

**Minnetonka Economic Development Advisory Commission
Meeting Minutes**

**March 14, 2019
6 p.m.**

1. Call to Order

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

2. Roll Call

EDAC commissioners present: Ann Duginski-Cibulka, Jay Hromatka, Lee Jacobsohn, Jacob Johnson, and Charlie Yunker were present. Melissa Johnston and Jerry Knickerbocker were absent.

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

Councilmember present: Deb Calvert.

3. Approval of Nov. 8, 2018 Minutes

Hromatka moved, Jacobsohn seconded a motion to recommend that the EDAC approve the minutes from the Nov. 8, 2018 meeting as included in the agenda. Duginski-Cibulka, Hromatka, Jacobsohn, Johnson and Yunker voted yes. Johnston and Knickerbocker were absent. Motion passed.

4. Affordable Housing Draft Work Plan

Gray reported.

Johnson appreciated that Page 136 provides the 2018 affordable housing guideline limits and provides a good overview of the annual incomes and job types held by Minnetonka residents. He asked if staff checked what affordable housing programs other cities utilize. Gray responded that more research will be done as part of the process. Minnetonka's land values are so high that the Homes Within Reach land-trust model is one of the few single-family affordable housing programs that works well. Staff is open to creative ways to solve the single-family affordability issue. She encouraged commissioners to provide staff with information on any programs that they learn of that might work.

Jacobsohn stated that he was initially concerned with the concept of a payment in lieu to create affordable housing opportunities. He now thought that it might work if the transaction would be structured to require the funds to be used to create other affordable housing opportunities, especially those in close geographical proximity to a potential project area. Tax credit financing may be shrinking at the federal level in the future. It could provide a good deal of opportunity to offset the potential loss.

Jacobsohn thought it would be beneficial if human resources staff would be involved with structuring a program to provide affordable housing for public service employees.

Hromatka asked if the tenant protection ordinance would apply to future projects. Gray explained that tenant protection would be retroactive for all multi-family housing properties as well as apply to new projects, so educating existing owners and new buyers would be a key component.

Duginske-Cibulka asked how a city would make sure public funding would be used appropriately when utilizing a payment in lieu. Wischnack explained that has not yet been determined. Staff will be watching how other cities handle it and discuss options with commissioners and city councilmembers.

Chair Yunker asked how relocation assistance through a tenant protection ordinance would be funded. Gray explained that if an owner would be responsible for displacing a tenant, then the owner would pay the relocation costs.

Johnson asked for more information on the Legacy Education program. Gray stated that the idea is that existing owners of buildings with multi-family housing would be given a list of buyers who would preserve the affordability. The list would be utilized if the owner would decide to sell.

Hromatka asked how the multi-family-rehabilitation loan would be funded. Gray explained that the program is conceptual and does not have a dedicated source. A funding source would be reviewed when allocation of funds for the EIP is done. Wischnack stated that a housing revenue bond might be one option to consider. Commissioners may brainstorm ideas to discuss next month.

Chair Yunker was interested to see how the payment-in-lieu idea plays out in other cities. His concern is that taking money from one project would make that project that much more expensive. Another concern is determining the proper criteria that would be used to regulate use of the pool of money. Wischnack said that staff has similar concerns. Chair Yunker acknowledged that it could be a great tool to address a dire need.

Duginske-Cibulka compared the payment-in-lieu program to a wetland credit paid to remediate mitigation for a wetland off site. In that case, a third party firm is often used to make sure the credits are applied to create a wetland. A payment in lieu could be structured in a similar manner.

Chair Yunker and commissioners agreed with the timeframe.

5. 2020-2024 Economic Improvement Program

Gray reported.

Hromatka asked for the total dollar amount contributed by the small projects program.

Calvert added that councilmembers are becoming more aware of the challenges to provide affordable housing. Land values in Minnetonka are making new, single-family house prices out

of the question for most buyers with a price typically near \$1 million. The mayor previously served on the board of Homes Within Reach. He understands the importance of the program.

Hromatka confirmed with Wischnack that there would be an ongoing maintenance fee for the Homes Within Reach houses. Wischnack explained that each house has multiple lines of funding sources.

Hromatka expressed some concern on the price per unit. Wischnack explained that the city calculates the price per unit per year and the subsidy is actually very reasonable.

Gray continued the report.

Duginske-Cibulka asked if the construction projects are publically bid. Wischnack explained that the city is not involved at all with the construction. The construction loan is handled by a bank. Other than the approval of the HIA, that is the only action that the city council takes until the bond is needed. Gray noted that there are provisions in the contract to make sure associations are collecting dues to fund future improvements.

Jacobsohn asked if the real cost to the city is recouped by administration fees. Gray responded that the administration fees are collected through the HIA assessment.

Gray and Wischnack continued the report.

Wischnack noted that 54 percent of the single-family houses in Minnetonka are valued at \$300,000 or less.

Hanson reported on public funding provided by CDBG.

Gray continued the report.

Wischnack stated that a note will be added to clarify that TIF funds do not expire.

Chair Yunker asked if the first-time, homebuyer, down-payment-program fund had a carryover balance. Gray answered affirmatively. Wischnack estimated that there are 530 sales transactions in Minnetonka in a year.

Hromatka asked if the \$10,000 limit is the reason why the program is not utilized more. Gray thought that could be a possibility. Hromatka asked if the amount could be increased. Gray said that could be looked at. There is currently a \$300,000 purchase limit. Gray found 20 houses that sold for under \$300,000 in Minnetonka this winter. Chair Yunker felt comfortable raising the limit to \$15,000. Jacobsohn would be inclined to provide more funds if it would create a greater demand.

Hanson asked commissioners if they felt that the interest rate is appropriate. The deferment would be paid off at the end of the term or due upon sale. Jacobsohn suggested deferring payment for five years because it would remove the problem at the end of the term. He thought the deferral made sense in the beginning. Hromatka agreed that there would be a financial burden for the buyer at the beginning without the deferral.

Hromatka thought the upper limit should be consistent between the two programs. The incentive would be to eliminate the interest rate altogether so more buyers would be able to take advantage of the program.

Jacobsohn felt that the only reason to keep the one percent would be to make it not look like a free giveaway.

Johnson suggested that if it would be paid back in 10 years, then it would be interest free or with one percent interest at the end of a 30-year term. Jacobsohn did not mean to make the program more complicated than it was. Wischnack appreciated the brainstorming. Staff will research some options.

Gray and Wischnack reported on the conceptual ideas.

Jacobsohn asked if something more could be done to encourage condominium and townhome development. Those are affordable housing options. Wischnack said that staff encourages townhome development, but it is a tough market. Jacobsohn thought concessions on density could be traded for an affordable product. Wischnack agreed.

Duginske-Cibulka noted that there is a legal situation that was depressing the townhome/condo market. Wischnack agreed. There were some predatory lawsuits that made the development community concerned about the liability of townhome/condo developers as required by the current state statutes.

Duginske-Cibulka explained that condominium developers have a risk within the first 10 years that would allow the developer to be sued for any problem. Often times, the scale of the project helps offset that. The land price for a townhome could be very low. Townhomes could be built with a subsidized land price.

Gray continued the report.

Wischnack explained how the special assessment construction fund operates. Borrowers pay interest.

Gray reported that the city received \$5 million in grants in 2018.

Johnson asked if staff had a list of the projects. Wischnack stated that staff will email commissioners a list of the projects.

Johnson asked how many jobs had been created by the job creation fund. Wischnack stated that a list will be compiled of the new jobs created and provided at the next meeting.

Hanson stated that approximately \$300,000 was directly provided to some of the businesses through the Open to Business program. Johnson thought expanding the funding for the Open to Business program should be considered. It provides a unique opportunity.

Gray continued the report.

Johnson thought the staff recommendations look great. It is good to keep conceptual program ideas front and center.

Jacobsohn suggested including the option of requiring a fee in exchange for a percentage of affordable housing as a new concept. Wischnack recommended including the whole list of “to be determined” in the housing section. Jacobsohn agreed.

Gray stated that a draft of the EIP will be reviewed during the EDAC meeting on April 24, 2019.

Chair Yunker suggested that Homes Within Reach information be included. Staff agreed.

6. Staff Report

Gray and Wischnack gave the staff report:

- Staff has received a green light on the SWLRT green line extension. The project office can spend up to \$216 million on demolition.
- Metro Transit will hold a public hearing on April 15, 2019 at 11:30 at the Ridgedale Library.
- Staff continues to meet with Metro Transit on a quarterly basis. Routes 614 and 671 are being looked at to be cut unless there would be an increase in ridership.
- Chabad is a religious institution being proposed.
- Boom Island Brewing has submitted an application for a brewery and tap room on Baker Road.
- The city council adopted multiple housekeeping ordinance amendments.
- Highcroft Meadows is being reviewed as a 15-unit, detached townhome project to be located on Orchard Road.
- Walter Nissan is constructing a new building.
- A concept plan for the Glen Lake apartments has been reviewed.
- The public safety facility application will be reviewed this month.
- The building permit for Dominion has been issued.
- An application for Williston Heights, a four-lot subdivision, is being reviewed.
- The Luxe is being built on Ridgedale Drive.
- Avador is under construction.
- Selbakken Villas are under construction.
- Minnetonka Hills Apartments are under construction.
- Crest Ridge is very close to being completed.
- Phase One of The RiZe at Opus will open this summer.

Hanson reported:

- The city purchased 5937 County Road 101 in 2013 due to a road relocation project. Local Initiative Support Corporation will conduct a visioning process for the property through the corridor development initiative process. A series of four workshops will be held starting in fall of 2019.
- A \$50,000 grant from Hennepin County will be used to conduct a study to guide the transformation of the Opus area. The study will begin March of 2019 and take approximately six months to complete.

Gray reported:

- Carlson Wagonlit Travel received a grant of \$450,000 through the Job Creation Fund to assist with its expansion at 701 Carlson Pkwy. The funds will support 75 new jobs over the next five years.
- PeopleNet is in the process of applying to both funds to assist with the company's job creation and expansion plans on Baker Road. The company plans to add 250 full-time jobs.

7. Other Business

The second Opus launch conversation is scheduled for March 21, 2019 at 5:30 p.m.

SLUC meets March 28, 2019 at 11:30 a.m. at Brookview in Golden Valley.

The next EDAC meeting is scheduled for April 24, 2019 at 6 p.m.

8. Adjournment

Jacobsohn moved, Hromatka seconded a motion to adjourn the meeting at 8:27 p.m. Motion passed unanimously.