

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

**May 14, 2020
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, Maram Falk, Jay Hromatka, Lee Jacobsohn, Melissa Johnston, Steven Tyacke and Charlie Yunker were present.

Hromatka was present at the start of the meeting, but was having technical difficulties for a few minutes.

Tyacke was listening and participating in the meeting, but was not visible for a few minutes.

Councilmember Deb Calvert was present.

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

Attorney Julie Eddington of Eddington and Associates and financial consultant Keith Dahl of Ehlers and Associates were present.

Hromatka joined the virtual meeting.

3. Approval of EDAC Jan. 9, 2020 Meeting Minutes

Johnston motioned, Jacobsohn seconded the motion to approve the Jan. 9, 2020 meeting minutes with modifications provided in the change memo dated May 14, 2020. Duginski-Cibulka, Jacobsohn, Johnston, and Yunker voted yes. Falk, Hromatka, and Tyacke abstained. Motion passed.

4. The Pointe at 801 Carlson Pkwy.

Gray and Ms. Eddington reported.

Tyacke asked how it would be determined that the entity receiving transfer of the proposal would be a credit-worthy party. Ms. Eddington explained that the applicant would like the ability to transfer ownership to an affiliate that would be required to have United Properties as a majority owner. These types of contracts typically do allow transfers to affiliates. The loan would be paid at the closing of a transfer. The city's

financial consultant from Ehlers would review the proposal to make sure that the pro forma has a financial gap before issuing the loan and review the pro forma after the project is completed to make sure that the \$400,000 was needed for the project.

Wischnack confirmed with Ms. Eddington that a disbursement agreement would outline when funds would be issued.

Hromatka asked if administrative costs would be limited to \$5,000. Gray felt that amount would be sufficient. Any unused balance would be returned to the developer.

Hromatka asked how the affordable units would remain affordable if they would be converted into condominiums. Wischnack noted that there would be additional land use approvals necessary to go along with financial restructuring. The loan would have to be renewed or restructured and new covenants implemented. Long-term thinking is positive.

Hromatka asked if consent from the city would be required for a sale. Ms. Eddington clarified that a transfer is the same as a sale. As the contract is written now, any transfer would require approval from the Minnetonka Economic Development Authority (EDA). The applicant is requesting that language be changed so United Properties would be able to transfer ownership to an affiliate that has United Properties as a majority owner without the city's consent.

Duginski-Cibulka asked if a trigger was identified to determine when residents under 55 years of age would be allowed.

Rick McKelvey, of United Properties, applicant, thanked staff and the city's consultants for their assistance. He stated that:

- The project has been improved and includes some nice, sustainable features.
- The market has changed since the project's inception. The long-term plan is being reconsidered. Now, residents may be delayed from moving out of a single-family house for some time.
- A transfer would equal a sale of ownership. The loan and interest would be paid at that time. United Properties, LLC does commonly sell a completed development to another entity. If United Properties would transfer to a United Properties affiliate, which would require a majority of the entity to be owned by United Properties, then the developer would not have to receive approval from the city because United Properties would still be the owner. It would streamline the process to complete the transaction.
- The affordability requirements would be in place for 30 years. Having the flexibility to decrease the age restriction; allow ownership rather than rental of units; and, or, converting affordable units to market-rate units may become necessary in the future if the market changes. He believes the proposal would thrive as a 55-years-of-age-and-up, rental-apartment building for the next 30 years, but the applicant would like to have

contingency plans in place to handle unforeseen circumstances.

- The affordability obligations would be honored whether the building would have rental units or individually-owned condominiums in the future.

Tyacke asked how changing the units from rental to owner-occupied units would occur. Wischnack stated that commissioners could recommend that the city council include a condition of approval that would outline a process that would require the city's approval for United Properties to change the units from rental to owner occupied. Johnston agreed. It is very early to discuss changing the use from rental units to owner-occupied condominiums.

Jacobsohn did not see an issue with the contract allowing residents of any age. If a unit would be sold rather than rented, then requiring the unit to be sold for 80 percent AMI would meet the affordable housing guidelines.

Calvert emphasized that if the proposal would be converted to condominiums, then there would be a different threshold regarding the number of affordable units. She imagined that councilmembers would like to explore those numbers and compare the differences.

Wischnack identified that commissioners were more comfortable with allowing more flexibility regarding the 55-years-of-age restriction than the applicant potentially being allowed to change the use from rental units to owner-occupied units.

Hromatka has no problem with the contract having no age restriction. Chair Yunker acknowledged that commissioners were nodding their heads in agreement.

Hromatka asked if the 10-day turnaround would be appropriate. Ms. Eddington explained that she was comfortable with a 10-day turn around for action to be taken by the city's EDA since the building permit approval process would be a separate approval that would be required before the project could begin. If the EDA did not act within 10 days, then the proposal would be considered to have the EDA's approval, but it would not have building permit approval.

In response to Tyacke's question, Wischnack explained that the future phases of the proposal do not impact the EDAC's decisions.

In response to Tyacke's question, Mr. Dahl confirmed that this would be an appropriate use for TIF funds. It is common practice.

Hromatka noted that the \$400,000 amount was calculated a while ago. He asked if that should be updated. Mr. Dahl stated that real estate is a long-term investment. Construction would begin in 2021. The pro forma would be looked at one more time before any funds would be disbursed.

Chair Yunker asked for commissioners' comments regarding the applicant's requested changes to the contract. Tyacke would like to add a conditional of approval that would

require approval by the city council before the units could be changed from rental units to owner-occupied condominiums.

Hromatka stated that staff and the consultants answered his questions. He was satisfied.

Jacobsohn agreed with the requested changes and general structure of the contract if clarity would be added regarding conditions to allow the units to go from rental to owner-occupied units.

Gray asked commissioners to comment on the amount of funds.

Hromatka was comfortable with the amount of the financing request. This project seems to be well in line with what would be adequate resources for the amount of dollars.

Duginski-Cibulka felt this would be a good investment for the city's funds. She was happy to see that the developer worked hard to get the amount of money down. The original request was for \$3 million. She was glad that the 10-percent-of-affordable-units policy would be followed.

Tyacke felt that the request is reasonable and is a reasonable use of funds. The proposal would benefit the city.

Chair Yunker agreed with commissioners.

Hromatka motioned, Tyacke seconded the motion to recommend that the city council adopt a resolution approving items for The Pointe at 801 Carlson Pkwy as submitted by Ms. Eddington with the addition of stipulations that must be met if the units would be converted from rental units to owner-occupied condominiums in the future. Duginski-Cibulka, Falk, Hromatka, Jacobsohn, Johnston, Tyacke and Yunker voted yes. Motion passed.

5. Staff Report

Gray and Wischnack gave the staff report:

- The Green Line Extension (SWLRT) is working on the tunnel excavation north of Hwy. 62. Grading and paving continue to connect loops of Red Circle Drive. The Opus Station foundation will be poured later in May. Smetana Road from Feltl to Nolan will continue to be closed for 2020. Red Circle Drive is closed. Bren Road West is closed through the 2020 construction season. Construction updates are available at www.swlrt.org.
- There is a construction information work group made up of Opus business owners hosted by Metro Transit that meet routinely.
- Metro Transit began a reduced schedule for all routes on March 25th. Weekday service levels through the region are based on Saturday schedules. The current Metro Transit Cooperation Agreement will expire August 1st. Staff will propose the extension of the current agreement for an additional two years.

- Developments in progress include Taco Teresa's, Dairy Queen, The Pointe, Avidor, The Luxe, Doran (The Burke), Shady Oak Crossing, Legends, Ridgedale Drive, and the Minnetonka Police and Fire project.
- The city received a grant for the Shady Oak project from the transit oriented fund from Hennepin County.
- The Emergency Business Loan Program was created and funds issued within six weeks. The city received 60 applications and provided funds to 36 businesses. The city utilized \$225,000 of the existing HRA Levy fund balance to provide forgivable loans up to \$7,500 to cover business expenses. The county opened its program as the city used up its funds to assist additional Minnetonka business owners.
- Staff established an Emergency Rental Assistance Program in conjunction with ICMA. The city utilized \$150,000 of the existing Development Fund balance to provide a one-time payment of up to \$1,500 to assist with rent and utility expenses. To qualify, residents may earn up to 120 percent of AMI. Hennepin County is assisting residents who meet lower income requirements. Residents may call ICMA for assistance at any time.
- The city continues to provide COVID-19 related updates at www.minnetonkamn.gov/coronavirus-response.

6. Other Business

Commissioners indicated that they would be able to attend the next EDAC meeting which will now be moved from June 11, 2020 to June 25, 2020 at 6 p.m.

7. Adjournment

Jacobsohn moved, Hromatka seconded a motion to adjourn the meeting at 7:35 p.m. Motion passed unanimously.