



**AGENDA**  
**CITY OF MINNETONKA**  
**ECONOMIC DEVELOPMENT ADVISORY COMMISSION**  
Thursday, Jan, 9, 2020  
6:00 p.m.

Council Chambers  
Minnetonka Community Center

1. Call to Order

2. Roll Call

Charlie Yunker  
Jerry Knickerbocker  
Melissa Johnston  
Ann Duginske Cibulka

Jacob Johnson  
Jay Hromatka  
Lee Jacobsohn

3. Approval of Dec. 12, 2019 minutes

**BUSINESS ITEMS**

4. Shady Oak Crossings

Recommendation: Review and provide a recommendation

5. Staff Report

6. Other Business

The next regularly scheduled EDAC meeting will be held on **Jan. 23, 2020 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**

**Dec. 12, 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, Jerry Knickerbocker, and Charlie Yunker were present. Jacob Johnson and Melissa Johnston were absent.

Councilmember Deb Calvert was present.

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

Financial consultant Keith Dahl from Ehlers and Associates was present.

**3. Approval of May 8, 2019 and Sept. 12, 2019 Minutes**

Hromatka motioned, Jacobsohn seconded the motion to approve the Sept. 12, 2019 meeting minutes. Cibulka, Hromatka, Jacobsohn, Knickerbocker, and Yunker voted yes. Johnson and Johnston were absent. Motion passed.

Approval of the May 8, 2019 EDAC minutes was tabled due to the lack of a quorum of those present at that meeting.

**4. The Pointe Concept Plan**

Gray reported.

Hromatka asked how the \$250,000 was calculated. Dahl explained that:

- The development budget, revenues, and expenses provided by the applicant were reviewed.
- There were a few things in the development budget and pro forma that the financial consultant calculated differently. The developer's budget did not include the internal interest of the equity that would be earned. The internal interest of equity would be calculated on the total development cost of about 35 percent, so that made an astronomical difference to the development budget.

- Ehlers removed the \$260,000 a year CAM from the calculation that was included when the proposal was for office leases, but no longer applies to a residential use.
- The funding gap was reduced from \$4 million to \$250,000.

Cibulka asked if the CAM would be required as part of the sale of the land. Dahl explained that it would be part of a reciprocal easement operating agreement (REOA) with the Carlson Towers. Ehlers looks at it as a one-time extraordinary event needed to make the development happen.

Knickerbocker noted the costs that the developer has to deal with.

Dahl noted that with a five percent affordability component to the project, the developer was prepared to eat the cost. The developer requested assistance when the five percent increased to ten percent. Five percent of the units would be at 50 percent AMI and five percent of the units would be at 60 percent AMI. Commissioners may discuss the tradeoffs between the proposal having five percent or ten percent of its units meeting affordable housing requirements.

Cibulka confirmed with Gray that five percent affordability would equal nine units and 10 percent of affordability would equal 18 units.

Cibulka asked if the CAM would be an extenuating cost for any buyer of the land. Dahl answered affirmatively. He stated that Ehlers recommended that the developer try to renegotiate that because it was structured for an office building to be there. With current markets, an office development may not happen for some time. It would be an extraordinary cost for a senior living community.

Cibulka asked what he would suggest if the seller was not able to renegotiate removal of the CAM from the land purchase to promote development. Mr. Dahl noted that the land acquisition price point is lower for a financial benefit on the front end. Ehlers would expect to see per-unit-land cost at about \$20,000, but this project would be about \$16,000. That reduction in land cost makes up for the CAMs.

Jacobson asked what the approximate market-rate rents would equal. Dahl responded \$2.65 per square foot. The units would range in size from 600 square feet to 1,300 square feet. Market-rate rents at Avidor and similar active, luxury, senior apartments are around \$2.70 to \$3.20 per square foot and fluctuate depending on the amenities provided.

Yunker asked for the city's policy regarding affordable housing. Gray explained that a project requesting a zoning change and/or comprehensive guide plan amendment without city assistance would need to provide 10 percent affordable units. Staff's recommendation for the project to provide 10 percent of the units to meet affordable income requirements with \$250,000 of assistance from the city goes above and beyond what is written in the policy. The City's policy is for projects not requesting a zoning and/or comprehensive guide plan change to provide five percent of the units to meet affordability requirements. This proposal is requesting a zoning change.

Yunker was concerned that approval of this request could set a precedent for the city to provide financial assistance for similar applications.

Cibulka asked for information on the rezoning. Wischnack answered that the site is located in a planned unit development (PUD) district and the proposal would change the zoning from commercial to residential within the PUD. The proposal would comply with the comprehensive guide plan.

Jacobsohn asked what the Minnetonka's policy would require if an applicant would request financial assistance. Gray explained that the projects typically receiving city assistance follow the TIF regulations which are 20 percent at 50 percent AMI or 40 percent at 60 AMI. The policy has some flexibility. The city currently has funds available for affordable housing and this is the type of project for which those funds are intended.

Hromatka confirmed with Gray that the proposal would receive more financial assistance from the city if the proposal would request to be a TIF district. The rents in a TIF district would generate more revenue.

Hromatka confirmed with Gray that this proposal would receive a relatively small amount of assistance from the city compared to other projects listed in the staff report. Wischnack provided that Minnetonka provided \$4.8 million of assistance for 20 percent of the units to meet affordable housing requirements in the Doran project located on I-394.

Hromatka asked where the \$400,000 came from. Gray answered that \$300,000 was returned to the city from the sale of Minnetonka Heights and the city received \$100,000 from a Metropolitan Council grant. Those funds can only be used for affordable housing. There are no other projects being proposed right now for which the funds could be used. The Metropolitan Council will check to make sure the \$100,000 has been utilized within a year. If it would take too long, the city would have to return the \$100,000.

Hromatka clarified that the \$250,000 that would be used for the assistance gap would not be funds from the city's budget. Gray agreed.

In response to Cibulka's question, Wischnack clarified that the Livable Communities fund is not part of the general fund. The Livable Communities fund has been used previously to fund WHAHLT.

Cibulka asked what would happen to funding for Homes Within Reach. Wischnack explained that the funding for Homes Within Reach has been set for the year in the HRA Levy.

Hromatka supports staff's recommendation to provide \$250,000 of assistance from the Livable Communities fund in exchange for ten percent of the units meeting affordable housing guidelines.

Gray appreciated the feedback from commissioners. She explained that the EDAC would take action on an analysis and contract presented in the future.

Calvert voted for the new affordable housing policy. She felt that it is important that the affordable housing policy be honored because it is so difficult to provide affordable housing when land, construction, and labor prices are so high and it is needed in the city. It is a priority for the city council.

Cibulka said that there are still a number of analysis that need to be done. The CAM charge needs to be reviewed and the developer needs an opportunity to review the feedback. The policy needs to be considered and whether leniency should be offered for this project needs further examination. A number of things could still change. She was enthusiastic that the developer seemed willing to follow the policy in regard to affordable housing. She encouraged staff to continue to work with the applicant. She would like to see the numbers regarding what would be needed to fill a gap.

Jacobsohn agreed with Cibulka. The \$4 million was very large. He did not see that being realistic. He did not favor wavering from the 10 percent. A small amount of assistance seems to make sense.

Knickerbocker felt that the developer is positioned to test the policy. The city is responding accordingly. The location is a desirable one. It could probably be developed without assistance from the city. He was comfortable with staff's recommendation as a way to resolve the issue. The policy is a guidebook. The ten-percent-affordable-housing requirement is a guide. There needs to be enough flexibility to take into account an increase in land and construction costs to allow legitimate developer requests that would not happen but for certain concessions. He was comfortable with using money from the Livable Communities Fund to make this project happen if the developer and staff come to an agreement.

Cibulka noted that \$2.65 per square foot for 770 square feet would have rent at \$2,040 per month. The rent for the affordable units would be about \$1,000 less a month. Price of land and other factors set by the market cannot be changed, so the market rates go up. She did not want to create an affordability problem at the market-rate level. She wants to support the policy that the city has created, but that may create other challenges. She encouraged the city to do an analysis on those numbers.

Yunker concurred with commissioners. Staff's recommendation makes sense. The policy's intent is to promote affordable housing and for the developer to carry some of the responsibility. TIF was created to cover large gaps when developing contaminated or dilapidated properties. Utilizing funds not part of the general budget makes total sense for a small gap to provide affordable housing. As it moves forward, there needs to be a way to do it without immediately moving away from what the policy intended. He was concerned with setting a precedent. The policy should be a guide post, but, yet, it should mean something. Staff found a creative and logical solution.

Cibulka agreed. She did not know if \$250,000 would be the true gap. That is the analysis that Ehlers has done. It may not be the reality for the developer or the market. She

would like the \$4 million gap considered until more information is received from Ehlers and the developer has had time to respond. She suggested creating a rough order of magnitude to correlate the number of units to the amount of assistance to help guide the policy.

## 5. Staff Report

Gray and Wischnack gave the staff report:

- The Green Line Extension (SWLRT) is working on field surveying, piling for bridge structures, erosion control, utility relocations, roadway lane reconfigurations, and tree removal corridor wide.
- In Minnetonka, SWLRT crews have begun lane shifting on Hwy 62 to accommodate the LRT tunnel. Unusual traffic configurations will be in place through 2020. Red Circle and Yellow Circle Drives will be reconfigured to make way for ongoing tunnel construction beneath Hwy 62. Yellow Circle will be dead-ended where it connects to Red Circle and Yellow Circle will become a two-way road in the area south of Blue Circle Drive. Smetana Road from Feltl Road to Nolan Drive continues to be closed and will be closed for up to a year.
- Staff continues to meet with Metro Transit to discuss bus service and its integration with the LRT opening. Route 672 was eliminated because there were duplicate stops within 15 minutes of each other.
- Metro Transit is rolling out a new initiative called Network Next.
- Conversations have begun to review the Transit Cooperation Agreement which expires in July 2020.
- A telecommunication tower has been approved at Bennett Family Park.
- Park Dental is moving to 14525 Hwy 7.
- Inspire Dance Studio will be opening at 11547 K-Tel Drive.
- LaMettry's Collision will be opening on Hwy 62, east of the golf course.
- Medica is proposing expansion of its parking lot.
- A conditional use permit application for Nautical Bowls is being reviewed.
- Dominion, The Luxe, Doran, and Avidor are all being framed.
- Hanson has been working on placemaking and urban design guidelines for the Opus area. That is in its final review.
- The city has contracted with Local Initiative Support Corporation to conduct outreach and engagement workshops for 5937 County Road 101.
- A number of businesses have signed up for business development outreach visits. Issues expressed were finding workers, marketing, and networking.
- There are 428 subscribers to Minnetonka's Thrive website. A new issue comes out in January.
- The HRA Levy loan program has been very successful this year. There are four more loans in the process and two additional loan applications.
- CDBG has had three loans close and has five currently in progress. There are 80 residents on the wait list.

## 6. Other Business

The next EDAC meeting is scheduled to be held Jan. 23, 2020 at 6 p.m. Gray requested commissioners provide their availability to her regarding adding a meeting on Jan. 9, 2020 at 6 p.m.

**7. Adjournment**

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

## **EDAC Agenda Item #4 Meeting of Jan. 09, 2020**

<b>Brief Description</b>	Shady Oak Redevelopment financial request
<b>Recommendation</b>	Review financing request and make a recommendation

### **Background**

In March 2015, the city purchased the properties at 4312 Shady Oak Road and 4292 Oak Drive Lane as a result of Hennepin County's road reconstruction project on Shady Oak Road. The city currently owns and manages the commercial building at 4312 Shady Oak Road and the residential building at 4292 Oak Drive Lane.

In Nov. 2016, after several neighborhood meetings and a developer interview process, the city council selected Ron Clark Construction to begin negotiations and had the developer propose a development concept.

On Sept. 25, 2017, after community outreach, the city council approved the Shady Oak Crossings redevelopment project. The project, as approved, is a two and three-story, 49-unit apartment building with underground parking, resident community room, exercise room, on-site manager's office, and an outdoor play area. The building would have a mix of 1, 2, and 3 bedroom apartments with rents expected to be between \$800 and \$1,200 per month. (On Dec. 16, 2019, the city council extended the approval to Dec. 31, 2020. The extension is customary for approvals when construction has not commenced.)

After the 2017 approval, the developer worked towards 2018 tax credit financing for the project (through the state). In Nov. 2018, the developer was notified that they were not awarded tax credits.

In May 2019, Ron Clark Construction announced it was proposing to make revisions to the approved plan, which included the acquisition of adjoining property in Hopkins. A revised concept plan was submitted to the planning commission, and the city council reviewed a revised concept plan. The city council also introduced an ordinance for the revised project on July 8, 2019. In June 2019, another application for tax credits was submitted, and unfortunately, the credits were oversubscribed, and the project again did not receive credits.

The developer continued to meet with staff to discuss the project financing and is now moving forward with a mixed-income project. The city council will review the introduction of the revised project at its Jan. 6 meeting. Which will include a review of the master development plan, site and building plan review, preliminary plat, and detachment and annexation associated with the parcel.

Complete information on the project's history is posted on the city's website [here](#).

### **Revised Proposal**



Ron Clark Construction has submitted revised plans and is now proposing a three-story, 75-unit apartment building on the property located at 4312 Shady Oak Road and on a portion of the property to the south that is currently in the City of Hopkins. The proposed apartment building would have underground parking, resident community room, exercise room, onsite manager's office, and an outdoor play area. Apartment units would be a mix of alcove, studio, 1- and 2-bedroom apartments ranging between 450 and 1,200 sq. ft. with an average size of 847 sq. ft. The rent is estimated to be between \$1,000 and \$1,300 per month for the affordable units and between \$1,100 and \$2,400 per month for the market-rate units. The revised project is a mix-income project with 30% (23 units) of the 75 units affordable at 60% AMI. This level of affordability supports workforce housing for local employees, such as retail, administration, and health care positions.

2019 Qualifying income for 60% AMI units (23 units)

- At or below \$42,000 (family of 1)
- At or below \$48,000 (family of 2)
- At or below \$54,000 (family of 3)
- At or below \$60,000 (family of 4)
- At or below \$64,800 (family of 5)
- At or below \$69,600 (family of 6)

Projected Affordable Rents (including utilities)

- 1 bedroom = \$937
- 2 bedroom = \$1,125
- 3 bedroom = \$1,300

## **Financing Request**

The developer has asked the city to consider providing financial assistance for the inclusion of affordable units. Staff is recommending the establishment of the Shady Oak Crossings Tax Increment Financing District, up to \$1.9 million, as the sources of funding for this request. Ms. Kvilvang reviewed this request and prepared the attached memo that includes analysis of the request and a recommendation. The following is a summary of Ehlers' recommendation that is included in the memo:

- Provide up to \$1.9M, structured as a pay-as-you-go note for an anticipated term of 20 years.

The assistance requested from the developer would result in a per-unit cost of approximately \$2,753 per-unit per year over a 30 year affordability period based on total assistance of up to \$1.9 million. The per-unit assistance on previously approved housing redevelopment projects ranges from \$540 per unit/per year to \$4,571 per unit/per year.

The developer also indicated it would take reasonable steps to apply or assist in applying for grant funding through the Metropolitan Council's Tax Base Revitalization Account (TBRA), Hennepin County Transit Oriented Development (TOD) and Environmental Response Funds to assist with project costs. The City will use existing TIF pooling dollars from Boulevard Gardens to reimburse themselves for relocation and environmental clean-up, if grant funds are not received.

## **Summary of the Revised Project**

### **Purchase of Land**

- The developer will purchase the city owned property at a price of \$734,400. The purchase price reflects the appraised value of the property.
  - The developer has request the conveyance of the property in conjunction with the redevelopment of the property.
- The developer has also secured a purchase agreement with the adjacent property in Hopkins that will provide additional land to expand the project. The developer is proposing that the city of Hopkins and Minnetonka concurrently detach/annex the property.

### **Construction Commencement and Completion**

- The developer intends to commence clean-up of the site in the Summer of 2020 and begin construction following site demolition and clean-up.

### **Demolition Funding and Performance**

- The developer intends to coordinate with the city on the submission of a grant application to assist with the funding for the costs of demolition and contamination clean up on the site. Any grant applications that would be made to the Department of Employment and Economic Development, Hennepin County, and/or Metropolitan Council must be approved through a resolution of support by the city council.
- If grants are not obtained for such costs, the city will utilize existing pooled dollars from Boulevard Gardens to reimburse itself for these expenditures.

### **Declaration of Restrictive Covenants**

- The developer is proposing to make all 23 units affordable to those at 60% AMI or less and is seeking the establishment of a Redevelopment TIF District. The developer is able to provide 30% of the units at 60% AMI versus a Housing TIF District, which allows 20% of the units at 50% AMI or 40% of the units at 60% AMI.
  - The Affordable Housing Policy provides guidance on the required affordability for projects receiving city assistance. For this project, staff is recommending establishing a Redevelopment TIF district to obtain a greater number of affordable units while maintaining project feasibility.
- The 23 units will remain affordable for 30 years, in accordance with the city's Affordable Housing Policy.
- As an example, rents are anticipated to be \$937 - \$1,300 per month (depending on the size of the unit). At 60% AMI, the maximum estimated annual income allowable for one person is approximately \$42,000 (\$20.19/hour). For a four-person household, the estimated annual income allowable is approximately \$60,000 (\$28.84/hour). In similar developments in Minnetonka, residents indicated employment at these wages in retail, administrative, and health professional careers.

**Relocation**

- The city completed the relocation process in 2019.

**Recommendation**

Staff recommends the EDAC review the financing request and provide a recommendation to the city council.

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Alisha Gray, EDFP, Economic Development and Housing Manager

**Next Steps:**

- City Council introduction – Jan. 6, 2020
- Planning Commission – Jan. 16, 2020
- City Council – Feb. 24, 2020

**Supplemental Information:**

Location Map

Letter from Ron Clark Construction

Ehlers Memo

Affordable Housing Production in Minnetonka

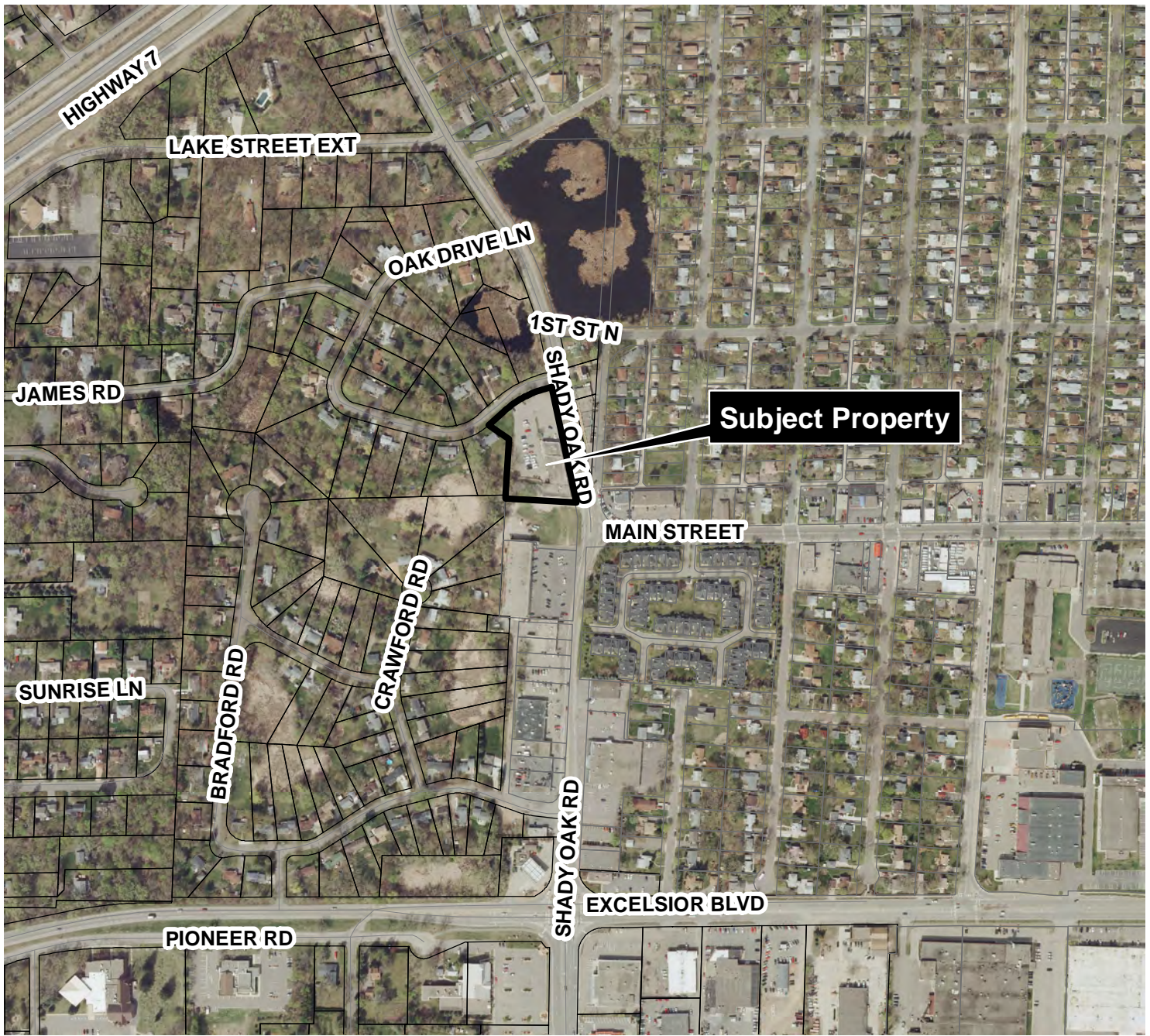
Concept Plans

Tax Increment Financing Policy

Tax Increment Financing Pooling Policy

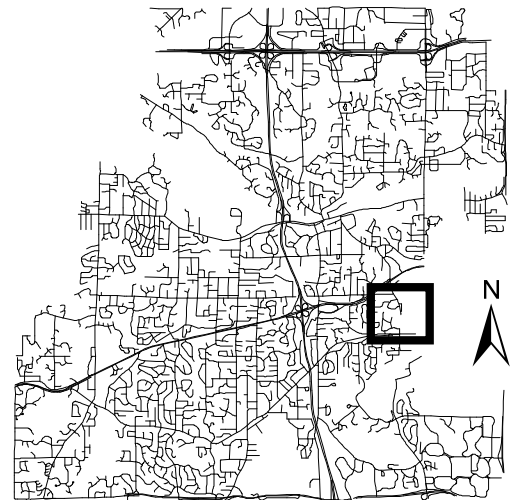
Affordable Housing Policy





## LOCATION MAP

Project: Shady Oak Redevelopment  
Address: 4312 Shady Oak Rd.



This map is for illustrative purposes only.

Monday, December 02, 2019

Loren Gordon  
City of Minnetonka  
14600 Minnetonka Blvd  
Minnetonka, MN 55345

RE: Shady Oak Crossing Project Narrative

**Ron Clark Construction** is proposing a three-story, 75-unit apartment building on the property located at 4312 Shady Oak Road and on a portion of the property to the south that is currently in the city of Hopkins.

The proposed apartment building would have underground parking, resident community room, exercise room, onsite manager's office and an outdoor play area.

It is proposed to have a mix of Alcoves, Studios, 1- and 2-bedroom apartments and they currently expect the unit rents to be between \$1,000 and \$1,300 per month for the affordable units and between \$1,100 and \$2,400 per month for the Market Rate units. (See attachments).

Zoning for the property is currently B-2, limited business district. The city's comprehensive plan guides the property for commercial use.

**Change from Tax Credit to a Mixed Income Apartment.** We have submitted for tax credits the last 2 years and have been unsuccessful, as such we have worked with staff and decided to propose a mixed income project. We are disappointed that we were not able to obtain the tax credits, but the process has become more and more competitive over the last few years and without being within ½ mile of the Light Rail platform, we just don't get enough points to beat other projects. We have revised the project with more of a Market Rate unit mix and we have also adjusted the sizes of the units to be consistent with comparable projects, which allows for a smaller overall building. We will have 9 Alcove, 14 Studios, 21 One Bedroom, 9 One Bedroom + Dens and 22 Two Bedroom units.



**Rezoning and Comprehensive Plan:** The proposed residential use requires a rezoning and guide plan change.

The proposed housing component would qualify the project for public benefit under the planned unit development zoning district.

A complementary high density residential comprehensive plan re-guidance would align with the zoning density of 27.18 units/acre. (75 units/2.76 acre)

**Building Design:** The proposed 3 story building with a combination of sloped and flat roof and two-story components at each end represents significant first step in the redevelopment of the Shady Oak Road corridor between Highway 7 and Excelsior Boulevard.

This existing commercial building is dilapidated and unlikely to be a candidate for remodeling. The other residential redevelopment in the area includes The Oaks of Mainstreet townhome development (late 1990s) at the corner of Shady Oak Road and Mainstreet.

The proposed apartment building incorporates an attractive roof design and an articulated façade, underground parking and common building entry accesses.

**Changes from the previously approved development plan:**

During our previous City approval process most of the concern from the neighbors was the impact of traffic on Oak Drive Lane. We had attempted during the previous application to approach our neighbor to the south on acquiring some additional property to allow for a change of access to the site, but we were unsuccessful. After our approval we re-kindled those discussions and now have a purchase agreement for the additional land needed to make the access off Shady Oak Road possible at the current stop light location.

Our current design includes 75 units. The previous design submitted in May earlier this year contained 67 units, but the building footprint was much larger which was a major concern of the Planning Commission and City Council. Our new design has

smaller units and the building is approximately 60' shorter in length along Shady Oak Road and much farther from Oak Drive Lane.

**Site Design:** Like our previous proposal, this proposal would site the apartment building toward Shady Oak Road while providing greenspace to separate the building from the sidewalk.

Surface parking and a play area are provided on the west side of the building and the underground parking is now accessed only from Shady Oak Road.

Site and building design consider the relationships of public and private spaces. A strong relationship of the sidewalk, front yard space and the building's first floor is essential for great spaces, including an outdoor patio and rooftop deck, both facing the main street intersection.

**Changes to Site Design:**

The previously approved site plan in 2017 had the entrance to the parking garage coming from Oak Drive Lane. The parking garage now enters from Shady Oak Road. The only traffic to Oak Drive Lane will come from our small surface parking lot of 29 parking stalls that will mainly be used by visitors.

The building now has shifted south to allow the garage entrance to come from Shady Oak Road.

The building exterior has changed to more blend and complement the existing residential neighborhood and the front of the building is faced toward and connected to the sidewalk along Shady Oak Road while providing greenspace to separate the building from the sidewalk.

Accenting landscaping will be placed at the north and south ends of the building to provide an attractive updated presence along Shady Oak Road. All efforts will be made to protect the existing trees as well as adding additional trees and landscaping to screen the existing neighbors from the surface parking.

**Stormwater Management:**

The current property is covered with 1.53 acres of impervious surface and primarily drains to the wetland. The new development stormwater management system for the site will convey all site runoff to a new basin installed on the adjacent property to the West. The impervious area for the new development (1.18 ac) provides a 23% reduction from the existing site condition. The development will meet all management standards required by the City of Minnetonka, the Nine Mile Creek Watershed District and the MPCA NPDES Permit.

**Traffic:** Prior to our previously approved proposal the city consultant prepared a traffic study of the area and it clearly shows that the new use will have less traffic than other currently allowed uses and the effect on the surrounding intersections was minimal. The impact of our current design will be dramatically reduced from our previously approved proposal due to most of our traffic will now enter directly onto Shady Oak Road vs Oak Drive Lane.

**Affordable Housing:** The project will include some units that are affordable based on 60% of area medium income (AMI).

**Professional Management:** Steven Scott Management will be our management company, they are a highly respected local company.

We will have an onsite resident caretaker as well as a building manager who is at the building a minimum of 30 hours per week, along with leasing agent and a Senior Manager who oversees the building management.

As part of the maintenance and management of the building we are in each unit, normally monthly or bi-monthly to maintain equipment and to do a quick inspection to confirm no lease violations or undo wear and tear is happening.



**Income requirements and Rents for Shady Oak Crossing**

New 2019 Qualifying incomes: At or below \$42,000 (family of 1)

At or below \$48,000 (family of 2)

At or below \$54,000 (family of 3)

At or below \$60,000 (family of 4)

At or below \$64,800 (family of 5)

At or below \$69,600 (family of 6)

Each resident in the household must pass extensive credit, criminal and housing history checks.

Projected rents including utilities:

1 bedroom = \$937

2 bedroom = \$1,125

3 bedroom = \$1,300

Note: There are also 8 permanent supportive housing units within the development.

# Memo

**To:** Alisha Gray, Economic Development and Housing Manager  
**From:** Stacie Kvilvang, Ehlers  
**Date:** January 9, 2020  
**Subject:** Analysis of TIF Request – Shady Oak Apartments

In 2017, the City and EDA entered into a contract with Ron Clark Construction for the development of a 49-unit, non-age restricted apartment community on City-owned property at 4312 Shady Oak Road. The project was going to be financed with 9% low-income housing tax credits (LIHTC) through the State’s competitive process. The City agreed to provide the developer with \$1,209,000 TIF loan to be repaid from surplus cash, if any, over time. Since that time, the developer has gone through two (2) rounds of applications for the LIHTC without success. They have since revised the proposal to purchase the adjacent property located at 2 Shady Oak Road and have increased the number of units to 75. They are proposing to provide 23 units (31%) affordable to persons at or below 60% of the area median income (AMI).

### Analysis of Financial Need

Ehlers conducted a thorough review of the developer’s updated budget and operating pro forma to ensure all development costs, anticipated revenues, and expenditures are represented appropriately and accurately. The table below depicts the proposed sources and uses for the project.

SOURCES			
	Amount	Pct.	Per Unit
First Mortgage	11,557,331	66%	154,098
TIF Note	1,900,000	11%	25,333
Energy Rebate	37,000	0%	493
Developer Cash	3,919,091	23%	52,255
<b>TOTAL SOURCES</b>	<b>17,413,422</b>	<b>100%</b>	<b>232,179</b>

USES			
	Amount	Pct.	Per Unit
Acquisition Costs	1,384,400	8%	18,459
Construction Costs	13,833,971	79%	184,453
Professional Services	777,804	4%	10,371
Financing Costs	614,073	4%	8,188
Developer Fee	500,000	3%	6,667
Cash Accounts/Escrows/Reserves	303,174	2%	4,042
<b>TOTAL USES</b>	<b>17,413,422</b>	<b>100%</b>	<b>232,179</b>

### Pro Forma Analysis:

Generally, this project meets the expectations of a rental project with regards to the financing structure, projected revenues, on-going operational costs and developer fee. Following are our findings relating to the analysis completed for the development:

1. **Total Development Costs (TDC).** The TDC for this project is approximately \$17.4 million, or \$232,000/unit, which is within the typical range of \$225,000 to \$300,000.
2. **Financing** – The developer has proposed to obtain permanent financing for 78% of the project and will bring the difference in as equity of approximately \$3.8 million. This financing structure is in line for market rate apartment projects. Typically, permanent financing ranges from 70% - 80%.
3. **TIF Assistance.** Total TIF is 11% of TDC, which is a little higher than the typical high end of 10%. This is due mainly to the small size of the project, lending thresholds and lack of adequate return on the investment to the developer (see comments in #7 below).
4. **Acquisition Costs** – The land acquisition cost of the project is approximately \$18,500 per unit. This figure is at the higher end of what we expect to see for a project with a higher amount of affordability in it. Typical range for market rate projects is \$10,000 to \$18,000 per unit.
5. **Developer Fee** – The proposed developer fee is 3% of the total development costs (TDC), which is in line with industry standards of 3% to 5%.
6. **Rents** – The rents for the 23 affordable units are in line with LIHTC restricted rent amounts and are noted below:

Unit Type	Monthly Rent	Unit Count	Size Sq. Ft.	Rent Sq. Ft.
Studio	\$1,011	5	448	\$2.26
Studio	\$1,011	3	549	\$1.84
1BR	\$1,081	8	725	\$1.49
2BR	\$1,293	7	1,080	\$1.20

The market rate rents average \$2.17 sq. ft., which is lower than many of the market rate rents we are seeing in newer developments within the City, however this is due to the small size of the project and the more limited common area amenity package.

7. **Operating Expenses** - The operating expenses of \$3,928 per unit per year (before management fees, property taxes, and replacement reserves) are within the typical market range of \$3,500 to \$4,500 per unit per year. The proposed management fees of 4% of effective gross income is also reasonable for the product type (typical range of 3% to 6%).
8. **Return on Investment** – To determine if a project is “financially feasible”, a developer typically requires one of two metrics; cash-on-cash (net cash divided by equity) or cash-on-cost (NOI divided by TDC). The developer indicated that they would like to achieve a cash-on-cash return of 8%, which is within industry standard of 8% to 10%. They meet this threshold in year 11 on an annual basis, but not until year 19 on a cumulative basis.

### Recommendation:

Based on our review of the developer’s pro forma and under current market conditions, the proposed development may not reasonably be expected to occur solely through private investment within the near future due to the low returns noted. The cost associated with development of this project is only feasible through public financial assistance from the City. We conclude that TIF assistance in the amount of \$1.9 million on a pay-as-you-go basis over an anticipated term of 20 years is supportable for this project. In addition, the City will use existing TIF dollars from Boulevard Gardens to reimburse themselves for relocation and environmental clean-up, if grant funds are not received.

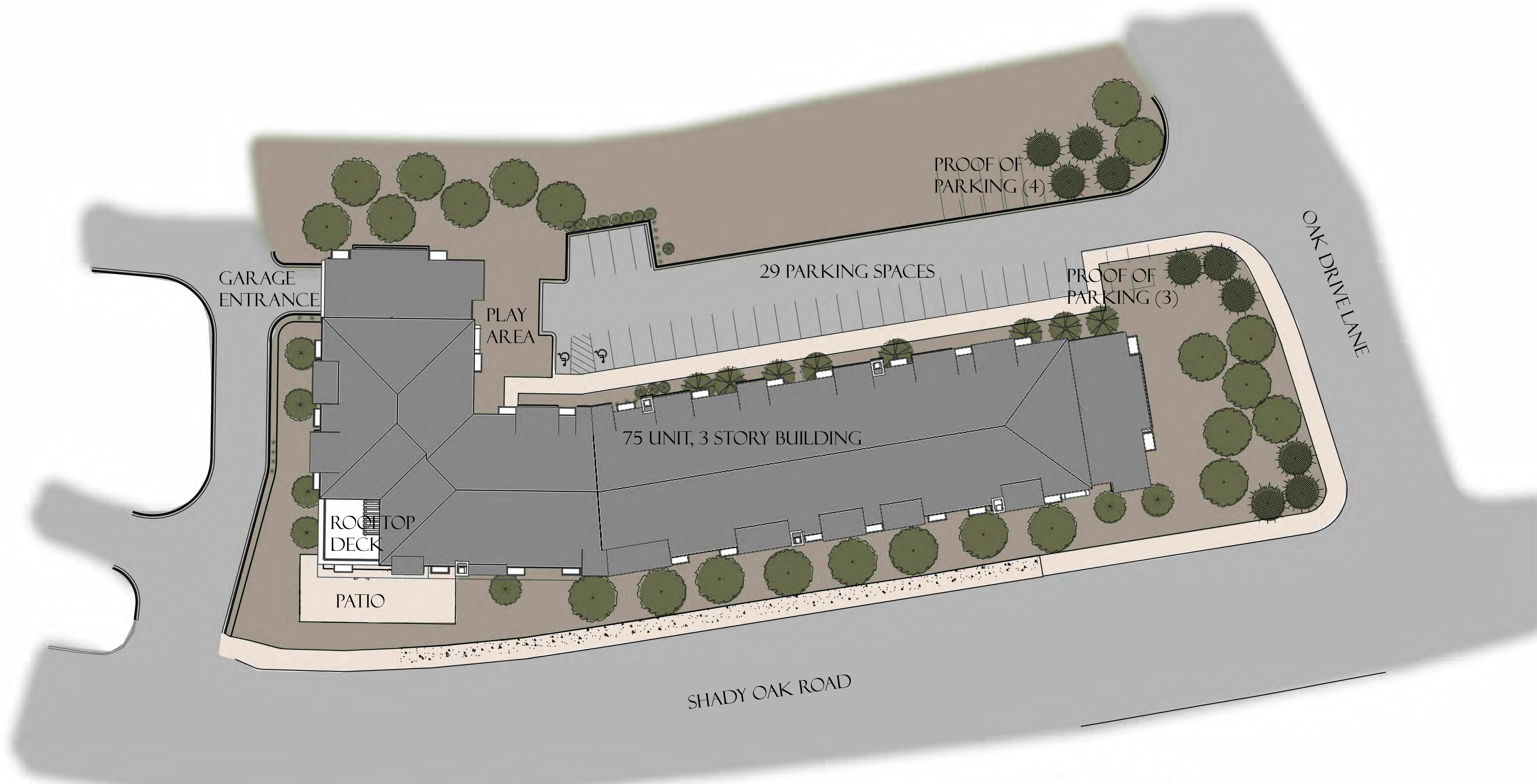
Please contact me at 651-697-8506 with any questions.

Affordable Housing Production in Minnetonka

Name of Project	Number of Affordable Units	Number of Market Rate Units	Total Assistance (for affordable units)	Years of Affordability	Assistance per Unit, per Year	Affordability Level
Dominium	482	0	\$7,809,000	30	\$540	60% AMI
Homes Within Reach (2004-2012 grant years)	35	0	\$1,740,000	99	\$502	80% AMI
The Ridge	52	0	\$1,050,000	30	\$673	60% AMI
Shady Oak Redevelopment	23	52	\$1,900,000 (est)	30	\$2,753	30% of units at 60%AMI
West Ridge Market (Crown Ridge, Boulevard Gardens, Gables, West Ridge)	185	0	\$8,514,000	30	\$1,534	<i>Crown Ridge</i> —60% AMI <i>Boulevard Gardens</i> —60% AMI <i>Gables</i> —initially 80% AMI, now no income limit <i>West Ridge</i> —50% AMI
Beacon Hill (apartments)	62	48	\$2,484,000	25	\$1,602	50% AMI
Ridgebury	56	163	\$3,243,000	30	\$1,930	Initially--80% AMI, Now no income limit
Glen Lake (St. Therese, Exchange)	43	119	\$4,800,000	30	\$3,721	60% AMI
Cedar Point Townhomes	9	143	\$512,000	15	\$3,792	50% AMI
Tonka on the Creek	20	80	\$2,283,000	30	\$3,805	50% AMI
At Home (Rowland)	21	106	\$2,500,000	30	\$3,968	50% AMI
Applewood Pointe	9	80	\$1,290,000	Initial Sale/Ongoing maximum %	\$4,777	80% AMI
Doran (Marsh) - TIF Housing	35 (20% of units)	175	\$4,800,000	30	\$4,571	50% AMI

updated 01/03/2020





GARAGE ENTRANCE

PLAY AREA

29 PARKING SPACES

PROOF OF PARKING (4)

PROOF OF PARKING (3)

OAK DRIVE LANE

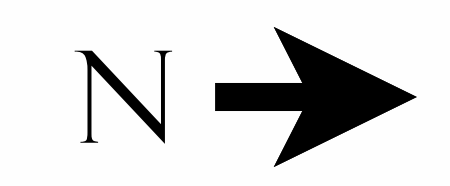
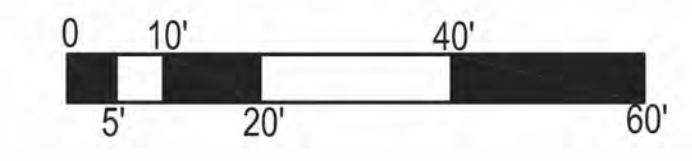
75 UNIT, 3 STORY BUILDING

ROOFTOP DECK

PATIO

SHADY OAK ROAD

SITE PLAN  
SCALE: 1" = 20'























SOUTH ELEVATION SCALE: 3/32" = 1'-0"



WEST ELEVATION SCALE: 3/32" = 1'-0"



EAST ELEVATION SCALE: 3/32" = 1'-0"



NORTH ELEVATION SCALE: 3/32" = 1'-0"



### Unit Mix by Floor

Name	Count	Net Area	Gross Area	Level
Level 1				
Unit A1	4	704 ft <sup>2</sup>	796 ft <sup>2</sup>	Level 1
Unit A2	2	757 ft <sup>2</sup>	843 ft <sup>2</sup>	Level 1
Unit A3	1	721 ft <sup>2</sup>	785 ft <sup>2</sup>	Level 1
Unit B1	2	915 ft <sup>2</sup>	988 ft <sup>2</sup>	Level 1
Unit B2	1	857 ft <sup>2</sup>	920 ft <sup>2</sup>	Level 1
Unit C1	4	1,029 ft <sup>2</sup>		Level 1
Unit C2	2	939 ft <sup>2</sup>	1,015 ft <sup>2</sup>	Level 1
Unit C4	1	1,151 ft <sup>2</sup>	1,231 ft <sup>2</sup>	Level 1
Unit S1	3	549 ft <sup>2</sup>	623 ft <sup>2</sup>	Level 1
Unit S2	4	448 ft <sup>2</sup>	519 ft <sup>2</sup>	Level 1
	24			
Level 2				
Unit A1	5	704 ft <sup>2</sup>	796 ft <sup>2</sup>	Level 2
Unit A2	2	757 ft <sup>2</sup>	843 ft <sup>2</sup>	Level 2
Unit A3	1	721 ft <sup>2</sup>	785 ft <sup>2</sup>	Level 2
Unit B1	2	915 ft <sup>2</sup>	988 ft <sup>2</sup>	Level 2
Unit B2	1	857 ft <sup>2</sup>	920 ft <sup>2</sup>	Level 2
Unit C1	5	1,029 ft <sup>2</sup>	1,107 ft <sup>2</sup>	Level 2
Unit C2	2	939 ft <sup>2</sup>	1,030 ft <sup>2</sup>	Level 2
Unit C3	1	1,197 ft <sup>2</sup>	1,282 ft <sup>2</sup>	Level 2
Unit C4	1	1,151 ft <sup>2</sup>	1,231 ft <sup>2</sup>	Level 2
Unit S1	3	549 ft <sup>2</sup>	623 ft <sup>2</sup>	Level 2
Unit S2	5	448 ft <sup>2</sup>	519 ft <sup>2</sup>	Level 2
	28			
Level 3				
Unit A1	5	704 ft <sup>2</sup>	796 ft <sup>2</sup>	Level 3
Unit A3	1	721 ft <sup>2</sup>	785 ft <sup>2</sup>	Level 3
Unit B1	2	915 ft <sup>2</sup>	988 ft <sup>2</sup>	Level 3
Unit B2	1	857 ft <sup>2</sup>	920 ft <sup>2</sup>	Level 3
Unit C1	5	1,029 ft <sup>2</sup>	1,107 ft <sup>2</sup>	Level 3
Unit C4	1	1,151 ft <sup>2</sup>	1,231 ft <sup>2</sup>	Level 3
Unit S1	3	549 ft <sup>2</sup>	623 ft <sup>2</sup>	Level 3
Unit S2	5	448 ft <sup>2</sup>	519 ft <sup>2</sup>	Level 3
	23			
Grand total: 75	75			

### Unit Mix by Unit Type (Gross SF)

Name	Count	Unit Type
1 BR		
Unit A1	14	1 BR
Unit A2	4	1 BR
Unit A3	3	1 BR
	21	
1BR + Den		
Unit B1	6	1BR + Den
Unit B2	3	1BR + Den
	9	
2 BR		
Unit C1	14	2 BR
Unit C2	4	2 BR
Unit C3	1	2 BR
Unit C4	3	2 BR
	22	
Alcove		
Unit S1	9	Alcove
	9	
Studio		
Unit S2	14	Studio
	14	
Grand total: 75	75	

### Total Gross Area

Level	Area
Level 3	23,549 ft <sup>2</sup>
Level 2	27,360 ft <sup>2</sup>
Level 1	27,466 ft <sup>2</sup>
Level -1	27,926 ft <sup>2</sup>
Grand total	106,300 ft <sup>2</sup>

### Parking Schedule

Type	Count
Level -1	
	77
	77
	77



**WARNING:**

THE CONTRACTOR SHALL BE RESPONSIBLE FOR CALLING FOR LOCATIONS OF ALL EXISTING UTILITIES. THEY SHALL COOPERATE WITH ALL UTILITY COMPANIES IN MAINTAINING THEIR SERVICE AND/OR RELOCATION OF LINES.

THE CONTRACTOR SHALL CONTACT GOPHER STATE ONE CALL AT 651-454-0002 AT LEAST 48 HOURS IN ADVANCE FOR THE LOCATIONS OF ALL UNDERGROUND WIRES, CABLES, CONDUITS, PIPES, MANHOLES, VALVES OR OTHER BURIED STRUCTURES BEFORE DIGGING. THE CONTRACTOR SHALL REPAIR OR REPLACE THE ABOVE WHEN DAMAGED DURING CONSTRUCTION AT NO COST TO THE OWNER.

CALL BEFORE YOU DIG  
**GOPHER STATE ONE CALL**

TWIN CITY AREA: 651-454-0002  
 TOLL FREE 1-800-252-1166

# SHADY OAK CROSSING

## MINNETONKA, MN

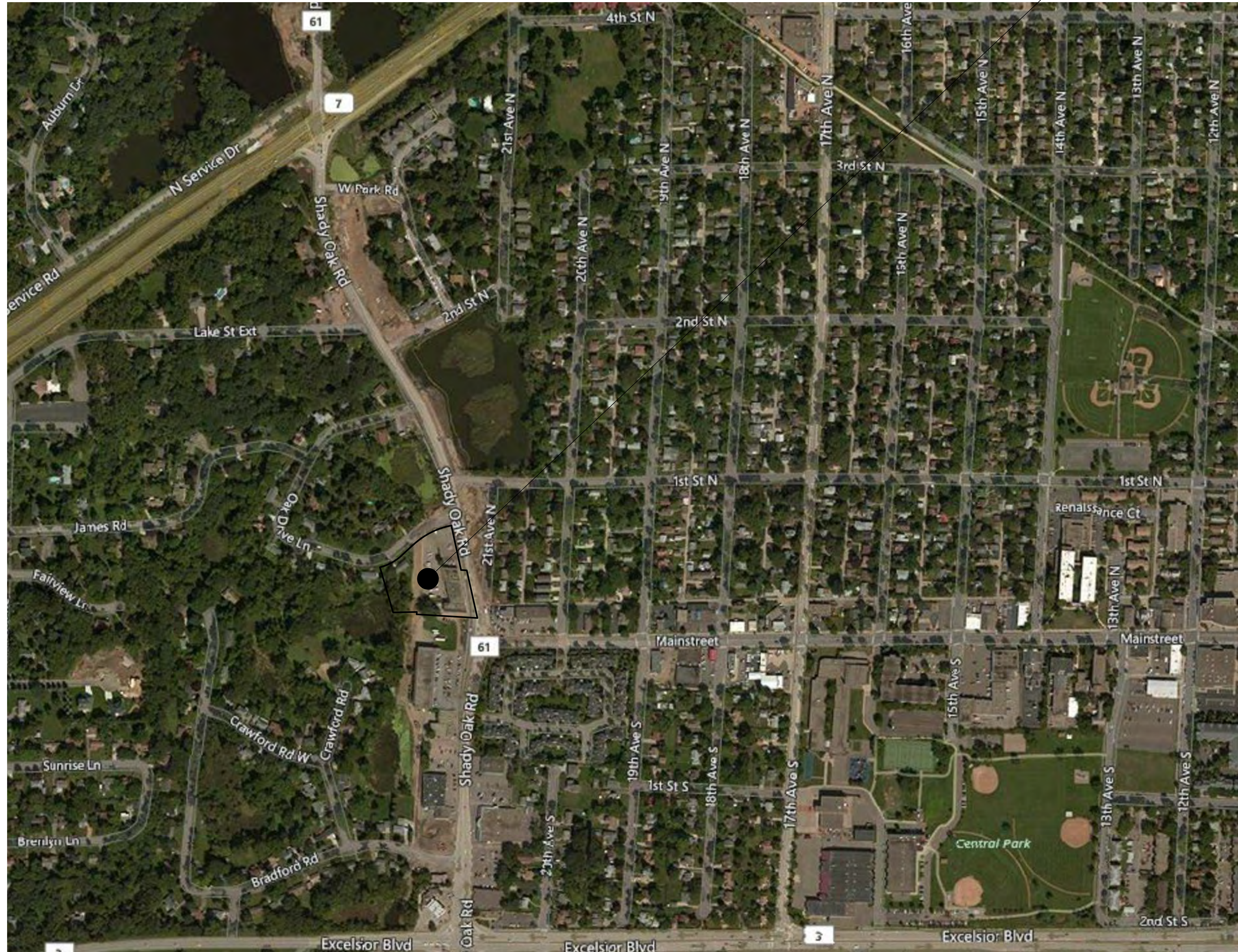
**PROJECT DIRECTORY**

**OWNER:**  
 RON CLARK CONSTRUCTION & DESIGN  
 MIKE ROEBUCK  
 7500 WEST 78TH STREET  
 EDINA, MN 55439  
 PH. 952.947.3022  
 EMAIL: MIKE@RONCLARK.COM

**ENGINEER:**  
 CAMPION ENGINEERING SERVICES, INC.  
 MARTY CAMPION  
 1800 PIONEER CREEK CENTER  
 MAPLE PLAIN, MN 55364  
 PH. 763.479.5172  
 EMAIL: MCAMPION@CAMPIONENG.COM

**SURVEYOR:**  
 WENCK ASSOCIATES  
 1800 PIONEER CREEK CENTER  
 MAPLE PLAIN, MN 55359  
 PH. 763.479.4200

PROJECT LOCATION



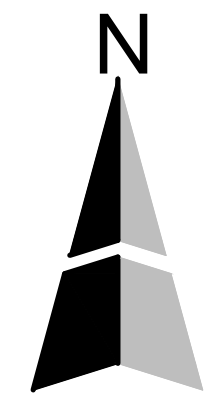
**NOTE:**  
 BOUNDARY AND TOPOGRAPHIC INFORMATION PER SURVEY PREPARED BY WENCK ASSOCIATES, DATED FEBRUARY 6, 2017.

**GOVERNING SPECIFICATIONS:**

1. THE MINNESOTA DEPARTMENT OF TRANSPORTATION "STANDARD SPECIFICATIONS FOR CONSTRUCTION" LATEST EDITION & SUPPLEMENTS.
2. CITY ENGINEERS ASSOCIATION OF MINNESOTA (CEAM) STANDARD UTILITIES SPECIFICATIONS. (LATEST EDITION)
3. ALL APPLICABLE FEDERAL, STATE AND LOCAL LAWS AND ORDINANCE WILL BE COMPLIED WITH IN THE CONSTRUCTION OF THIS PROJECT.
4. CITY OF MINNETONKA STANDARD SPECIFICATIONS & DETAILS.

*INDEX*

SHEET NO.	DESCRIPTION
1.	COVER SHEET
2.	CERTIFICATE OF SURVEY
3.	PRELIMINARY PLAT—SHADY OAK CROSSING
4.	PRELIMINARY SITE PLAN
5.	PRELIMINARY UTILITY PLAN
6.	PRELIMINARY GRADING PLAN
7.	PRELIMINARY STORM WATER POLLUTION PREVENTION PLAN
8.	TREE INVENTORY
9.	TREE PRESERVATION PLAN
10.	DETAILS
11.	DETAILS



Plot Date & Time:

C:\Users\kkr-ca\OneDrive\2017\17-011 Shady Oak Crossing\CAD\CAD1 COVER SHEET.dwg

NO.	DATE	DESCRIPTION

**CAMPION ENGINEERING SERVICES, INC.**

• Civil Engineering • Land Planning  
 1800 Pioneer Creek Center,  
 P.O. Box 249  
 Maple Plain, MN 55359  
 Phone: 763-479-5172  
 Fax: 763-479-4242  
 E-Mail: mcampion@campioneng.com

I hereby certify that this plan, specification or report has been prepared by me or under my direct supervision and that I am a duly licensed Professional Engineer under the laws of the State of Minnesota.  
 Martin P. Campion -Lic. # 19901 Date:

**SHADY OAK CROSSING**  
**RON CLARK CONSTRUCTION**  
 MINNETONKA, MN

<b>COVER SHEET</b>		PROJECT NO: <b>17-011</b>
SHEET NO. 1 OF 11 SHEETS		DATE: <b>12/02/2019</b>



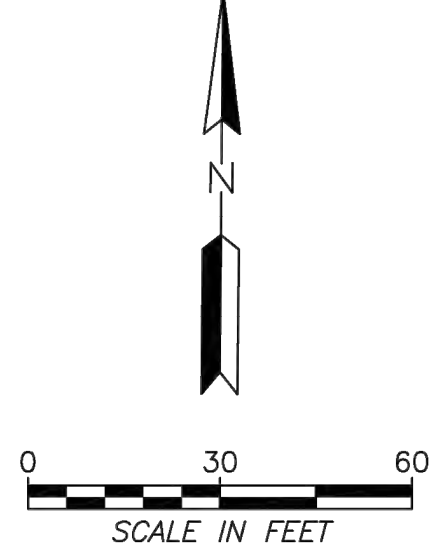
# CERTIFICATE OF SURVEY

MINNETONKA, MN



## LEGEND

- |  |                        |                                  |
|--|------------------------|----------------------------------|
| ○ SET 3/4"ODx14" IRON PIPE WITH PLASTIC CAP 43055 OR MAG NAIL W/WASHER | ⊠ ELECTRIC TRANSFORMER | → STORM SEWER                    |
| ● PROPERTY MARKER FOUND BY HENNEPIN COUNTY SURVEYOR                    | ⊡ TRAFFIC SIGN         | → SANITARY SEWER                 |
| ● FOUND MONUMENT   | ⊙ BOLLARD/POST         | → WATERMAIN                      |
| ⊙ SANITARY SEWER MANHOLE   | ☉ UTILITY POLE         | → UNDERGROUND GAS LINE           |
| ⊙ STORM SEWER MANHOLE  | ☼ LIGHT POLE           | → UNDERGROUND COMMUNICATION LINE |
| ⊙ STORM SEWER INLET  | ⊙ CONIFEROUS TREE      | → OVERHEAD UTILITY LINE          |
| ⊙ STORM SEWER INLET  | ⊙ DECIDUOUS TREE       | → TREE LINE                      |
| ⊙ TELEPHONE MANHOLE  | ⊙ WATER VALVE          | ▭ BUILDING                       |
| ⊙ GAS METER  | ⊙ HYDRANT              | ▭ CONCRETE SURFACE               |
| ⊙ COMMUNICATIONS PEDESTAL  |                        | ▭ ASPHALT SURFACE                |
| ⊙ ELECTRIC MANHOLE   |                        |                                  |



### PROPERTY DESCRIPTION:

Certificate of Title 1400998

Lot 19 Block 2, Ginkels Oakridge Addition AND

Certificate of Title 1400997

Par 1:  
All that portion of the tract or parcel of land described at paragraph "A" below, which lies Northerly of a line drawn parallel to and 200 feet Southerly of the North line thereof and the same extended, to-wit:

Paragraph "A". That portion of the West Half of the Southeast Quarter of Section 23, Township 117, Range 22, described as follows: Starting at the Northeast corner of the Southwest Quarter of the Southeast Quarter of said Section; thence South along the East line of the West Half of the Southeast Quarter of said Section, a distance of 300 feet; thence Westerly at right angles to said East line for a distance of 284 feet; thence Northerly along a line parallel to said East line a distance of 600 feet; thence Easterly along a line at right angles to said East line 209 feet to the center line of McGinty Road; thence Southeasterly along the center line of McGinty Road to the East line of the West Half of the Southeast Quarter of said Section 23; thence Southerly along said East line 33.5 feet to the point of beginning.

Par 2:  
Lot 20, Block 2, Ginkels Oakridge Addition

### SURVEYORS NOTES:

- Utility lines shown hereon are based on field markings and maps provided to us as a result of Gopher State One Call private utility locate (Ticket Numbers 170260089, 170260090). the surveyor cannot guarantee that all utilities were marked or that the markings/maps are accurate.
- Horizontal Datum: Hennepin County Coordinate System NAD83(11)
- Vertical Datum: NAVD88
- Date of fieldwork: 2/3/2017
- Gross area = 2.38 acres.
- Portions of the subject property were covered by snow and ice at the time of survey, the surveyor does not guarantee that all improvements are shown hereon.
- This survey was prepared based on a cursory title review, the surveyor does not guarantee that all or any adverse interests, easements or other encumbrances are shown or that the owner listed has fee title to the property.

### SURVEYORS CERTIFICATION:

I hereby certify that this survey was completed by me or under my direct supervision and that I am a duly licensed land surveyor under the laws of the State of Minnesota.

Chris Ambourn \_\_\_\_\_ Date  
LS 43055

<p><b>WENCK ASSOCIATES</b></p> <p>Responsive partner. Exceptional outcomes.</p> <p>1802 WOODDALE DRIVE WOODBURY, MN 55125      Ph: 651-395-5212</p>		CLIENT NAME		PROJECT TITLE	
		RON CLARK CONSTRUCTION & DESIGN		CERTIFICATE SURVEY	
#	REVISION DESCRIPTION	DWN	APP	REV DATE	
PROJECT NO.			SHEET NO.		
1531-0009			2 OF 11		

Plot Date & Time: 12 June 2019 12:03 PM  
 W:\1531\0009\Survey\CAD\1531-0009\_topo.dwg



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**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
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**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

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**Policy Number 2.14**  
**Tax Increment Financing Pooling Funds**

**Purpose of Policy:** This policy establishes evaluation criteria that guide the city council in consideration of use of tax increment financing pooling funds

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### **Introduction**

Under the Minnesota Statutes Chapter 469, at least 75 percent of tax increment in a redevelopment tax increment financing (TIF) district must be spent on eligible activities within the district, leaving up to 25 percent of the funds to be pooled and therefore eligible to be spent outside of the district, but within the project area.

An exception to the pooling funds is for affordable rental housing. The city may allow the pooling allowance to be increased to 35 percent, which can then go to finance certain affordable housing projects. The project may be located anywhere in the city, and not limited to the project area. Each financed project must be rental housing that is eligible for federal low income housing tax credits. The amount of the assistance is also limited to any amount that satisfies tax credit rules.

The council is aware that use of such TIF pooled funds may be of benefit to the city and will consider requests for pooled funds subject to this council policy. The council considers the use of these funds to be a privilege, not a right.

It is the judgment of the council that TIF pooled funds is to be used on a selective basis. It is the applicant's responsibility to demonstrate the benefit to the city, and that they should understand that although approval may have been granted previously by the city TIF pooled funds for a similar project, the council is not bound by that earlier approval.

### **Evaluation Criteria**

The city will use the following criteria when evaluating a development proposal requesting the use of TIF pooled funds:

- The project supports reinvestment in an identified village center and addresses the goals set out in the comprehensive plan for that center.
- Priority will be provided for projects that are within a "regional" village center or support transit areas.
- Weight will be given when the proportion of affordability is greater than what is customary in other tax increment financed projects in the city, overall affordability of 20% of units (usually at 60% AMI for rental).
- The project may request both tax increment financing and pooling dollars as long as the project has provided data that "but for" the additional pooling dollars, this project would not occur.

- If the project is receiving funds from other sources, the pooled dollars would be the last source utilized unless it impacts other sources.

**Other Provisions**

- A project will not normally be given financing approval until all city planning and zoning requirements have been met. Planning and zoning matters may be considered simultaneously with preliminary approval of the financing.
- The city is to be reimbursed and held harmless for any out-of-pocket expenses related to the TIF pooling funds, 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.
- The applicant will be required to enter into a development agreement with the city outlining the terms of the use of TIF pooled funds.

Adopted by Resolution No. 2011-039  
Council Meeting of May 16, 2011

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**Policy Number 13.2**  
**Affordable Housing Policy**

**Purpose of Policy:** This policy establishes general procedures and requirements to govern the City's commitment to affordable housing.

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### **Introduction**

The City of Minnetonka has a long history of promoting diversity in the type and size of housing units in Minnetonka, including the production of new affordable rental and ownership opportunities.

This Policy recognizes the city's commitment to provide affordable housing to households of a broad range of income levels in order to appeal to a diverse population and provide housing opportunities to those who live or work in the city. The goal of this policy is to ensure the continued commitment to a range of housing choices by requiring the inclusion of affordable housing for low and moderate-income households in new multifamily or for-sale developments.

The requirements in this policy further the Minnetonka Housing Action Plan and city's Housing Goals and Strategies identified in the 2040 Comprehensive Plan.

### **Applicability and Minimum Project Size**

This policy applies to all new multifamily rental developments with 10 or more dwelling units and all new for-sale common interest or attached community developments, (condominiums, townhomes, co-ops) with at least 10 dwelling units. This includes existing properties or mixed-use developments that add 10 or more units.

### **Calculation of Units**

The number of Affordable Dwelling Units (ADUs) required shall be based on the total number of dwelling units approved by the city. If the final calculation includes a fraction, the fraction of a unit shall be rounded up to the nearest whole number.

If an occupied property with existing dwelling units is expanded by 10 or more units, the number of required ADUs shall be based on the total number of units following completion of expansion.

### **Affordable Dwelling Unit (ADU)**

General Requirements.

For projects not requesting a zoning change and/or comprehensive plan amendment and not receiving city assistance.

- In multi-family rental developments, at least 5% of the units shall be affordable to and occupied by households with an income at or below 50% of

the AMI.

- In attached for-sale common interest or attached community developments (condominiums, townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

For projects requesting a zoning change or comprehensive plan amendment without city assistance.

- In multi-family rental developments, at least 10% of the units shall be affordable to and occupied by households with incomes at or below 60% AMI, with a minimum of 5% at 50% AMI.
- In attached for-sale common interest or attached community developments (condominiums townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

For projects receiving city assistance.

- For multi-family rental developments, at least 20% of the units shall be affordable to and occupied by households with an income at or below 50% of the AMI; or at least 40% of the units shall be affordable to and occupied by households with an income at or below 60% AMI.
- In attached for-sale common interest or attached community developments (condominiums, townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

### **Calculation of AMI**

For purposes of this policy, Area Median Income means the Area Median Income for the Twin Cities metropolitan area calculated annually by the Minnesota Housing Finance Agency for establishing rent limits for the Housing Tax Credit Program (multi-family ADU) and the Department of Housing and Urban Development (attached for-sale common interest or attached community developments, including: condominiums, townhomes, co-ops).

### **Rent Level Calculation (Multi- Family Rental Developments)**

The monthly rental price for an ADU receiving city assistance shall include rent and utility costs and shall be based on fifty percent (50%) or sixty percent (60%) for the metropolitan area that includes Minnetonka adjusted for bedroom size and calculated annually by Minnesota Housing Financing Agency for establishing rent limits for the Housing Tax Credit Program. This does not apply to units not receiving city assistance.

### **For Sale Projects**

The qualifying sale price for an owner-occupied dwelling unit shall include property taxes, homeowner's insurance, principal payment and interest, private mortgage insurance, monthly ground lease, association dues, and shall be based upon eighty (80%) AMI for the metropolitan area that includes Minnetonka adjusted for bedroom size and calculated annually by the Department of Housing and Urban Development.

### **Period of Affordability**

In developments subject to this policy, the period of affordability for the ADUs shall be thirty (30) years.

### **Location, Standards, and Integration of ADUs**

Distribution of affordable housing units. Unless otherwise specifically authorized by this policy, the ADUs shall be integrated within the development and distributed throughout the building(s). The ADUs shall be incorporated into the overall project unless expressly allowed to be located in a separate building or a different location approved by the city council.

Number of bedrooms in the affordable units. The ADUs shall have a number of bedrooms proportional to the market rate units. The mix of unit types shall be approved by the city.

Size and Design of ADUs. The size and design of ADUs shall be consistent and comparable with the market rate units in the rest of the project.

Exterior/Interior Appearance of ADUs. The exterior/interior materials and design of the ADUs in any development subject to these regulations shall be indistinguishable in style and quality with the market rate units in the development.

### **Non-Discrimination Based on Rent Subsidies**

Developments covered by this policy must not discriminate against tenants who would pay their rent with federal, state or local public assistance, including tenant based federal, state or local subsidies, but not limited to rental assistance, rent supplements, and Housing Choice Vouchers.

### **Alternatives to On-Site Development of an ADU**

The city recognizes that it may not be economically feasible or practical in all circumstances to provide ADUs in all development projects due to site constraints resulting in extraordinary costs of development. The city reserves the right to waive this policy if the developer requests a waiver and can provide evidence of extraordinary costs prohibiting the inclusion of ADUs. The city will review on a case-by-case basis to determine if the waiver is justifiable and granted.

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**Recorded Agreements, Conditions and Restrictions**

A declaration of restrictive covenants shall be executed between the city, EDA and developer, in a form approved by the city's EDA attorney, which formally sets forth development approval and requirements to achieve affordable housing in accordance with this policy. The declaration shall identify:

- The location, number, type, and size of affordable units to be constructed;
- Sales and/or rental terms; occupancy requirements;
- A timetable for completion of the units; and
- Annual Tenant income and rent reporting requirements; and
- Restrictions to be placed on the units to ensure their affordability and any terms contained in the approval resolution by the city/EDA.

The applicant or owner shall execute all documents deemed necessary by the city manager, including, without limitation, restrictive covenants and other related instruments, to ensure affordability of the affordable housing unit within this policy.

The documents described above shall be recorded in the Hennepin County as appropriate.

**Definitions**

**Affordable Dwelling Unit:** A unit within a residential project subject to this policy that shall meet the income eligibility and rent affordability standards outlined in this policy.

**Financial Assistance:** Funds derived from the city or EDA, including but is not limited to fund from the following sources:

- City of Minnetonka
- Housing Redevelopment Authority (HRA) Funds
- Economic Development Authority (EDA) Funds
- Community Development Block Grant (CDBG)
- Reinvestment Assistant Program
- Revenue Bonds and/or Conduit Bonds
- Tax increment financing (TIF), TIF pooling, or tax abatement
- Land write downs
- Other government housing development sources

Adopted by Resolution 2019-060  
Council Meeting of July 8, 2019

**EDAC Agenda Item #5  
Meeting of Jan. 09, 2020**

**Brief Description**

Staff Report

**Transit Updates**

*Green Line Extension (Southwest LRT)*

Corridor wide:

- Roadway lane reconfigurations
- Retaining wall construction
- Bridge piling
- Station foundation laying
- LRT Train vehicle production

Construction updates for Minnetonka:

- Crews have begun excavation for the LRT tunnel with sheeting starting shortly.
- Yellow and Red Circle Drives have been reconfigured. Yellow Circle Drive is temporarily dead-ended with a cul-de-sac where it connects to Red Circle Drive, and Yellow Circle has become a two-way roadway in the area south of Blue Circle Drive. A temporary bypass road has also been completed on Red Circle Drive. This roadway configuration will allow for ongoing tunnel construction on Highway 62.
- Smetana Road from Feltham to Nolan will continue to be closed for 2020.

Construction updates are available [online](#) or to sign up to receive construction updates every Friday, please visit [www.swlrt.org](http://www.swlrt.org)

*Metro Transit*

Community Development staff continues to meet with Metro Transit quarterly. Most of the time has been devoted to new development connections and preparing for the LRT opening.

- No route or service changes are expected for the next several months.
- Metro Transit is rolling out a new initiative called Network Next. This plan will guide the expansion of the bus network over the next 20 years. In 2020, Metro Transit plans to develop and evaluate bus network improvements and will have a draft available for review by the end of the year. More information on this initiative can be found at [metrotransit.org/network-next](http://metrotransit.org/network-next).

Staff has begun conversations with Metro Transit to renew the Transit Cooperation Agreement. The current agreement expires in July 2020.

**Development Updates**



PROJECT	DESCRIPTION	LOCATION	PLANS
Nautical Bowls	CUP for fast food restaurant	3432 Co Rd 101	<a href="#">Nautical Bowls</a>
Moore Addition	2-lot subdivision	5024 Beacon Hill Road	<a href="#">Moore Addition</a>
Shady Oak Crossing	Redevelopment	4312 Shady Oak Road	<a href="#">Shady Oak Crossing</a>
Medica Health	Site plan for parking lot expansion	401 Carlson Parkway	<a href="#">Medica Health Plans</a>
Schuler Shoes	Site plan for new building	12415 Wayzata Blvd	not yet posted
Dominium	Apartment building	Bren Road East	<a href="#">Dominium</a>
The Luxe	Apartment building	12501 Ridgedale Drive	<a href="#">The Luxe</a>
Doran	Apartment building	11650/11706 Wayzata Blvd	<a href="#">Doran</a>
Avidor	Apartment building	12421 Ridgedale Drive	<a href="#">Avidor</a>

## Redevelopment Updates

### *5937 County Road 101*

The city purchased 5937 Cty Road 101 in 2013 due to Hennepin County's road reconstruction project with the intent to sell the parcel at a later date.

The City held a series of community workshops to guide the creation of development guidelines for the site. The development guidelines were presented to City Council on December 16<sup>th</sup>, 2019. Based on the input from the community workshops, the following redevelopment guidelines were recommended.

1. Preserve the wooded/natural setting of the site
2. Create better traffic flow and pedestrian safety
3. Increase housing options that meet the needs of the current and future residents

The development recommendations will be included in the Request for Developer Interest process. The city will then formally engage developers in submitting concepts for the site. A similar process was used to solicit development proposals for 4316 Shady Oak Road in 2016. The timeline for this is estimated to start in summer 2020 and run through winter/spring 2021.

Visit the city's [project page](#) to learn more about or to subscribe to email/text updates.

## Business Development Updates

### *Business Outreach Visits*

Staff continues to meet with businesses across the city and scheduling one-on-one visits to gain a better understanding on the following matters:

- Relationship with the local economy
- Concerns related to economic development
- To provide information about current development programs and incentives
- Establish a channel of communication between businesses and city staff

To date, staff has met with a glass manufacturing business, a CrossFit gym, and a life coach business, and a pharmaceutical supply business. Common themes heard at these meetings are problems finding workers, establishing connections with city residents, and marketing. These visits are in response to the city's online form on the [Thrive website page](#) that invites businesses to request a visit from the city.

Meetings will continue to be scheduled throughout the year to continue these conversations.

### *Marketing*

The winter issue of Thrive Minnetonka is being developed and is set to be issued in mid-January. The issue will feature a cover story on Boom Island Brewing, contain information on the MinnPace and SAC/REC deferral programs, among other business updates.

### **Housing Updates**

#### *Center for Energy and Environment*

The Welcome to Minnetonka and Minnetonka Home Enhancement Programs are administered through the Center for Energy and Environment. Minnetonka residents can apply online at <https://www.mncee.org/minnetonka> or call 612-335-5884 to receive a paper application.

To date, the city has closed seven loans for a total of \$65,838.52, the highest total since 2016.

#### *Homes within Reach*

Homes within reach has entered into a purchase agreement for the home at 2613 Cedar Crest Drive West. Once the sale goes through, that would bring the total of HWR homes in Minnetonka to 61.

#### *CDBG*

Hennepin County continues to manage the home rehabilitation program on behalf of the city. The county began accepting applications in July 2018. In Quarter 3 of 2019, there was a single loan closed, two loans approved, and 10 loans in process. We are still awaiting the results of Quarter 4. County staff are working to purge down the waitlist from the peak of about 80 residents. They are reaching out to folks to find out if they are still interested in the loan program or if they qualify.

In Jan., Hennepin County will publish an RFP to solicit proposals for public services. The received proposals are reviewed by a group of representatives from consolidated plan cities. Recommendations will be made, and final funding awards are announced in May. Organizations who usually receive funding that assist Minnetonka residents are:

- Resource West
- ICA Foodshelf
- CAP HC
- Senior Community Services
- YMCA
- Treehouse

### **Upcoming Events**

SLUC: Sustainability and Its Implications for Both the Private and Public Sectors  
Jan. 22, 2020 11:30 AM – Brookview Golden Valley

SLUC: Update on the Minneapolis/St. Paul Housing Market  
Feb. 26, 2020 11:30 AM – Brookview Golden Valley

Originated by:

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