

Minnetonka: 5937 County Road 101

Corridor Development Initiative

Workshop 3: Developer Panel

October 17, 2019

Minnetonka Community Center, 14600 Minnetonka Blvd, Minnetonka

Developer Panel Discussion

Facilitated by Barbara Raye, Center for Policy Planning and Performance

Panel Members:

- Bob Lux, Alatus
- Jeff Washburne, City of Lakes Community Land Trust (CLCLT)
- Alex Frank, Magnolia Homes
- Kim Donat, Wellington Management
- Todd Stutz, Robert Thomas Homes

Opening Questions:

1. What is your development expertise?
2. Reactions to the block exercise scenarios?
3. How would you redevelop the site at 5937 County Road 101?
4. What would you consider the greatest challenges and opportunities are for the area?

Bob Lux, Alatus

Alatus is predominately an expert in multifamily and mixed use products. Have also done single family housing in north Minneapolis that are not affordable – selling at \$350 - \$400K with no subsidy. We try to do things out of the box. Examples of our projects include:

- New Hope: a multifamily project (182 units) adjacent to a golf course, where the Mayor signed the first lease to move in.
- Single family housing in north Minneapolis (65 homes priced at \$300K - \$400K)
- Thomas Lake Point development in Eagan, which was a highly wooded area. The neighbors were frantic. They eventually understood that multifamily is the best option for a wooded area because it has a smaller footprint which helps keep the wooded area in tact. The space needed for a single family layout would have reduced the natural wooded area.

Believe it or not, multifamily is the best option for sensitive areas, and you can create a really nice project. Although Alatus would not be interested in

this site, a relatively small multifamily senior-focused building, or a mix of residents, could add character to the neighborhood.

Jeff Washburne, City of Lakes Community Land Trust (CLCLT)

City of Lakes Community Land Trust serves 375 low to moderate households to achieve home ownership, using a range of innovative options that include single family, duplex, accessory dwelling units, and townhomes. We also work with existing homeowners facing foreclosure. Land trusts provide long term affordability and ensure that they stay affordable as long as possible. All land trust residents make mortgage payments, making typically \$25K - \$50K per year, and are contributing members of the community. Through the stability of homeownership the families are able to do better for themselves.

Kim Donat, Wellington Management

Wellington Management is a 35 year old, St. Paul-based property developer, with a large portfolio of commercial, residential, and mixed-use properties. Our multi-family housing products range from luxury condo to affordable housing. There is a strong demand for senior affordable housing (independent and assisted living) in rural, suburban, and urban areas. Wellington partnered with Artspace to build 100 units of artist housing in north Minneapolis. I agree with Bob Lux that a denser floor plate can better protect natural amenities. It's also important to provide housing for all incomes. Housing targeted at 80% Area Median Income (AMI) is for working families earning yearly incomes of almost \$71,900 (2018 data).

Alex Frank, Magnolia Homes

I have a varied background in engineering, the Marine Corps, and investing in real estate in northern Virginia and other places. I made a career change to focus on workforce affordable housing. School teachers, firemen, and other working families should be able to live in the communities they work in. I invite you to check out my properties, that some incorporate high-end finishes (e.g. granite countertops, solid hardwood flooring), and are still affordable to people with annual incomes of \$115 K or less. Some examples are:

- 4200 Colfax Ave N , Minneapolis – an example with high-end finishes that will hit the market in Oct 2019
- 2923 3rd Street N, Minneapolis – a renovation that sold for \$186 K last year

To keep the natural setting and green space, I would recommend something like a bungalow court to keep the character of the area, and could include walking trails.

Todd Stutz, Robert Thomas Homes

Robert Thomas Homes is the largest locally owned home builder in the Twin Cities, building about 250 homes per year, ranging in value from \$400K - \$1.4MM. We have products from detached single family to attached townhomes. We are a for-sale developer.

The estimated land value used in the block exercise (\$2.7 MM) seems higher than what property is worth in the area. The area is strong with the surrounding amenities (schools, parks). The topography and wetlands are other features that will determine the best fit for the site. I understand that the reconstruction of CR 101 did not contemplate storm water runoff from the property. Retention of storm water generated by the development of the property will have to be accommodated on the site.

I would imagine a three-story townhome project for the site, 12 units per acre (20 – 24 units total), with \$400K - \$450K average sales price. The site is not a “million dollar home” location.

Facilitator: The property will be appraised before moving forward for redevelopment to determine a fair market price. The city is not proposing a high-rise building.

What are the opportunities and challenges for the site?

Bob Lux Density is your friend. This is a “tweener” site. Not large enough to be a large development. For our project in Eagan (mentioned earlier) we moved the site plan around, which ultimately made the project really beautiful because it preserved the woodlands around it. The site probably calls for a smaller multifamily (2 – 3 story) project.

A small project in a great area could meet the need for a continuum of housing. 50 – 70 units will never be noticed. At 80% Area Median Income (AMI) - \$71,900 salary for a family of four – you would be serving a missing market for the area. Or a multifamily building for seniors (60 units), with a few very affordable units at 30% AMI would solve for an important need.

Audience comment: Preference for homeownership.

Kim Donat You are better able to keep the green spaces open by building a 3 – 4 story multifamily housing project.

Alex Frank The topography is a challenge. The site is in the shape of a bowl. Fit the project within the green elements.

Bob Lux Higher density will have less impact on the site. A three story

townhome attached would be a good fit. Don't fixate on density. Pay attention to the design of the housing (e.g. garage and two story housing above, pitched roof, similar to what's in the neighborhood).

Question: Please distinguish between "affordable" and "subsidized" housing.

Definitions: Affordable and Subsidized

Area Median Income: The area median income of the Twin Cities Metropolitan Region is \$100,000 for a family of four.

Public Housing: A housing development that is publicly funded and administered for low-income families

Low Income Housing Tax Credits (Section 42): Private corporations purchase tax credits from the federal government which are used by private developers (nonprofit and for-profit) to construct or preserve affordable housing at 60% - 50% AMI. Sometimes referred to as "workforce housing".

Section 8 (federal Housing Choice Vouchers): The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.

The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

Question: Does a percent of affordable housing have to be Section 8 (federal housing vouchers)?

Alex Frank The composition of the project would be negotiated between the City, investors and the developer.

Example: The Waters in Edina (W 100/50th St S) – senior housing project

Question: The CR 101 improvements caused a major delay to get out of the area in the morning. The speeds are too high on 101. There should be more traffic calming (like roundabouts). Young families and children aren't safe. There is no transit for people that don't have cars. And not many places or jobs to walk to. How will the additional traffic be handled?

Any potential development could be required to conduct a traffic study to analyze the impact of traffic on the neighborhood.

Question: *In interested developer should do their research and get to know the area for a project to be successful.*

Question: *Wondering if ownership is an option. If a property is to be affordable, you would need to get the value down to \$350,000. Is that possible? What value would the land need to be?*

Jeff Washburne To get to \$350,000 you need to build on a \$10,000 lot. It's possible to raise money from multiple levels of government (\$200K affordability assistance, mortgage at \$150K). For any affordable unit you need to raise money, so it makes sense to require that the unit be affordable for as long as possible. Land trusts hold the deed to the property, ensuring that it stays affordable, and the property will be permanent ownership (not rental). The City has tools to ensure long-term affordability, which can serve multiple generations.

Alex Frank \$300K or less can be done. The value of the land is key. How much space do people need? Bungalow courts, or senior housing, can be designed for a lower price point.

Audience Comment: Kissy Coakley: My husband and I have a combined annual income of \$85K – \$90K. We drive Uber for extra income. The original price of our home was \$203K, now it would be too expensive. We can't afford to buy the homes around us (average priced home is \$500K). Everyone wants to live in a beautiful community like this, with good schools and natural areas.

Question: *Many have concerns about the water table. Are water issues something that a developer can address?*

Todd Stutz A retention pond currently exists at the site. All storm water would be retained on the site. These issues are dealt with everywhere. The City has regulations in place that will be upheld.

Question: *Is there a need for affordable housing in Minnetonka?*

Yes – a housing study was conducted by the City of Minnetonka, and affordable housing needs were identified in the 2040 comprehensive plan.

Question: *Will people work in Minnetonka? Concerns that there is no mass transit*

that serves the area. A land trust would be good for several generations. If we need affordable housing, do it the best we can.

Next Steps:

Workshop 4 (Oct 24) will review and finalize recommendations for 5937 CR 101, which will be presented to the Minnetonka City Council. The October 24th session will be held in City Council Chambers, 5:30 – 7 pm.

Draft recommendations will be sent out in advance to workshop participants by email for review. A consensus process will be used for participants to revise, edit, or add to the recommendations on the 24th.