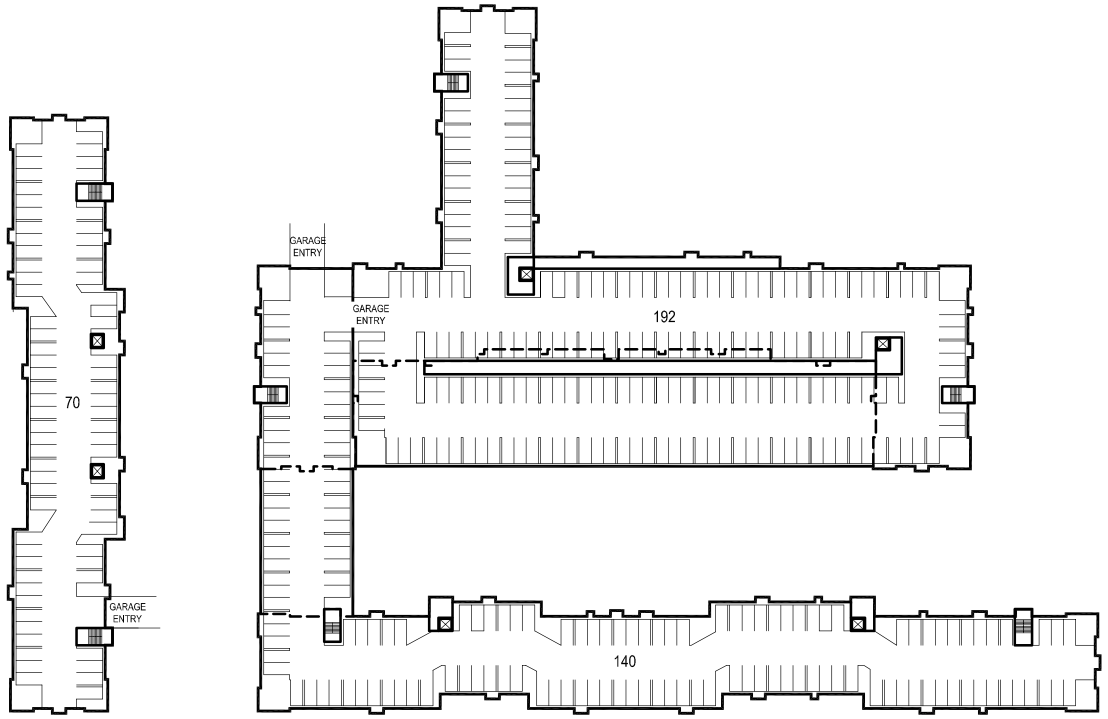
# SITE SECTIONS

BREN ROAD DEVELOPMENT, MINNETONKA

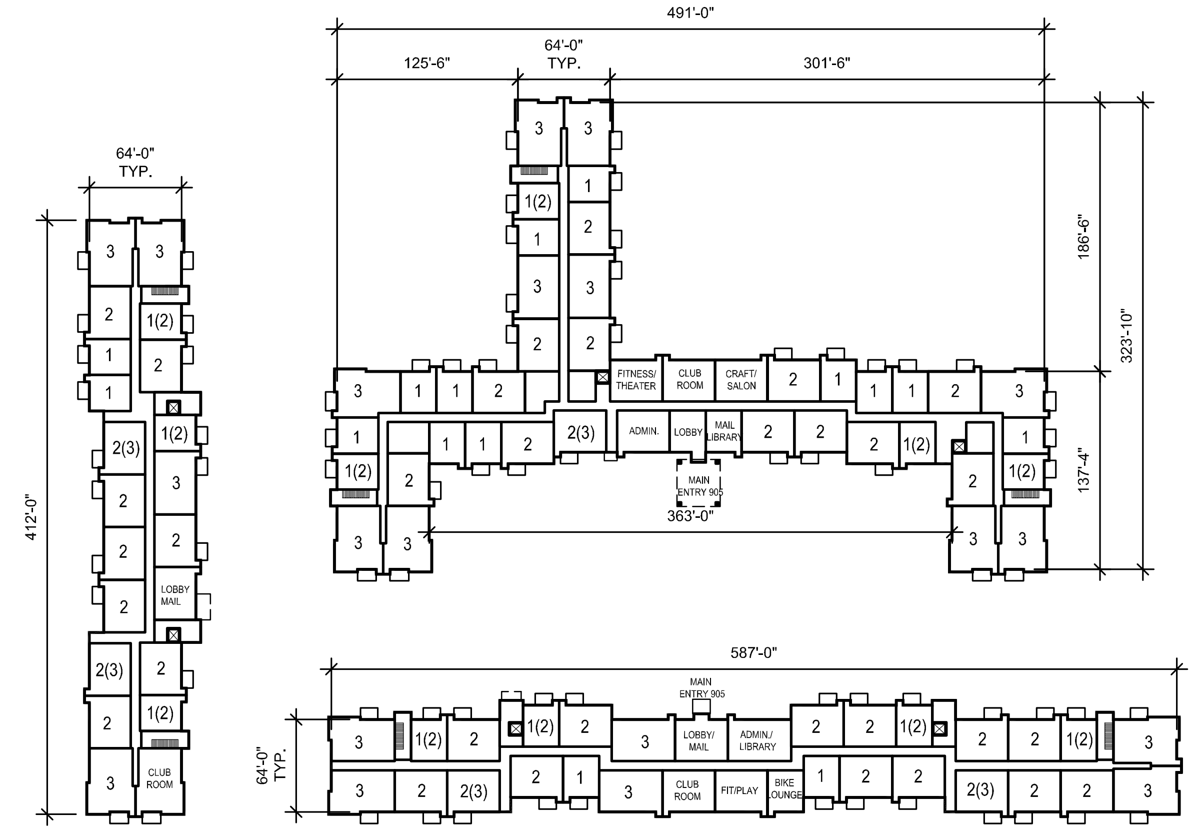
N

DOMINIUM

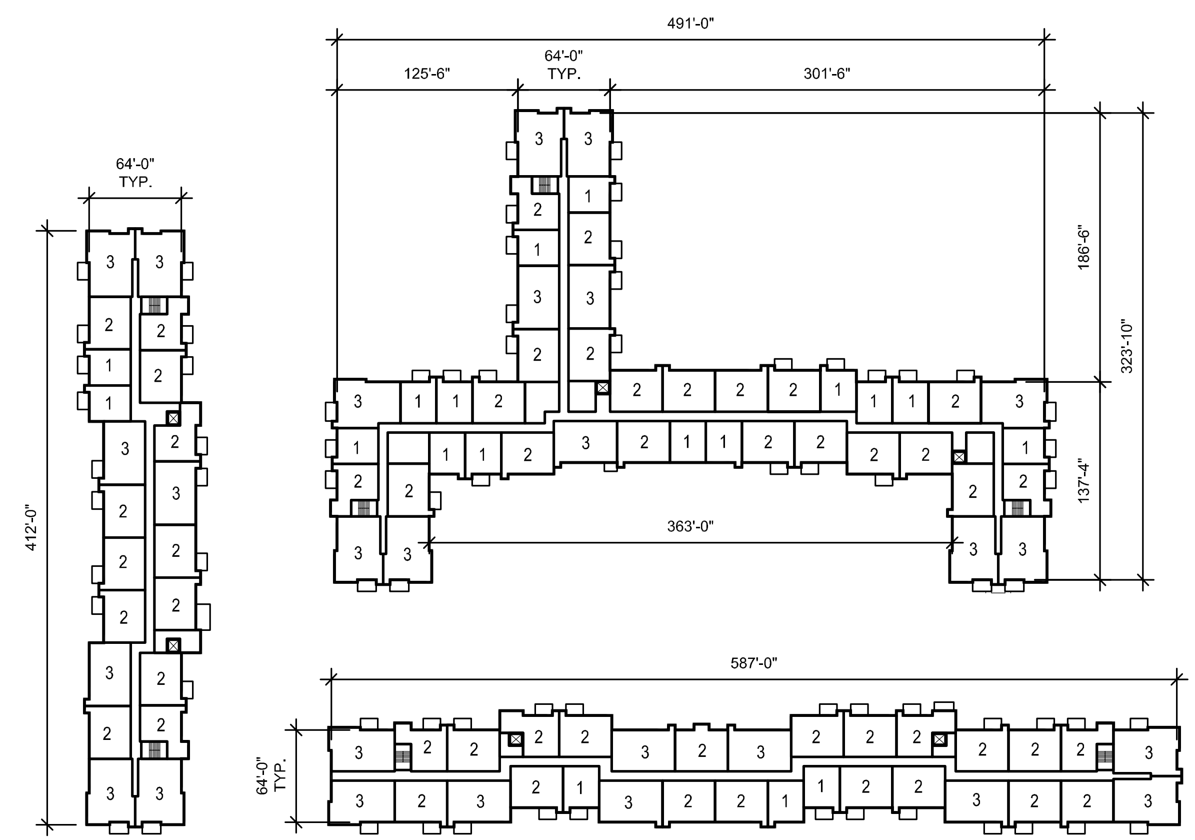
BKV GROUP




GARAGE LEVEL PLANS




MAIN LEVEL PLANS




UPPER LEVEL PLANS

| BUILDING DATA | | | | |
|---|---|---|---|---|
| | BUILDING A | BUILDING B | BUILDING C | TOTAL |
| 1 BEDROOM | 11 UNITS = 13.6% | 79 UNITS = 30.9% | 21 UNITS = 17.9% | 111 UNITS = 24.5% |
| 2 BEDROOM | 45 UNITS = 55.6% | 112 UNITS =43.7% | 63 UNITS = 53.9% | 220 UNITS = 48.4% |
| 3 BEDROOM | 25 UNITS = 30.8% | 65 UNITS = 25.4% | 33 UNITS = 28.2% | 123 UNITS = 27.1% |
| TOTAL UNITS | 81 UNITS | 256 UNITS | 117 UNITS | 454 UNITS |
| TOTAL BEDS | 176 BEDS | 498 BEDS | 246 BEDS | 920 BEDS |

| PARKING DATA | | | | |
|---|---|---|---|---|
| | BUILDING A | BUILDING B | BUILDING C | TOTAL |
| GARAGE PARKING | 70 STALLS | 192 STALLS | 140 STALLS | 402 STALLS |
| SURFACE PARKING | 52 STALLS | 90 STALLS | 36 STALLS | 178 STALLS |
| TOTAL PARKING | 122 STALLS | 282 STALLS | 176 STALLS | 580 STALLS |
| RATIO PER UNIT | 1.5 / UNIT | 1.1 / UNIT | 1.5 / UNIT | 1.28 / UNIT |
| RATIO PER BED | .69 / BED | .56 / BED | .71 / BED | .63 / BED |

# FLOOR PLANS

## BREN ROAD DEVELOPMENT, MINNETONKA

N

DOMINIUM

BKV GROUP

**EDAC Agenda Item #5**
**Meeting of November 27, 2017**

**Brief Description** Staff Report

## Transit Updates

*Green Line Extension (Southwest LRT)*

- The latest edition of the Southwest Project Office's newsletter *Extending Tracks* is now available. This edition covers the following topics:
  - An update on the bid process following the Metropolitan Council rejecting the original bids. Bids are now due on January 9, 2018, with a bid award anticipated in April 2018, and construction commencing in mid-2018.
  - Information and a video of the proposed corridor protection wall west of downtown Minneapolis.

*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.

- Staff coordinated with MetroTransit to Route 645 to relocate the Westbound stop on Ridgehaven Lane (serving Ridgehaven) on the West Side of Highland Bank. Ridgehaven Lane/Cartway will be undergoing reconstruction in the spring. The new stop near Highland Bank offers a safer street crossing option than the previous location.

- In October, city staff met with Metro Transit to discuss the Ridgedale Drive reconstruction and potential for additional stops along Ridgedale Drive. Staff will continue to facilitate the discussion as the project progresses.

## Development Updates

*Under Construction*

- Cherrywood Pointe, 2004 Plymouth Road
- Minnetonka High School Ice Arena, 18313 State Hwy 7
- Ridgedale Corner Shoppes, 1801 Plymouth Road
- Ridgedale Restaurant Pads, 12415 Wayzata Blvd
- Groveland Elementary, 17310 Minnetonka Blvd
- Ridgedale Library, 12601 Ridgedale Dr

*Grading Permits Issued or Under Review*

- RiZE at Opus, 10101 Bren Road East
- Mesaba Capital, 17701 Old Excelsior Blvd
- Crest Ridge Senior Housing, 10955 Wayzata Blvd
- Midwest Master Craft, 17717 Hwy 7
- ISLA, 5959 Shady Oak Road
- Minnetonka Hills, 2828 Jordan Ave

*Complete*

- Minnetonka High School Ice Arena, 18313 State Hwy 7
- Farm + Vine, 1700 Plymouth Road
- Total Wine, 14200 Wayzata Blvd
- Cheesecake Factory, 12735 Wayzata Blvd

*Under Review/Other*

| PROJECT | DESCRIPTION | LOCATION | PLANS | STATUS |
|---|---|---|---|---|
| Dominium | Concept plan for three building, 425-unit apartment development | 11001 Bren Road E | http://tinyurl.com/11001brenrde | Under Review |
| Clear Spring Elementary | Site and building plan review for a gymnasium addition | 5701 Co Rd 101 | http://tinyurl.com/5701CoRd101 | Under Review |
| Counter Point Recovery | CUP for 12-person residential care facility | 5022 Baker Road | http://tinyurl.com/5022BakerRd | Under Review |
| Williston Acres 3rd Addition | Preliminary and final plats for a two-lot subdivision | 14819 Margaret Place | https://tinyurl.com/14819MargaretPl | Under Review |
| Ridgedale Executive Apartments | Concept Plan for rental building | 12501 Ridgedale Drive | http://tinyurl.com/12501RidgedaleDr | N/A |
| Morrie's Mazda | Minor amendment to an existing MDP, final site and building plans, with variance for car wash and parking lot additions | 13700 Wayzata Blvd | http://tinyurl.com/13700WayzataBlvd | Under Review |

**Business Development Update**

The “Open To Business Program” was advertised on city billboards August 1- October 31. During that timeframe, the website page received 96 total page views. More information on the program can be found on the city’s website at: http://eminnetonka.com/economic-development/starting-or-expanding-a-business

The 2017-2018 Economic Gardening Program kicked off the week of November 13. This year’s program will run until June and will have 26 companies from Hennepin, Ramsey and Scott counties participating in the CEO forums, CEO Roundtables and in 50 hours of customized research that the program provides. This year there are two Minnetonka companies participating in the program:

- Burns Engineering—Jim Burns is the CEO
- Sherburne Construction—Nate Sherburne is the CEO

**Housing Updates**

*HOME Line*

In past years, non-profit groups submitted applications to the city for funding through the Community Development Block Grant Program (CDBG). This year, the non-profits that are eligible to receive CDBG funding will participate in Hennepin County’s coordinated Request for Proposals (RFP) process. HOME Line, originally part of the CDBG public services, is not eligible to receive CDBG funding due to the nature of services provided. In 2015 and 2016 program years, HOME Line allocated funding through the Development Account. In 2015 and 2016, HOME Line received $2,000 in funding and in 2017 HOME Line received $4,000 in funding through the Development Fund.

Beth Kudluboy of HOME Line will be in attendance at the November 27 meeting to request additional funding for 2018.

*Metropolitan Council Grants*

On November 29, 2017 the Metropolitan Council will vote on the Local Housing Initiatives Account (LHIA) Grant Funding through the Minnesota Housing Consolidation RFP. The Community Development Committee is recommending awards for two Minnetonka projects:

- The Mariner - $210,000
- WHAHLT - $67,500

*Center for Energy and Environment*

The Welcome to Minnetonka and Minnetonka Home Enhancement Programs are now administered through the Center for Energy and Environment. Minnetonka residents can apply online at www.mnlendingcenter.org or call 612-335-5884 to receive a paper application.

*Minnetonka Heights*

Minnetonka Heights is currently under contract with Heartland Heights, LLC. Minnetonka Heights is an affordable rental community with 172 rental apartments and townhomes located at 5809 County Road 101. The buyer "Heartland" is a local real estate investment and management company that plans to own the property long-term and intends to improve the property after it is acquired. Heartland is anticipating that it will retain affordability on at least 90 units that are under the current project-base Section 8 contract that runs through 2034. In addition, the project received tax credit funding in 1999 that applied additional income and rental restrictions on 155 units (some overlap with Section 8), that was anticipated to continue until 2030. The buyer intends to seek additional HUD project-based Section 8 to continue the affordability on the remaining units.

If the buyer is able to obtain the additional HUD assistance, the buyer anticipates the following rental scenarios for the current residents:

- Most residents (57%) will have no change; 16% will experience large rental decreases; 27% will see increases ranging from $5 to $200.
- In this scenario, the resident's share of the monthly rent would be limited to 30% of their household's monthly income.

| **Rent Change** | **Number of Households** |
|---|---|
| No change | 99 |
| Decrease $225/mo. average | 27 |
| Increase* $113/mo. average | 46 |

* increases are capped at the lessor of: 30% of annual income or HUD Contract Rent

The buyer's goal is to obtain approval on the transfer Section 8 funds to provide Project-based Section 8 subsidy to all 172 units at the property. However, if this is not approved by HUD, the buyer will explore alternative rental subsidies in an effort to bring additional rental assistance to residents in need.

The buyer is requesting that the council consider an amendment to the regulatory agreement at the December 4 city council meeting. The regulatory agreement maintains affordability on a portion of the units and request the buyer to report quarterly and annually on the tenant income verification. The buyer also intends to repay all outstanding debt, including two deferred EDA loans totaling $400,000 with 1% interest.

**Upcoming Events**

| | |
|---|---|
| Wednesday, November 29 | SLUC<br>5th Annual Great Places Awards<br>DoubleTree Park Place 11:30am<br>1500 Park Place Blvd<br>Saint Louis Park, MN 55416 |
| Wednesday, December 13 | Urban Land Institute - West End Center Tour<br>West End Office Park 3:45-5:00p.m.<br>1660 Highway 100 South<br>Saint Louis Park, MN 55416 |
| Thursday, December 7 | EDAC Meeting<br>City Council Chambers<br>6:00 p.m |

Originated by:

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