

**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.