

**Unapproved  
Minnetonka Economic Development Advisory Commission  
Meeting Minutes**

**Aug. 9, 2018  
5 p.m.**

**1. Call to Order**

Chair Yunker called the meeting to order at 5 p.m.

**2. Roll Call**

EDAC commissioners present: Jay Hromatka, Lee Jacobsohn, Jacob Johnson, Melissa Johnston, Jerry Knickerbocker, and Charlie Yunker were present. Megan Luke was absent.

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

Councilmember present: Deb Calvert.

Consultants present: financial consultant Stacie Kvilvang of Ehlers and Associates and legal consultant Gina Fiorini of Kennedy and Graven.

**3. Approval of May 23, 2018 Minutes**

Knickerbocker moved, Hromatka seconded a motion to recommend that the EDAC approve the minutes from the May 23, 2018 meeting as included in the agenda. Hromatka, Jacobsohn, Johnson, Johnston, Knickerbocker, and Yunker voted yes. Luke was absent. Motion passed.

Items four and five were switched on the agenda to allow time for the developer and consultant to arrive.

**4. 2019 Preliminary Budget**

Gray reported.

Knickerbocker asked where the \$287,000 for Homes Within Reach came from. Gray explained that it was part of a TIF-pooling balance. The funds would be used to acquire two additional houses and rehabilitate them. In addition, staff hopes to buy seven additional houses funded by other resources. Wischnack clarified that the funds were rolled-over from an old TIF district. Funds for Homes Within Reach are allocated a year and a half before the funds are utilized. Knickerbocker did not think it made sense to continue the program.

Gray continued the report.

Hromotka asked if it made sense to fund the housing programs at the same level if the fund was being underutilized or if there is a way to make the programs more competitive with what is

available in the market. Gray explained that the idea, historically, has been to continue to fund it because there will be years when that opportunity will not be available when interest rates start to rise. There may not be other sources to provide a similar investment in the community. The idea is to keep building the fund and make it self-sustainable to make levying for the programs unnecessary. The city receives payback on the loans.

Hanson added that he and Gray will be meeting with the administrators of the loan programs next month to go over if changes are needed to make the loans more accessible for borrowers.

Hromatka moved, Jacobsohn seconded a motion to recommend that the city council approve the 2019 preliminary budget. Hromatka, Jacobsohn, Johnson, Johnston, Knickerbocker, Luke and Yunker voted yes. Motion passed.

## 5. **Newport Midwest “The Mariner”**

Gray reported.

Hromatka asked how the demonstrated gap of \$556,179 was determined. Gray explained that the demand for gap assistance will be created by the affordable units in the project. The grants indicated in the original analysis were funded in the recommended amounts. Some of the other funding sources have changed over time, but the need is there because the level of the gap was higher during the last review of the project. None of the grant funds were secured at that time.

Kvilvang explained that the applicant provides a development pro forma that gives details on the sources and uses of funds. Based on the information, the financial consultant determined the amount of \$556,179. Approving the funds up front will allow the application to be competitive when it is in the nine percent tax credit allocation competition. Now that the applicant has gotten the allocation, she will relook at the size of the final mortgage and the amount of the tax allocation. Preliminary analysis of the numbers show that the gap does exist and that the recommendation is an appropriate level of assistance.

Hromatka suggested adding a column to differentiate the number of affordable and market rate units in a project.

In response to Knickerbocker’s question, Kvilvang noted that the city is benefiting from the structure enabled by the project being done in concert with a market-rate project. It is great because the TIF funds are structured as a loan and will be repaid and reused for future projects.

In response to Knickerbocker’s question, Fiorini explained that the language in the contract allowed flexibility in the event that the conditions would change. Wischnack said that the language would cover the variety of affordability in the project. Knickerbocker felt the language would make sense to address the mix of housing.

In response to Knickerbocker’s question, Gray explained that restrictive covenants regarding building management are common in agreements made with other apartment projects that utilize city assistance.

Knickerbocker asked what 60% AMI means, and what the 50 percent represents within the contract. Gray explained that the restriction on tenant income to meet affordable guidelines is equal to 60 percent of area median income. The 50 percent refers to the rent restrictions. Fiorini

said that the contract may need to be corrected to reflect 60 percent instead of 50 percent area median income.

At this time, Gray reported that Becky Landon, project developer, had arrived at the meeting.

Jacobsohn asked for the expected completion dates of this project and the SWLRT. Landon responded that SWLRT is expected to be fully functional in 2023. The affordable housing would take about a year to complete and the proposal should be open by 2020.

Knickerbocker moved, Jacobsohn seconded a motion to recommend that the city council and economic development authority approve the contract for private development. Hromatka, Jacobsohn, Johnson, Johnston, Knickerbocker, Luke and Yunker voted yes. Motion passed.

This item is scheduled for city council and EDA review on Sept. 17, 2018.

## 6. Staff Report

Gray gave the staff report:

- The Met Council opened bids for the revised and reissued civil construction contract for the SWLRT.
- The Southwest Project Office announced that it had settled on a freight rail agreement with Twin Cities and Western Railroad. The settlement allowed the project office to green light the application for the federal match.
- Staff continue to meet with Metro Transit on a quarterly basis to work on developing new connections and preparing for the LRT opening. There is a driver shortage that has caused route suspensions.
- Development updates provided in the staff report.
- Staff has developed "Thrive Minnetonka," a business specific newsletter sent to over 1,100 businesses in July. Businesses may sign up to receive an electronic copy.
- The Welcome to Minnetonka and Minnetonka Home Enhancement Programs are now administered through the Center for Energy and Environment.
- There is a \$199,392 surplus of CDBG funds. The city council is considering allocating \$160,000 of those dollars to assist business relocation efforts at the Shady Oak Road site and the rest of the funds for housing rehabilitation and administrative costs.
- In 2018, the funding allocation process for CDBG started receiving county-wide requests for proposals. All of the previously funded public service providers who operate within Minnetonka were funded. Additionally, the Minnetonka YMCA received \$12,000 for youth programming. They had not previously received funding through this pool of money.

## 7. Other Business

The next SLUC lunch entitled "The Lot Size Struggle" is scheduled for Oct. 24, 2018 at 11:30 a.m. at the Double Tree in St. Louis Park.

The SLUC lunch entitled "Impact Fee Comparison" is scheduled for Nov. 28, 2018 at 11:30 a.m. at the Double Tree in St. Louis Park.

A joint comprehensive guide plan meeting is scheduled for Sept. 4, 2018 in the community center.

The next EDAC meeting is scheduled for Sept. 13, 2018 at 6 p.m.

Jacobson noted that a good starting point would be to determine if borrowers' needs are being met by other sources or if there is an unmet need that could be met by the city with a program expansion or change.

**8. Adjournment**

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