CITY OF MINNETONKA

AGENDA
CITY OF MINNETONKA
ECONOMIC DEVELOPMENT ADVISORY COMMISSION
Thursday, Sept. 17, 2020
6:00 p.m.

Virtual Meeting

1. Call to Order

2. Roll Call

Charlie Yunker	Steven Tyacke
Maram Falk	Jay Hromatka
Melissa Johnston	Lee Jacobsohn
Ann Duginske Cibulka	

3. Approval of June 25, 2020 minutes

BUSINESS ITEMS

4. Wellington Management (10901 Red Circle Drive)

   Recommendation: Provide feedback and make a recommendation to city council

5. 2021 Preliminary Budget

   Recommendation: Review the 2021 budget information and provide feedback

6. Staff Report

7. Other Business

   The next regularly scheduled EDAC meeting will be held on Oct. 29 at 6:00 p.m.

8. 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

Minnetonka
Economic Development Advisory Commission
Virtual Meeting Minutes

June 25, 2020
6 p.m.

1. Call to Order

Chair Yunker called the meeting to order at 6 p.m.

2. Roll Call

EDAC commissioners Ann Duginski Cibulka, Maram Falk, Jay Hromatka, Lee Jacobsohn, Melissa Johnston, Steven Tyacke and Charlie Yunker were present.

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.

3. Approval of EDAC May 14, 2020 Meeting Minutes

Hromatka motioned, Tyacke seconded the motion to approve the May 14, 2020 meeting minutes as submitted. Duginski Cibulka, Falk, Hromatka, Jacobsohn, Johnston, Tyacke, and Yunker voted yes. Motion passed.

4. 2021-2025 Economic Improvement Program (EIP)

Gray reported.

Jacobsohn asked if the goal is to reach a certain level of sustainability such as 100 houses in the Homes Within Reach (HWR) program in hopes that four or five of the houses would turn over each year. Gray answered affirmatively. The houses would have to be resold to a buyer who would meet the affordable income guidelines.

Jacobsohn identified that the market conditions and number of available properties have made it difficult for HWR to purchase properties. Gray stated that the recent difficulty has been acquiring properties because of the competition from other buyers willing to make substantial cash offers and the value of houses going up considerably. It is difficult to find houses priced within the range to make the numbers work.

Jacobsohn confirmed with Gray that for the city's investment, an affordable, single-family house would be provided in Minnetonka for 99 years.

Calvert stated that the mayor sees benefits provided by the HWR program. She noted that the homeowner still pays taxes on the land. Minnetonka is deficient in affordable housing. HWR provides a unique opportunity for a buyer who meets affordable-income guidelines to own a house.

Tyacke agreed. He thought this is a valuable program. There have been affordable apartment units established for seniors and young, working individuals. He would like HWR to be a higher priority.

Hromatka asked what the median house price is currently in Minnetonka and how many would meet the $254,000 amount. Gray answered that in 2019, the median house price was $365,000 in Minnetonka. HWR has been lucky to find one house in the last year and a half where its offer was not beaten by another buyer.

Chair Yunker asked if the program is practical based on the restrictions placed by the Metropolitan Council. Wischnack stated that 80 percent of affordability seems appropriate. It is more about the buyer’s income matching the ability to make the mortgage payments than regulations.

Jacobsohn noted that the house would be made affordable by the land being placed in a trust and reducing the sale price. Gray answered affirmatively. A lot of federal programs use the $245,000 amount as a guide to determine the income range.

In response to Tyacke’s question, Gray explained that the value for all of the houses in HWR increased by 30 percent from 2002 and 2019. There is a cap on how much equity can be earned by the homeowner to keep the house affordable for the next buyer based on a formula provided in the purchase agreement between the buyer and HWR.

Chair Yunker stated that he supports HWR. Minnetonka has already invested over $4 million, so that investment should be utilized to the fullest. The program provides the next step for a resident who has been living in an apartment after getting that first job to purchase an affordable house. He supports funding the administrative fee going forward.

Tyacke felt that HWR is an important program that should not be allowed to fall through the cracks.

Calvert noted that councilmembers value the opinions provided by commissioners.

Gray continued the staff report.

In response to Tyacke’s question, Wischnack felt that it would be a good idea to include a page in the EIP that would show outstanding allocations from the general-fund budget related to providing affordable housing for individual projects.

Hromatka asked if the $50,000 would be a one-year contribution. Gray answered affirmatively. She noted that the funds could be used for other uses as well.

Tyacke thought the HRA Levy would be a good idea to have funds available to deal with COVID-19 issues, but, on the other hand, he was not in favor of a levy just for the sake of having money in a contingency fund. Wischnack clarified that this referred to a levy already in existence. No new levy would be created.

Calvert stated that staff did an incredible job of finding funding to help support businesses hit hard by COVID-19. Councilmembers were extremely concerned knowing that those businesses' owners have rent or mortgages to pay, so councilmembers directed staff to find a funding mechanism for rental assistance which staff did. There are a number of residents who have been beneficiaries administered by ICA. The COVID-19 emergency is creating the potential for dire economic conditions for people. It is very important to make sure that the basic needs of residents are being met including shelter and food. She appreciated staff coming up with these types of ideas.

In response to Duginski Cibulka's questions, Gray explained that the HRA Levy was set at $225,000 for 2020. The current total recommendation is for $300,000. There would be $50,000 for the Affordable Housing Trust Fund and another $50,000 for businesses.

Hromatka left the virtual meeting due to technical difficulties, but would rejoin by phone.

Gray continued the staff report.

Duginski Cibulka asked if retrofitting fire-sprinkler systems in residential uses would be evaluated by the city council. Gray answered affirmatively. Residential houses over 4,000 square feet in size and multifamily housing buildings were being considered. Duginski Cibulka recommended that councilmembers evaluate the requirement.

Gray continued the staff report.

Chair Yunker confirmed with Gray that funds have been allocated for HWR from a different source. Typically, it's been $100,000 a year in programing and $25,000 for administration.

Chair Yunker confirmed with commissioners that there was a consensus to provide funds for HWR. He asked what amount commissioners would recommend.

Jacobsohn was previously not a huge fan of HWR because he did not understand the benefits of it as well as he does now. The hardest part is predicting if properties would be available. It is a very unique and good program. Reaching 100 properties would create a very sustainable affordable-housing stock. He was concerned with the size of the total HRA Levy. He believes HWR provides a long-term opportunity and is needed. He supports $125,000 a year being allocated to HWR.

Tyacke agreed with Jacobsohn. It is an important program that Minnetonka created from the beginning. It provides a bridge for young families to settle into a house. He supports recommending $125,000 of funding as well.

In response to Duginski Cibulka's question, Calvert stated that determining the greatest need right now is a priority when allocating funds and making the best decision for the next year.

Chair Yunker suggested recommending $125,000 for HWR to indicate a commitment to the program.

Duginski Cibulka agreed. She stated that providing affordable single-family houses in Minnetonka is a priority, but the amount must be considered while being aware of the economic hardships impacting taxpayers.

Chair Yunker asked what the $25,000 in the Business Outreach Fund would be spent on. Gray answered producing the business newsletter three times a year, engaging the business community, providing Opus wayfinding, and completing SWLRT outreach.

Jacobsohn understood the idea of emergency business and emergency housing funds. He was not sure if he would support making the emergency housing fund a permanent support vehicle. He saw the need for it now, but was unsure if it should be permanent. He suggested combining the emergency housing and business funds to allow a little more flexibility and considering a reduced amount in consideration of how much it would be necessary to raise the HRA Levy. Gray explained that when the council established the housing rental trust fund, it was only a 60-day mechanism which allowed the trust fund to provide rental assistance. Combination of the funds would not be allowed because a trust fund has to be for housing purposes. The commission could recommend that the city council consider a permanent housing trust fund so other dollars could be applied for and added to it. The allowable sources of funding for a housing trust fund, in addition to HRA funds, are bond proceeds, donations, grants and loans from other federal and state programs.

Wischnack added that the Livable Communities Fund (LCF) had been used similarly in the past, except for the rental assistance aspect. Rental assistance has never been provided by Minnetonka before. The housing trust fund is similarly structured to a LCF, but only the trust fund could provide financial rental assistance. The amount of money allocated to the fund could be reduced if the CARES Act would provide funds for a similar purpose.

Jacobsohn thought the housing programs are very valuable by providing assistance to residents and keeping the housing stock in good condition. Chair Yunker agreed.

Duginski Cibulka would like to reevaluate the demand for emergency business and emergency housing assistance next year. The trust fund is a good idea, but, with the other allocations being included, the HRA Levy amount would increase a significant amount.

Hromatka acknowledged that he could hear the meeting and was following along.

Chair Yunker confirmed with commissioners that there was a consensus to set the HRA Levy amount at $300,000 with a reconsideration and possible adjustment if the CARES Act would provide additional funds for the same purpose in the future. Additionally, the commission recommended that the council consider allocating $125,000 for Homes Within Reach in 2022 and moving forward.

Hromatka asked if making the trust fund permanent would make the allocation amount permanent each year. Gray answered in the negative. Making the trust fund permanent would allow the trust fund to receive other sources of income.

Hromatka supports making the trust fund permanent if there would be no annual administrative fee to take advantage of other possible funding sources. Gray was not aware of any administrative fees. Staff would research that prior to the city council's review of the item. Wischnack explained that the fund would be a city fund. The city audit would monitor the fund and would not cost an additional fee to manage.

Duginski Cibulka supports creating a permanent housing trust fund to allow other sources of income to be utilized.

Chair Yunker felt that it is definitely worth looking into the housing trust fund program further. He recommended the city council extend the current housing trust fund through the term of the COVID-19 emergency at this time and consider forming a permanent trust fund to run parallel with the current one after research and further deliberation could be done to determine for what uses that fund could be used.

Calvert was worried the fund would have to be terminated if it would be declared by one entity that the COVID-19 emergency was over, when, in reality, residents may still need rental assistance.

Wischnack stated that she will meet with the city attorney and look at the options related to the housing trust fund prior to the city council meeting. Chair Yunker agreed with Wischnack that commissioners recommend utilizing the trust fund in the best manner possible.

Chair Yunker received acknowledgements from commissioners that they agree with staff's recommendation to the city council regarding the EIP.

Chair Yunker called roll and recommend that the city council adopt a resolution approving the proposed Economic Improvement Program with $300,000 to be allocated to the 2021 HRA Levy as follows: $0 for Homes Within Reach; $25,000 for Business Outreach; $75,000 for SWLRT; $100,000 for Housing Programs; $50,000 to Emergency Business programs; and $50,000 to Emergency Housing programs. 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 pedestrian tunnel north of Bren Road and the Opus Station is under construction. Construction updates are available at www.swlrt.org. Pile driving for Smetana Road Bridge has begun.

- Metro Transit is anticipating a phased increase in services in response to loosening restrictions regarding COVID-19. The current Metro Transit Cooperation Agreement was extended until July 2022.
- Developments in progress include Dairy Queen, The Pointe, Avidor, The Luxe, Doran (The Burke), Shady Oak Crossing, Legends (Dominium), Ridgedale Drive, and the Minnetonka Police and Fire project.
- Williston Center is open and the ice arenas are open. People may make appointments to meet with staff at city hall. Updates are posted on www.minnetonkamn.gov/coronavirus-response.
- Small businesses may apply for funds from the Minnesota Small Business Relief Grant (DEED); Hennepin County Small Business Relief Fund; and Hennepin Back to Business Funding.
- Staff created a temporary outdoor dining permit to allow businesses to open in a couple days for outdoor dining.
- Minnetonka spent $12,997.64 of rental assistance the first week of June. Ten households were assisted with the average amount being $1,300.
- Staff approved a down payment assistance loan for $8,037 utilizing the Welcome to Minnetonka Loan program.
- HWR closed on a property located at 3508 Moorland Road. Minnetonka now has 61 affordable houses in HWR.

6. Other Business

The next EDAC meeting is scheduled to be held July 16, 2020.

Chair Yunker reported that he has been serving on a Partners in Energy (PIE) committee with staff and Xcel representatives to create an energy action plan for the city. The energy action plan will be presented to the city council this week. It is a good plan that pulls everything together that the city can do to help address climate change issues. The plan is part aspirational and part practical. Reducing energy usage of multi-family buildings was included in the plan. He was grateful to be a part of it.

7. Adjournment

Jacobsohn moved, Hromatka seconded a motion to adjourn the meeting at 8:20 p.m. Motion passed unanimously.

EDAC Agenda Item #4
Meeting of Sept. 17, 2020

Brief Description	Wellington Redevelopment (10901 Red Circle Drive)
Recommendation	Provide feedback and make a recommendation to city council

Site Overview

Wellington Management is exploring redevelopment and conversion of the Shady Oak Office Center at 10901 Red Circle Drive from an office to an apartment building. Wellington has owned and managed the office building for the past 16 years. The 4.68 acre site is located immediately east of the commercial area along Shady Oak Road just north of Hwy 62.

The project would involve a 5-story, two-phased apartment building containing 435 units (phase 1 (east) – 250 units; phase 2 (west) – 185 units). The units would contain both market rate and affordable units, details of which are under discussion. The buildings would be physically connected by shared common and amenity spaces. Parking would be located under the buildings with some surface spaces located in the center common area. Project and common resident amenities are yet to be determined.

The existing office building is centrally located on the property. Surface parking surrounds most of the building with some under building parking as well. Three access driveways connect the site to Red Circle Drive. An existing public trail is located along the northern property line connecting the site to the Opus Business Park. Topography is lowest in the northeast corner of the property rising approximately 20 feet at the parking lots along Red Circle Drive.

Concept Proposal

Concept Image

Financing Request

The developer has requested that the city consider providing tax increment financing up to $9.5 million to assist with providing 137 units affordable at 50% of the area median income for a term of 30 years. The developer is requesting $6 million for phase 1 of the project and $3.5 million for phase two. Wellington Management currently owns the site and office building and would retain a majority ownership of the apartments, following completion of the project. The affordable rents (ranging from studio to three-bedroom) in the project are proposed to range between $835 and $1,244 per month and market rate apartments would range from $1,320 to $2,565 per month. The per unit/per year cost of providing the affordable units is $2,311 (assuming the project receives the requested $9.5 million in tax increment financing). For a comparison, the Birke (Doran) received $4.8 million in TIF to provide 35 affordable units, a cost of $4,571 per unit/per year.

The city's financial consultant, Ehlers, reviewed the developer's proforma and provided the attached memo that reviews the points of the developer's request for assistance. Below is a summary of the key points of the memo:

- Ehlers concluded that the project would require $8 million in financial assistance for provision of affordable units.
  - $5 million for the 250-unit apartment – Phase 1
  - $3 million for the 185-unit apartment – Phase 2
- A Housing TIF District could be a financing source for the project. Ehlers analyzed each building independently of each other and recommended the following structure for the assistance.
  - $5 million in assistance for Building A in Phase 1, structured as a Pay-as-you-go (PAYGO) Note, over a term of 11 years.
  - $3 million in assistance for Building B in Phase 2, structured as a PAYGO note over a term of nine years.
  - Both notes would carry a 3.85% interest rate (which is the developer's rate of financing), and would be repayable from 90% of the available tax increment financing.
    - The maximum term of a Housing TIF District is 26 years.

Policy review

Staff has excerpted Policy 2.14, the council's policy on TIF and Affordable Housing Policy, as a guide for discussing the conceptual assistance request:

Tax Increment Financing Policy 2.14 and Affordable Housing Policy

- The project is compatible with the Comprehensive Guide Plan as a proposed mixed-use development;
  - The project is identified in the 2030 comprehensive guide plan as guided for mixed use.
  - The Opus area was developed as a mixed use area with housing, employment, limited retail and recreational amenities. In recent years, there has been a shift to more residential housing through the conversion of office and industrial sites. This was anticipated in the city's comprehensive plan, largely due to the

availability of access to the southwest light rail transit green line which is planned to be operational in 2023.

- Priority will be given to projects which:
  - The project would not occur "but for" the assistance;
    - The developer has committed to providing 20% of the units affordable at 50% AMI and has requested tax increment financing in the request amount of $9.5 million as the preferred financing tool.

  - The project is in a high priority "village area" as identified in the Comprehensive Guide Plan;
    - The project is located near Opus Station Area and was identified in the 2040 Comprehensive Guide Plan as a site for mixed use development.

- The project includes affordable housing units, which meets the city's affordable housing standards;
  - Project meets affordability guidance in the Affordable Housing Policy by providing 20% of the units at 50% of the area median income.

- The proposed project amenities will benefit a larger area than identified in the development; and
  - The developer would provide affordable housing opportunities.
  - The developer will reference the Opus Area Placemaking + Urban Design Implementation guide as a reference tool when planning the site design and amenities.

- The project will maximize and leverage the use of other financial resources.
  - The developer is seeking grant assistance from other agencies.

The city's financial consultants, Keith Dahl or Stacie Kvilvang of Ehlers, and Minnetonka staff Julie Wischnack and Alisha Gray will be present at the meeting to answer any questions.

Project Schedule

- Sept. 9, 2020 – Neighborhood Meeting (completed)
- Sept. 10, 2020 – Planning Commission review and recommendation to city council (completed)
- Sept. 17, 2020 – Economic Development Advisory Commission review and recommendation to city council
- Sept. 21, 2020 – City Council review of application

Recommendation

Staff recommends the EDAC provide feedback on the financing request. Any feedback will be shared at the Sept. 21, 2020 City Council Meeting.

Submitted through:
Julie Wischnack, AICP, Community Development Director

Originated by:
Alisha Gray, EDFP, Economic Development and Housing Manager

Additional Information

Location Map

Draft Concept Plans

Memo from Keith Dahl and Stacie Kvilvang - Ehlers

Affordable Housing Policy

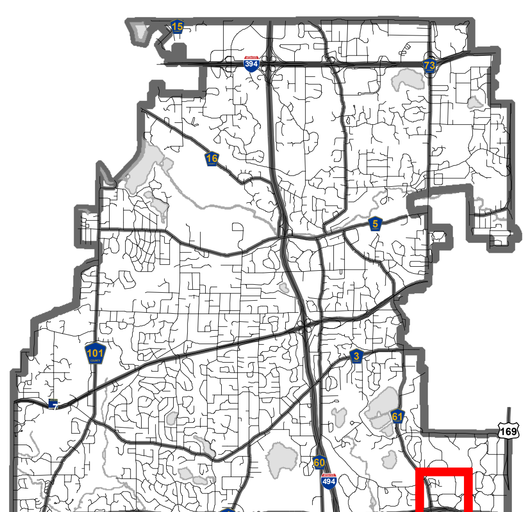
TIF Policy

History of Affordable Housing Production and Assistance

Opus Public Realm Design Guidelines

Location Map

Project: Shady Oak Office Center
Address: 10901 Red Cir Dr



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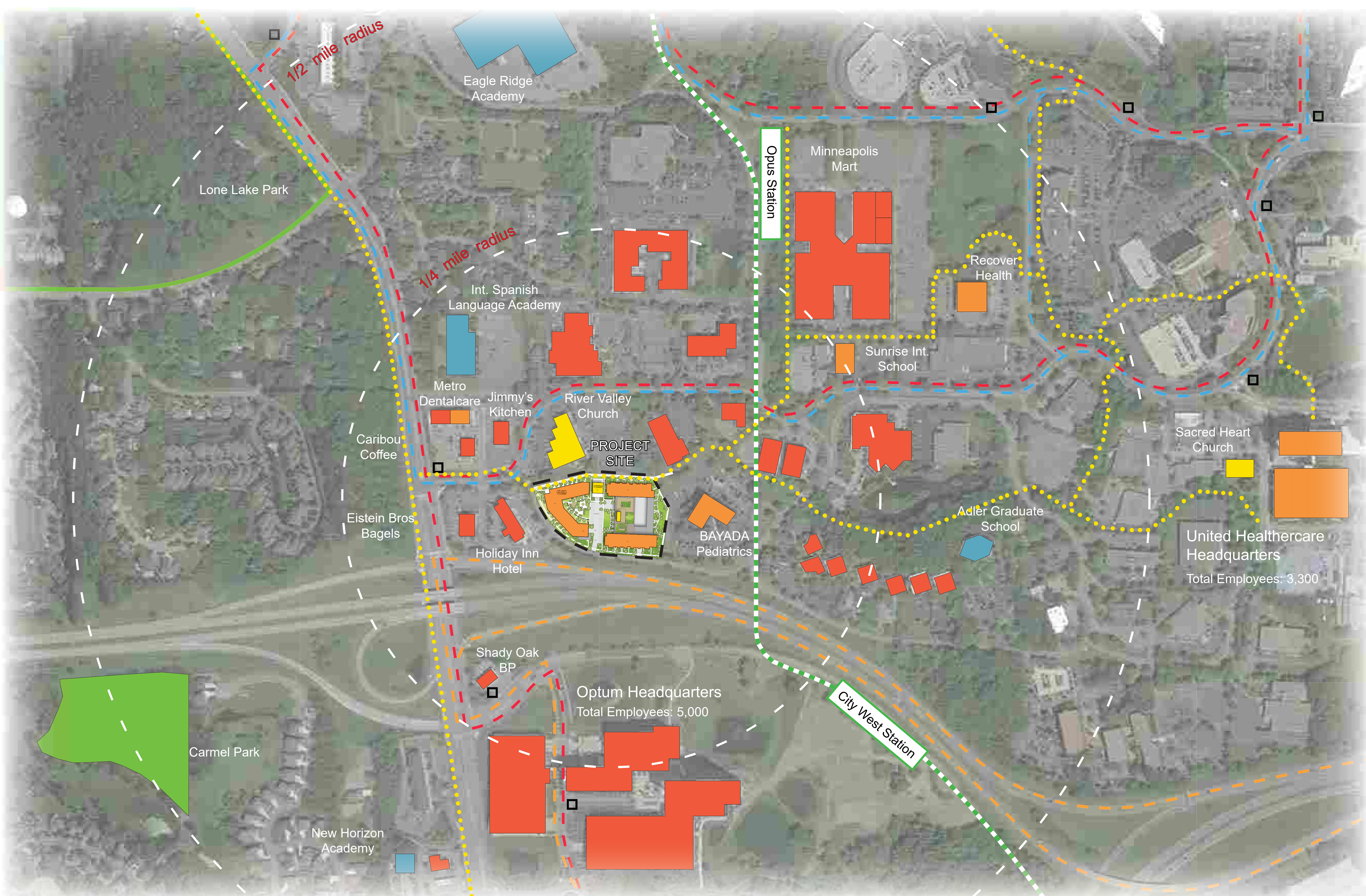

SHADY OAK

Minnetonka, MN

07.08.2020

- PLACE OF WORSHIP
  - River Valley Church
  - Sacred Heart Church
- SERVICES
  - United Healthcare
  - Recover Health
  - Sunrise International School
  - Metro Dentalcare
  - BAYADA Pediatrics
- EDUCATIONAL
  - Adler Graduate School
  - New Horizon Academy
  - Int. Spanish Language Academy
  - Eagle Ridge Academy
- RETAIL
  - Holiday Inn Hotel
  - Eistein Bros Bagels
  - Jimmy's Kitchen and Bar
  - Caribou Coffee
  - Shady Oak BP
  - Minneapolis Mart
  - Optum Headquarters
- PUBLIC PARKS
- PROPOSED GREEN LINE LRT
- BUS ROUTE 12
- BUS ROUTE 498
- BUS ROUTE 600
- BUS STOPS
- BIKE ROUTES

PUBLIC REALM CONTEXT PLAN

Collage | architects

WELLINGTON MANAGEMENT

SHADY OAK

Minnetonka, MN

07.08.2020

EXISTING SITE

NTS

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WELLINGTON MANAGEMENT

SHADY OAK

Minnetonka, MN

07.08.2020

1.

NORTHWEST VIEW FROM TRAILWAY

2.

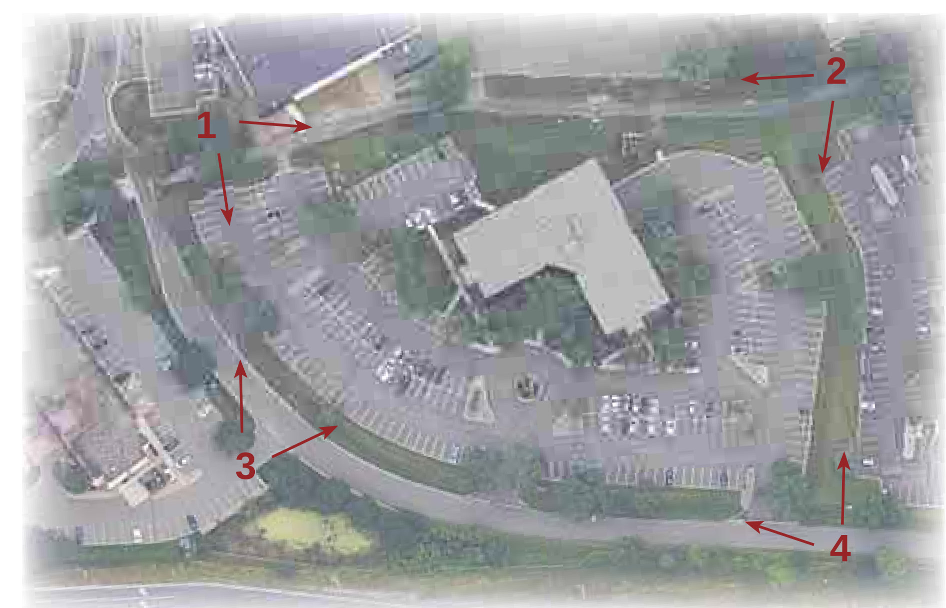
NORTHEAST VIEW FROM TRAILWAY

SOUTHWEST VIEW FROM RED CIRCLE DR

3.

SOUTHEAST VIEW FROM RED CIRCLE DR

4.



SITE CONDITIONS

NTS

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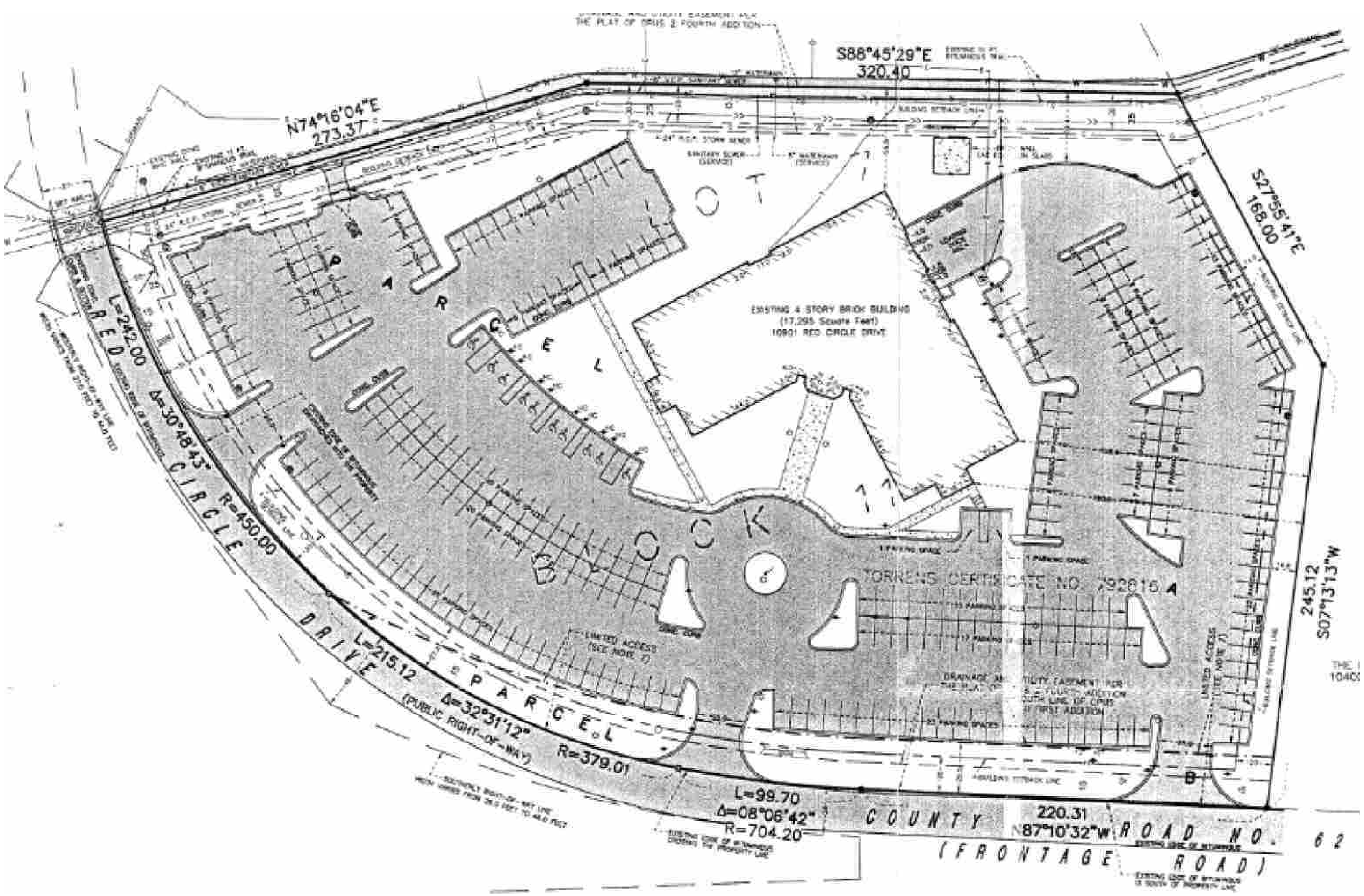
WELLINGTON MANAGEMENT



SHADY OAK

Minnetonka, MN

07.08.2020

0 8 16 32 64 ft

SURVEY PLAN

1/64" = 1'

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WELLINGTON MANAGEMENT

2 LEVELS UNDERGROUND WITH EXTENDED DECK OPTION

SHADY OAK

Minnetonka, MN

07.08.2020

Collage | architects

WELLINGTON
MANAGEMENT

EHLERS
PUBLIC FINANCE ADVISORS

MEMORANDUM

TO: Alisha Gray, Economic Development and Housing Manager
FROM: Keith Dahl and Stacie Kvilvang, Ehlers
DATE: September 10, 2020
SUBJECT: Wellington Redevelopment Project – Analysis of Financial Request

The City of Minnetonka received a request from Wellington Management (the "Developer") seeking financial assistance in the amount of $9.5 million of Tax Increment Financing (TIF). The Developer has proposed to construct a 250-unit apartment and 185-unit apartment building. The apartment buildings would consist of studio, 1, 2 and 3-bedroom units with 20% of the units affordable at 50% of the area median income (AMI). Construction would begin in the spring of 2021 with an anticipated total development cost of approximately $105 million (89.175 million taxable market value).

This memo has been prepared to conduct a review of the project, specifically the Developer's budget and pro forma based on general industry standards for construction, land acquisition, project costs, and return on investment; as well as to ensure that all development costs, revenues, and expenditures have been appropriately accounted for and considered.

Based on our review, the Developer's financial request is more than what is necessary for the project to be "financially feasible". **We've concluded that the project would only require $8 million in financial assistance; $5 million for the 250-unit apartment and $3 million for the 185-unit apartment.**

The tables below provide a synopsis of the proposed sources and uses for the projects.

250-Unit Apartment (Building A)

SOURCES	Amount	Pct.	Per Unit
First Mortgage	37,120,000	62%	148,480
TIF Note	5,000,000	8%	20,000
Equity	17,334,624	29%	69,338
Local Grants	800,000	1%	3,200
TOTAL SOURCES	**60,254,624**	**100%**	**241,018**

USES	Amount	Pct.	Per Unit
Acquisition Costs	4,600,000	8%	18,400
Construction Costs	46,259,306	77%	185,037
Professional Services	2,861,980	5%	11,448
Financing Costs	2,990,359	5%	11,961
Developer Fee	2,557,979	4%	10,232
Cash Accounts/Escrows/Reserves	985,000	2%	3,940
TOTAL USES	**60,254,624**	**100%**	**241,018**

185-Unit Apartment (Building B)

SOURCES	Amount	Pct.	Per Unit
First Mortgage	27,950,000	63%	151,081
TIF Note	3,000,000	7%	16,216
Equity	12,595,911	28%	68,086
Local Grants	750,000	2%	4,054
TOTAL SOURCES	**44,295,911**	**100%**	**239,437**

USES	Amount	Pct.	Per Unit
Acquisition Costs	3,400,000	8%	18,378
Construction Costs	33,915,189	77%	183,325
Professional Services	2,144,880	5%	11,594
Financing Costs	2,245,356	5%	12,137
Developer Fee	1,880,487	4%	10,165
Cash Accounts/Escrows/Reserves	710,000	2%	3,838
TOTAL USES	**44,295,912**	**100%**	**239,437**

Pro Forma Analysis

- The Developer proposes to finance the project with a mortgage that is 70% of the total development costs (First Mortgage plus the TIF Note amounts noted above). Based on current underwriting conditions, the Developer appears to be maximizing its amount of first mortgage debt. The Developer will bring roughly 28% and 29% of the total development cost as equity respectively for each building with the remaining balance covered by local grants. The proposed financing meets expectations for a project of this nature.

- The total development of Building A is $60,254,624, or $241,000 per unit as Building B is $44,295,912, or $239,000 per unit. For market rate rental projects like this one, we would anticipate total development costs would range between $225,000 and $275,000 per unit. Based on our review, we conclude the projected total development cost for this project is within an acceptable range.

- The developer fee of $4.4 million is 4% of total development costs. For projects requesting City assistance, we would expect to see a developer fee of no more than 3% to 5%. The proposed developer fee is acceptable.

- Proposed market rate rents range between $1,320 per month for a studio unit, to $2,565 per month for a 3-bedroom unit. On a per square foot basis, rents range between $1.83 to $2.30, averaging $2.07. Projected rents for recent suburban market rate rental projects are ranging between $1.80 and $2.25 per square foot depending on location, unit size and amenities. The proposed rents are within an acceptable range.

- The affordable rental rates range from $835 per month for a studio unit at 50% AMI to $1,244 per month for a three-bedroom unit at 50% AMI. These rates are net of utility costs per Minnetonka's affordable housing policy. All affordable rents are at or below the rent and income limits for affordable units as derived by the United States Department of Housing and Urban Development (HUD) on an annual basis. The rents noted in the table below are the 2020 maximum gross rent limits released on April 1, 2020.

Maximum Gross Rents by Bedroom Size	
Bedroom Size	**50% AMI**
Studio	$ 905
One Bedroom	$ 970
Two Bedrooom	$ 1,163
Three Bedroom	$ 1,344

- The Developer's total projected operating expenses (before management fees, property taxes, and replacement reserves) are $1,609,500 per year. This equates to $3,700 per housing unit per year. For a project of this nature, we would expect operating costs to range between $3,000 and $4,000 per unit per year. The proposed operating costs for the project are within industry standards.

- The proposed management fee is 3% of effective gross income (EGI) and reasonable for the product type. The typical range is between 3% to 5% of EGI. Replacement reserves are $250 per unit, which is below the typical range of $300 to $500 per unit per year.

Projected Return on Investment

As part of this analysis, we want to ensure that any public assistance in the project does not result in a return on investment greater than what is typical within the industry. Return on investment (ROI) is a performance measure used to evaluate development projects. There are a few common measures used, however the Developer is using an average annual Cash-on-Cost (COC) rate of return and its simply the net operating income of the project (before debt service) divided by the total development cost. Since the developer requested public financial assistance, it is necessary to ensure that the project does not result in a greater ROI than what is typically expected within the industry. For this project, we would expect a COC average annual return of 6%.

Based on current estimates, it would take approximately 14 years to repay the Developer's requested financial assistance for Building A and they would achieve a 6.4% average annual COC. Whereas, it would take approximately 11 years for Building B to repay the Developer's requested financial assistance and they would achieve a 6.2% average annual COC. These returns are slightly higher than the typical range for a project requesting City assistance and indicates a potential to reduce the amount of their requested financial assistance.

Recommendation

Based on our review of the Developer's pro forma and under current market conditions, the proposed developments may not reasonably be expected to occur solely through private investment within the reasonably near future. The cost associated with developing the site as market rate rental housing and the inclusion of affordable units at 50% AMI make the project feasible only through assistance, in part, from City contributions.

Based on our review, we conclude that TIF assistance in the amount of $8 million; $5 million for Building A over an anticipated term of 11 years and $3 million for Building B over an anticipated term of 9 years is supported for these projects. We'd recommend providing this assistance in the form of two (2) Pay-As-You-Go Notes at an interest rate of 3.85%, which is the developer's rate of financing, repayable from 90% of the available tax increment.

Please contact either of us at 651-697-8500 if you have questions or comments.

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.

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.

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

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

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

MINNETONKA HOUSING ACTION PLAN
FOR THE YEARS 2011-2020
METROPOLITAN LIVABLE COMMUNITIES ACT

Introduction

In 1995, the Minnesota Legislature created the Livable Communities Act (LCA) to address the affordable and life-cycle housing needs in the Twin Cities metropolitan area. When the LCA was established, Minnetonka was one of the communities to sign up to participate in the program, negotiating a series of affordable and lifecycle housing goals with the Metropolitan Council for 1996-2010.

In August 2010, the Minnetonka City Council passed a resolution electing to continue participating in the LCA for the years 2011-2020. As part of that resolution, the city agreed to the following affordable and lifecycle housing goals:

New Affordable Units (rental and ownership)	246 to 378
New Lifecycle Units	375 to 800

The purpose of this Housing Action Plan is to outline the steps and tools that the city may use between the years 2011-2020 to help meet its LCA goals.

Overview of Minnetonka Housing Trends

Development Conditions

Minnetonka is a desirable community in which to live. Its natural environment, good schools, and homes on large lots contribute to the attraction of Minnetonka as a great place to live, work and play. As such, the demand for these community attributes has led to increased home values that have risen to the point that most single-family homes, despite their age, are not affordable to low and moderate income families. Land values, in particular, have increased substantially, making it difficult for developers to build affordable and mid-priced single-family homes.

Additionally, Minnetonka is a fully developed city with little vacant or underdeveloped land available for new housing development. With the combination of increasing land values and little developable land, most of the affordable homes in the community are rental units and for-sale condominiums and townhomes.

Aging of the Population

One of the biggest demographic shifts affecting this nation is the aging of the “baby boomer” generation (the large generation of people born between 1946 and 1964). This trend is already apparent in Minnetonka, where the median age in 2007 was 52 years old and 44% of the households were age 55 and older. As the population continues to age, housing location, types, and proximity to public transit or transit alternatives will become increasingly important.

Preservation and Rehabilitation of the Existing Housing Stock

Much of Minnetonka's single-family housing stock was built between 1950 and 1970 while most multi-family housing was built in the 1970s and 1980s. As the housing stock continues to age, additional maintenance and repairs will be needed in order to keep homes in adequate condition and to preserve neighborhood character. Older homes may need to be updated in order to attract younger families to the community. Also, as both Minnetonka's population and housing age, older residents may require increased support through funding and in-kind service programs that will help them to maintain and make necessary repairs to ensure that their homes are safe, accessible, energy efficient, and habitable.

While not all older homes are affordable, older homes tend to be the more affordable housing stock in Minnetonka. The preservation of these homes is critical to providing homeownership opportunities for those who could normally not afford to live in the community.

Current Housing Conditions

In 2007, there were approximately 22,500 housing units in Minnetonka, of which 76.6% are owner-occupied. The housing stock includes a mix of the following types:

- 57% single-family
- 20% condominium/townhome
- 18% general-occupancy rental
- 5% senior (including independent and assisted living facilities)

Land values in Minnetonka continue to greatly influence the cost of housing. In Minnetonka, land accounts for about one-third of a home's total value, thus making up a large proportion of the home value. For a single-family home, the median value is $326,850, with only about 1% of the single-family homes valued under $200,000. The median value of Minnetonka's multi-family for-sale homes (i.e. condominiums and townhomes) in 2007 was $200,000. Multi-family homes contribute to the bulk of the city's affordable for-sale housing stock because they are generally more affordable than Minnetonka's single-family detached homes.

The average monthly rents at Minnetonka's market-rate multi-family apartments are much higher than other market-rate apartments in the metropolitan area. In the 1st Quarter 2007, Minnetonka's average apartment rents were $1,106 compared to the metropolitan area's average apartment rental rate of $876. Additionally, only about 20% of Minnetonka rental units are considered affordable under the Metropolitan Council's definition.

Housing Goals

In addition to the city's agreement to add new affordable and lifecycle housing units as set out in the 2011-2020 affordable and lifecycle housing goals with the Metropolitan Council, the city's 2008 Comprehensive Plan update also provides a series of housing goals that the city will be working towards achieving. These goals include:

1. Preserve existing owner-occupied housing stock.
2. Add new development through infill and redevelopment opportunities.
3. Encourage rehabilitation and affordability of existing rental housing and encourage new rental housing with affordability where possible.
4. Work to increase and diversify senior housing options.
5. Continue working towards adding affordable housing and maintaining its affordability.
6. Link housing with jobs, transit and support services.

More details on these goals as well as action steps are provided in the 2008 City of Minnetonka Comprehensive Plan Update.

Tools and Implementation Efforts to Provide Affordable and Lifecycle Housing

Housing Assistance Programs

The purpose of housing assistance programs is to provide renters or homeowners help in obtaining a housing unit. These programs can be federal, state, or local programs. For the years 2011-2020, Minnetonka anticipates the following programs will be available to Minnetonka residents.

<u>Section 8 Voucher Program</u>
The Section 8 Voucher Program is funded by the U.S. Department of Housing and Urban Development (HUD), and administered by the Metro HRA on behalf of the city. The program provides vouchers to low income households wishing to rent existing housing units. The number of people anticipated to be served depends on the number of voucher holders wishing to locate in Minnetonka as well as the number of landlords wishing to accept the vouchers.

<u>Shelter Plus Care</u>
The Shelter Plus Care program is another federal program administered by the Metropolitan Council and sometimes the City of St. Louis Park. This program provides rental assistance and support services to those who are homeless with disabilities. There are a small number of these units (less than 10) in the city currently, and it is unlikely there will be any more added.

<u>Minnesota Housing Finance Agency Programs</u>
The Minnesota Housing Finance Agency (MHFA) offers the Minnesota Mortgage Program and the Homeownership Assistance Fund for people wishing to purchase a

home in Minnetonka. The Minnesota Mortgage Program offers a below market rate home mortgage option, while the Homeownership Assistance Fund provides downpayment and closing cost assistance. It is unknown how many people are likely to use these services as it seems to depend on what the market conditions are.

Homes Within Reach

Homes Within Reach, the local non-profit community land trust, acquires both new construction and existing properties for their program to provide affordable housing in the city. Using a ground lease, it allows the land to be owned by Homes Within Reach and ensures long-term affordability. Additionally, if rehabilitation is needed on a home, Homes Within Reach will rehabilitate the home before selling the property to a qualified buyer (at or less than 80% area median income). It is anticipated that approximately three to five homes per year will be acquired in Minnetonka as part of this program.

City of Minnetonka First Time Homebuyer Assistance Program

In 2010, the city levied for funds to begin a first time homebuyer assistance program. The program is anticipated to begin in 2011. General program details include funds for downpayment and closing costs of up to $10,000, which would be structured as a 30 year loan and available to those at incomes up to 115% of area median income or those that can afford up to a $300,000 loan. The number of households to be assisted depends on the amount of funding available for the program. Currently, this program is anticipated to be funded with HRA levy funds.

Employer Assisted Housing

Through employer assisted housing initiatives, Minnetonka employers can help provide their employees with affordable rental or home ownership opportunities. There are several options that employers can use to both increase the supply of affordable housing, as well as to provide their employees with direct assistance by:

- Providing direct down payment and closing cost assistance
- Providing secondary gap financing
- Providing rent subsidies

No employer assisted housing programs have been set up to date; however, it is a tool that the city has identified in the past as an opportunity for those who work in Minnetonka to live in Minnetonka.

Housing Development Programs

Housing development programs provide tools in the construction of new affordable housing units—both for owner-occupied units as well as rental units.

Public Housing

There are currently 10 public housing units, located in two rental communities, which offer affordable housing options for renters at incomes less than 30% of area median income. The Metropolitan Council and Minneapolis Public Housing Authority administer the public housing program on behalf of the city. It is not anticipated that more public housing units will be added to the city.

HOME Program

HOME funds are provided through Hennepin County through a competitive application process. The city regularly supports applications by private and non-profit developers that wish to apply for such funds. Homes Within Reach has been successful in the past in obtaining HOME funds for work in Minnetonka and suburban Hennepin County.

Other Federal Programs

The city does not submit applications for other federal funding programs such as Section 202 for the elderly or Section 811 for the handicapped. However, the city will provide a letter of support for applications to these programs.

Minnesota Housing Finance Agency Programs

The Minnesota Housing Finance Agency (MHFA) offers a variety of financing programs, mainly for the development of affordable rental housing. Similar to federal programs, the city does not usually submit applications directly to MHFA; however, it will provide letters of support for applications to the programs.

Metropolitan Council Programs

The Metropolitan Council, through participation in the LCA, offers the Local Housing Incentives Account and Livable Communities Demonstration Account programs to add to the city's affordable housing stock. Over the past 15 years, the city has received nearly $2 million in funds from these programs, and will continue to seek funding for projects that fit into the criterion of the programs.

Twin Cities Habitat for Humanity

The Twin Cities Habitat for Humanity chapter has had a presence in Minnetonka in the past, completing four affordable housing units. At this time there are no projects planned for Minnetonka, as land prices make it significantly challenging unless the land is donated. The city is willing to consider projects with Habitat for Humanity in the future to assist those with incomes at or below 50% of area median income.

Tax Increment Financing

Minnetonka has used tax increment financing (TIF) to offset costs to developers of providing affordable housing in their development projects. The city will continue to use TIF financing, as permitted by law, to encourage affordable housing opportunities. Unless the state statutes provide for a stricter income and rental limit, the city uses the Metropolitan Council's definition of affordable for housing units.

Housing Revenue Bonds

The City has used housing revenue bonds for eight rental projects since 1985. Housing revenue bonds provide tax exempt financing for multi-family rental housing. The bond program requires that 20 percent of the units have affordable rents to low and moderate income persons. The city will continue to use housing revenue bonds for projects that meet housing goals and provide affordable units meeting the Metropolitan Council's guidelines.

<u>Housing and Redevelopment Authority (HRA) Levy</u>
By law, the city's Economic Development Authority (EDA) has both the powers of an economic development authority and a housing and redevelopment authority (HRA). It can use these powers to levy taxes to provide funding for HRA activities, including housing and redevelopment. The city first passed an HRA levy in 2009 to support Homes Within Reach, and now uses the funds to support its own housing rehabilitation and homeownership activities for those at 100-115% of area median income.

<u>Community Development Block Grant (CDBG) funds</u>
CDBG funds are allocated to the city by HUD each year. Based upon the needs, priorities, and benefits to the community, CDBG activities are developed and the division of funding is determined at a local level. CDBG funds are available to help fund affordable housing.

<u>Livable Communities Fund</u>
In 1997, special legislation was approved allowing the City to use funds remaining from Housing TIF District No. 1 for affordable housing and Livable Communities Act purposes. The city can use these funds to help achieve its affordable housing goals.

Housing Maintenance and Rehabilitation

As the city's housing stock continues to age, a number of programs are already in place to help keep up the properties.

<u>Minnesota Housing Finance Agency Programs--Rental</u>
The Minnesota Housing Finance Agency (MHFA) offers a variety of financing programs, for the rehabilitation of affordable rental housing. The city does not submit applications for these programs as the city does not own any rental housing; however, it will provide letters of support for those wishing to apply.

<u>Minnesota Fix-up Fund</u>
The Minnesota Housing Fix-Up Fund allows homeowners to make energy efficiency, and accessibility improvements through a low-interest loan. Funded by MHFA, and administered by the Center for Energy and Environment, the program is available to those at about 100% of area median income.

<u>Community Fix-up Fund</u>
The Community Fix-Up Fund, offered through Minnesota Housing, is similar to the Fix-Up Fund, but eligibility is targeted with certain criteria. In the city, Community Fix-Up Fund loans are available to Homes Within Reach homeowners, since community land trust properties cannot access the Fix-Up Fund due to the ground lease associated with their property.

Home Energy Loan

The Center for Energy and Environment offer a home energy loan for any resident, regardless of income, wishing to make energy efficiency improvements on their home.

Emergency Repair Loan

Established in 2005, the City's Emergency Repair Loan program provides a deferred loan without interest or monthly payments for qualifying households to make emergency repairs to their home. The amount of the loan is repaid only if the homeowner sells their home, transfers or conveys title, or moves from the property within 10 years of receiving the loan. After 10 years, the loan is completely forgiven. This loan is funded through the City's federal Community Development Block Grant (CDBG) funds in order to preserve the more affordable single-family housing stock by providing needed maintenance and energy efficiency improvements. The program is available to households with incomes at or below 80% of area median income. On average, 10 to 15 loans are completed each year.

City of Minnetonka Home Renovation Program

In 2010, the city levied for funds to begin a home renovation program. The program is anticipated to begin in 2011. This program would be similar to the existing federal community development block program (CDBG) rehabilitation program. The challenge with CDBG funding involves the maximum qualifying household income of 80% of AMI, Use of HRA funds, would allow the City of Minnetonka Home Renovation Program more flexibility to include households up to 115% AMI, which equates to 82% of all Minnetonka households. The program would be geared toward maintenance, green related investments and mechanical improvements. Low interest loans would be offered up to $7,500 with a five year term.

H.O.M.E. program

The H.O.M.E. program is a homemaker and maintenance program that is designed to assist the elderly. The H.O.M.E. program assists those who are age 60 and older, or those with disabilities with such services as: house cleaning, food preparation, grocery shopping, window washing, lawn care, and other maintenance and homemaker services. Anyone meeting the age limits can participate; however, fees are based on a sliding fee scale. Nearly 100 residents per year are served by this program.

Home Remodeling Fair

For the past 17 years, the city has been a participant in a home remodeling fair with other local communities. All residents are invited to attend this one day event to talk to over 100 contractors about their remodeling or rehabilitation needs. Additionally, each city has a booth to discuss various programs that are available for residents. Approximately 1,200 to 1,500 residents attend each year.

Local Official Controls and Approvals

The city recognizes that there are many land use and zoning tools that can be utilized to increase the supply of affordable housing and decrease development costs. However, with less than two percent of the land currently vacant in the city, most new projects will be in the form of redevelopment or development of under-utilized land. New infill development and redevelopment is typically categorized as a planned unit development (PUD), which is given great flexibility under the current zoning ordinance.

<u>Density Bonus</u>
Residential projects have the opportunity to be developed at the higher end of the density range within a given land use designation. For example, a developer proposing a market rate townhouse development for six units/acre on a site guided for mid-density (4.1-12 units/acre) could work with city staff to see if higher density housing, such as eight units/acre, would work just as well on the site as six units/acre. This is done on a case by case basis rather than as a mandatory requirement, based on individual site constraints.

<u>Planned Unit Developments</u>
The use of cluster-design site planning and zero-lot-line approaches, within a planned unit development, may enable more affordable townhome or single-family cluster developments to be built. Setback requirements, street width design, and parking requirements that allow for more dense development, without sacrificing the quality of the development or adversely impacting surrounding uses, can be considered when the development review process is underway.

<u>Mixed Use</u>
Mixed-use developments that include two or more different uses such as residential, commercial, office, and manufacturing or with residential uses of different densities provide potential for the inclusion of affordable housing opportunities.

<u>Transit Oriented Development (TOD)</u>
TOD can be used to build more compact development (residential and commercial) within easy walking distance (typically a half mile) of public transit stations and stops. TODs generally contain a mix of uses such as housing, retail, office, restaurants, and entertainment. TODs provides households of all ages and incomes with more affordable transportation and housing choices (such as townhomes, apartments, live-work spaces, and lofts) as well as convenience to goods and services.

Authority for Providing Housing Programs

The City of Minnetonka has the legal authority to implement housing-related programs, as set out by state law, through its Economic Development Authority (EDA). The EDA was formed in 1988; however, prior to that time, the city had a Housing and Redevelopment Authority (HRA).

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
Wellington Management	**137**	**298**	**$9.5 million (requested)**	**30**	**$2,311**	**50% AMI**
United Properties (The Pointe)	19	167	$400,000	30	$701	9@ 50% AMI, 9@ 60% AMI
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 Crossing	23	52	$1,900,000	30	$2,753	60%AMI
West Ridge Market (Crown Ridge, Boulevard Gardens, Gables, West Ridge)	185	0	$8,514,000	30	$1,534	*Crown Ridge* —60% AMI Boulevard Gardens—60% AMI Gables—initially 80% AMI, now no income limit West Ridge—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 (Overlook)	20	80	$2,283,000	30	$3,805	50% AMI
At Home (Rowland)The Chase at 9 Mile	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 (Birke)	35 (20% of units)	175	$4,800,000	30	$4,571	50% AMI

updated 9/11/2020

EDAC Agenda Item #5
Meeting of Sept. 17, 2020

Brief Description	2021 Preliminary Budget
Recommendation	Review the 2021 budget information and provide feedback

Overview

Each year the city is required to prepare a budget for the upcoming year. In addition to the general fund, which contains budgets for such things as public safety and general government activities, budgets are prepared for other accounts, such as development and other special purpose funds. It is the EDAC's responsibility to provide recommendations to the city council/EDA on:

- Development account—a fund for redevelopment and economic development activities
- Livable Communities account—a fund for affordable housing and directly-related public improvements
- Community Development Block Grant fund—federal funds the city receives for community development activities, which must meet national objectives
- HRA Levy—a mechanism to fund economic development and housing activities

The 2020 adopted budget pages and detailed information for these accounts are attached to the report.

Economic Improvement Program (EIP)

The city council adopted the 2021-2030 EIP on July 27, 2020. The EIP's purpose is to provide information on all economic development programs, their intent, key measures, and budget impacts over a five year (or more) timeline. Below are highlights from the EIP that will be included in the budget pages, which the EDAC will review and make recommendations on for city council consideration.

Development Account (for 2021-2025 EIP budget)

- Economic Development Activities—This line item encompasses the Open to Business fee of $15,000. Since 2011, the city has received grants from Hennepin County to pay for half of the city's costs related to this service. This is not expected to continue indefinitely, and the full $15,000 is included for 2020.

- The EIP shows a continuation of the city's GreaterMSP membership at a fee of $25,000. The city became a member in 2013.

- Pre-development activities are reflected in the "other" category. These funds provide upfront analysis on things such as TIF/tax abatement research, design assistance, and geotechnical data to inform the city on potential development projects. The EIP budgets this activity at $75,000.

- Expenditures of $9,600,000 noted for pass-through grants such as the Department of Employment and Economic Development (DEED), Hennepin County, and the Metropolitan Council. The city is often the grantee for funding through these agencies and is responsible for distributing the funds to developer or project.

Livable Communities Account (for 2021-2025 EIP budget)

- In 2012-2013, an EDAC subcommittee met and recommended that the city council consider phasing out the larger funding for HWR beginning in 2020. The recommendation stated that beginning in 2020, HWR's funding should be reduced to $25,000 to assist with ongoing administrative costs to continue the organization. This recommendation was also provided by the EDAC at its March 22, 2014 meeting. A summary of the materials from the four 2012-2013 EDAC subcommittee meetings and the minutes from the March 13, 2014 meeting is included in the link to the July 27, 2020 City Council meeting packet.

- On March 14, 2019, EDAC commissioners suggested adding information on the history of HWR to the EIP. Generally, commissioners supported continuing to look for opportunities to fund the organization. Staff attached the following information to the report:
    - History of City Contributions to Homes Within Reach
    - Homes Within Reach Properties

- In 2019, the city council reallocated $125,000 from the HRA funded housing loan programs to HWR and approved an additional contribution of $25,000 through the HRA levy to assist with ongoing program administration.

- The 2021-2025 EIP does not contemplate additional funding for HWR in 2021, given that HWR received two years' worth of program administration allocation in the 2020 budget. It does recommend funding of $125,000 in 2022-2025 through the HRA Levy.
    - On Sept 14, 2020, the city council will discuss Homes Within Reach at the Housing Study Session.

Community Development Block Grant (CDBG) (for 2021-2030 EIP budget)

Community Development Block Grant (CDBG) program administration switched to Hennepin County on July 1, 2018. Changes to the program include:

- Entitlement Funds (Prior to July 1, 2018)
    - Cash balance of existing funds is $254,417
    - Program Income of approximately $35,000 per year is generated from loan repayments.
        - CARES Act legislation may open up additional options for the use of these funds for COVID-19 related relief efforts.
        - On Sept 14, 2020, the city council will discuss the possibility of utilizing some of this fund balance for rehabilitation of homes in the Homes Within Reach Program, at the study session.
- CDBG Consortium (July 1, 2018, to Present)
    - Funds no longer flow through the city and are not included in the pages sources/expenditures section. The estimated award for 2020 is $132,614.

- Administration
  - The county receives 13%-15% to administer the CDBG portfolio (reporting, intake of Small Projects Program (SPP) clients, fair housing, monitoring, environmental review, processing applications, processing subordination, and payoff requests, submitting annual Consolidated Annual Performance Evaluation Report (CAPER), and other reports to the Department of Housing and Urban Development (HUD).
- CDBG Housing Rehabilitation Program
  - The county started administering the program beginning in July 2018.
  - There is a maximum loan amount of $15,000.
    - Allows greater investment in properties vs. minor repairs
    - Costs for improvements had significantly risen since 2005 when the $5,000 maximum was established.
    - Easier to meet the annual spend-down requirement.
    - The county has an online application; and can mail an application to residents that prefer a paper copy. City staff can assist residents who want to meet at city hall.
  - The sources/uses for this year assume program income from loan repayment following the end of the federal funding. We see an increase in the repayment of loans (there are 207 outstanding loans) due to an increase in home sales and the number of outstanding loans.
  - Program income is reinvested back into the program to provide additional loans.
- Fair Housing
  - The city will remain involved in Fair Housing activities; however, the county will be responsible for coordinating these efforts on behalf of the city.
- Public Services
  - Agencies now apply for funding through a coordinated Request for Proposal (RFP) process through the county. In 2020, all of the previously funded Minnetonka agencies applied and were recommended for funding that exceeded previous Minnetonka allocations as an entitlement community.

HRA Levy (for 2020-2029 EIP budget)

An HRA levy is a mechanism commonly used by many communities to undertake housing and redevelopment activities. State law limits such levies, and the maximum rate is .0185 percent of the previous year's estimated market value. This equals approximately $1.8 million in Minnetonka in 2020.

The first levy for housing and redevelopment began in 2009. The table below shows the history of the amounts and the uses of the HRA levy.

Year	Amount/Rate	Use
2009	$100,000 .001171%	Homes Within Reach
2010	$175,000	•Village Center Master Planning ($75,000)

	.002121%	•Housing programs ($100,000)
2011	$175,000 .002233%	•Village Center Master Planning ($85,000) •Housing programs ($90,000)
2012	$175,000 .002233%	•Village Center Master Planning ($75,000) •Housing programs ($100,000)
2013	$175,000 .002324%	•Village Center Master Planning ($75,000) •Housing programs ($100,000)
2014	$175,000 .002330%	•Marketing ($75,000) •Livable Communities Fund ($100,000)
2015	$175,000 .002196%	•Marketing ($75,000) •Village Center Master Planning ($100,000)
2016	$175,000 .002126%	•SWLRT ($75,000) •Housing Programs ($75,000) •Business Outreach ($25,000)
2017	$175,000 .002187%	•SWLRT ($75,000) •Housing Programs ($100,000)
2018	$250,000 .00251%	•SWLRT ($75,000) •Housing Programs ($75,000) •Homes Within Reach ($100,000)
2019	$300,000 .00309%	SWLRT ($75,000) Housing Programs ($100,000) Homes Within Reach ($100,000) Business Outreach ($25,000)
2020	$225,000 .00125%	SWLRT ($75,000) Homes Within Reach ($25,000) Housing Loans ($100,000) Business Outreach (25,000)

Housing Programs

In June 2011, two new housing loan programs began—the Welcome to Minnetonka first time homebuyer program and the Minnetonka Home Enhancement housing rehab program. The council has committed a total of $840,000 to the programs since program inception. These loan programs have been set up, so they eventually become self-sustaining through loan repayments; however, with the low-interest rates for both programs, this will take several years. As shown below, there has been a significant increase in interest in the program, as well as loans closed, over the past year.

Welcome to Minnetonka and Minnetonka Home Enhancement

- On Jan.1, 2018, the Center for Energy and Environment began administrating these programs.
- At the Mar. 14, 2019, EDAC meeting, commissioners recommended amending the Welcome to Minnetonka program to provide up to $15,000 as a deferred loan.
- In 2020, the city council approved the reallocation of $225,000 of existing fund balance from these programs to assist businesses impacted by COVID-19, with emergency forgivable loans.

- There is a current fund balance of approximately $440,298 for these programs with 10 applications currently in process (this assumes the repayment of business assistance through CARES funding).
- The average loan amount for the Welcome to Minnetonka Program is $8,327; the Minnetonka Home Enhancement average loan amount is $13,084.
- The city average roughly $40,000 in loan repayments each year.

Program fund balances

The program fund balance through August 2020 is shown below, with detail under each of the revenues and expenditures. The loan repayment, which is the amount that has been repaid through the monthly payment of the closed loans, is approximate.

Revenues for loan programs	
2010 HRA Levy	$100,000
2011 HRA Levy	$90,000
2012 HRA Levy	$100,000
2013 HRA Levy	$100,000
2014 HRA Levy	$0
2014 HRA Levy	$0
2016 HRA Levy	$75,000
2017 HRA Levy	$100,000
2018 HRA Levy	$75,000
2019 HRA Levy	$100,000
2020 HRA Levy	$100,000
Loan repayments	$289,492
Total	$1,129,492

Expenditures for loan programs		
Welcome to Minnetonka	17 Loans	$133,284
Minnetonka Home Enhancement	30 Loans	$375,987
Admin (approx.)		$54,923
Homes Within Reach Transfer (2020)		$125,000
Total		$689,194
Available Balance (approx.)		$440,298

Approximately 29 new loans can be made with the balance that was available on Aug. 1, 2020. Based upon current interest in the two programs, it is anticipated that the funds will be exhausted by 2025. Staff is recommending adding additional funding for the program in 2020. Additionally, interest and loan repayments are rolled back into the program to ensure long-term program sustainability. Over the life of the program, the city has received $289,492 in revenue from loan repayments and interest.

Loan repayments based upon the current outstanding loans will total approximately $40,000 each year, which is enough for an additional two to three loans per year. In a self-sustaining analysis, if $100,000 is loaned annually, it will take approximately five more years before programs are self-sustaining. It should be noted that with the loan paybacks increasing each year, fewer levy funds need to be provided for each of those five years. Staff conducts this self-sustaining analysis on an annual basis during the budget review. The adopted EIP for 2021-2025 recommends $100,000 for these programs in 2021.

Homes within Reach (WHAHLT)

- The 2021-2025 EIP does not contemplate additional funding for HWR in 2021, given that HWR received two years' worth of program administration allocation in the 2020 budget. It does recommend funding of $125,000 in 2022-2025 through the HRA Levy.

- On Sept 14, 2020, the city council will discuss Homes Within Reach at the Housing Study Session

Emergency Housing Assistance

On April 20, the city council approved funding for an emergency rental assistance program to assist Minnetonka residents impacted by COVID-19. To establish the program, the city approved a temporary ordinance that allows the city to set up a housing trust fund for this purpose. The city dedicated $150,000 of the existing fund balance from the Development Fund. This amount represented the balance of conduit bond administrative fees city collected by the city, which are available for this purpose and not committed to other programming.

- The 2021-2025 EIP recommends that the council consider establishing a permanent AHTF to allow the city to continue these efforts.
- Additionally, the 2021-2025 recommends a contribution of $50,000 through the HRA levy to continue housing assistance in 2021.

Business

There is a fund balance of $64,445 to assist with business outreach. Staff dedicated a portion of these funds to distribute a bi-annual business newsletter to engage the business community. This effort supports business retention and expansion in the community. The inaugural edition of the Thrive Newsletter was distributed in July 2018 and staff anticipates two to three publications a year in future years. Online subscribers to business related content through the city has grown to 680 recipients since January 2019.

In 2019 staff also began meeting face to face with business owners. Prior to COVID-19, staff was able to make it out and conduct eight site visits. Outreach work continues primarily through virtual means and staff has been vigilant in keeping businesses informed on COVID related issues.

Additionally, staff is working on putting together a business resource brochure to be used when meeting with businesses and developers. The adopted EIP for 2021-2025 recommends funding of $25,000 to continue expanding business outreach efforts.

Emergency Business Assistance

On April 6, the city council approved funding for an emergency forgivable loan program to assist eligible small businesses impacted by the COVID-19 pandemic. The city utilized $225,000 of the existing fund balance of the HRA levy to provide up to $7,500 for eligible expense.

- The 2021-2025 EIP recommends a one-time contribution of $50,000 through the HRA levy to provided continued business support in 2021 for businesses impacted by COVID-19.
- The CARES funding will reimburse the city for the initial $225,000 that was committed to this effort in 2020.

Southwest LRT

In July 2015, the city council committed $2 million towards the SWLRT project. This is being partially funded through the Special Assessment Construction Fund. Partial payment and payback will occur from the HRA levy funds over 10 years for a total of $750,000. The EIP indicated a cost of $75,000 per year to be funded through the HRA levy for 2021-2025.

Recommendation for HRA Levy funding in 2021-2025 EIP

($ thousands)	2021 EIP Recommendation	Sept 17. – EDAC Recommendation
SW Light Rail	$75	
Homes Within Reach	$0	
Housing Loans	$100	
Business Outreach	$25	
Emergency Business Assistance	$50	
Emergency Housing Assistance	$50	
Total recommended HRA Levy	***$300***	

Recommendation

The EDAC is asked to provide feedback and recommendations on the following question in preparation for the development of the 2021 preliminary budget.

- *Are there items/projects not currently included in the budget that should be reflected?*

The next steps for the 2020 budget review process for the 2021 budget are as follows:

Aug. 24—City Council study session on preliminary budget
Sept. 21—City Council sets maximum preliminary tax and HRA levies
Nov. 30—City Council study session on final budget
Dec. 7—Public hearing and adopt final 2021 budget and tax levy
Dec. 30 – Final 2021 levies certified to Hennepin County

Originated by:
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Alisha Gray, EDFP, Economic Development and Housing Manager
Rob Hanson, EDFP, Economic Development Coordinator

Supplemental information

2020 Adopted Budget Excerpts

2021-2025 EIP Budget Excerpts

City Council Meeting – July 27, 2020 (2021-2025 EIP)
- Minutes

DEVELOPMENT FUND - Community Development Department

Revenues	2017 Actual	2018 Actual	2019 Budget	2019 Revised	2020 Budget
Interest Income	$ 23,317	$ 49,712	$ 20,000	$ 50,000	$ 45,000
TIF-related Levy Proceeds	200,000	200,000	250,000	250,000	250,000
Other Grants	-	-	4,200,000	-	2,477,500
TIF Admin Revenue	129,446	192,620	150,000	200,000	150,000
Cedar Ridge Assessments	52,370	53,898	50,000	52,000	50,000
Miscellaneous Income	61,483	293,055	50,000	50,000	50,000
Transfers In	502,588	7,000	30,000	30,000	1,159,251
Totals	*$ 969,204*	*$ 796,285*	*$ 4,750,000*	*$ 632,000*	*$ 4,181,751*
Expenditures by Category					
Redevelopment Projects	130,125	193,701	125,000	125,000	125,000
Transit Projects/Programs	-	-	-	-	-
Economic Development Programs	25,000	-	40,000	36,000	40,000
Transfer to SACF	197,266	197,266	197,300	197,300	-
Other	-	-	4,200,000	-	2,477,500
Transfer Out, Indirect Costs	61,200	63,500	65,400	65,400	66,500
Totals	*$ 413,591*	*$ 454,467*	*$ 4,627,700*	*$ 423,700*	*$ 2,709,000*
Surplus (Deficiency) of Revenues over Expenditures	555,613	341,818	122,300	208,300	1,472,751
Beginning Fund Balance	*2,951,226*	*3,506,839*	*3,848,657*	*3,848,657*	*4,056,957*
Ending Fund Balance	*$ 3,506,839*	*$ 3,848,657*	*$ 3,970,957*	*$ 4,056,957*	*$ 5,529,708*

Number of Employees (FTEs)

Description of Services:

The Development Fund was created with funds remaining after retiring the bonds of a single Tax Increment Finance (TIF) district in 1993. Under provisions of the TIF contract and law, the Development Fund may only be used for costs associated with Minnetonka's redevelopment and economic development activities. The city's Economic Development Authority initiates projects appropriate to these activities.

Key Measures:	2017 Actual	2018 Actual	2019 Estimated	2020 Projected
Development/redevelopment projects in progress	11	14	16	20
Predevelopment contacts	15	12	10	10

Budget Comments/Issues:

In 2020, the city will continue conducting the public process for potential redevelopment of city owned property at Highway 101/Covington in order to inform the city as to the direction for developing the property.

- 2020 revenue to the Development Fund includes additional dollars, which is a temporary funding stream of returned tax increment proceeds from Boulevard Gardens Tax Increment Finance (TIF) District. The annual amount has increased due to improved market values of the district and is scheduled to continue through the life of the district ending 2021.
- The 2020 budget does not include any additional funding for loan repayment to be paid to the Special Assessment Construction Fund for the Shady Oak Road / Oak Drive Lane project, because the plan includes selling the property in 2019 or 2020 to fully repay the special assessment loan. Transfer in is the anticipated net proceeds on the property sale.
- In 2012, the city approved establishment of the Cedar Ridge Housing Improvement Area (HIA). Revenues to offset these costs that were incurred in 2012 and 2013 will be realized over time through special assessments to the property owners. Income for 2020 is expected to be approximately $50,000.
- Expenditures under Economic Development Programs are used to fund the Open to Business program, which is administered by a third-party contractor. Also included is the city's GreaterMSP membership costs.
- $2.48 million of Other Grant dollars includes various Met Council, DEED and Hennepin County redevelopment and business development related grants that are passed through the city as revenues and subsequent expenditures.

NOTE: The following budget will reflect the Minnetonka Economic Development Authority (EDA) final adopted Housing and Redevelopment Authority (HRA) tax levy. The HRA tax levy is not legally a statutory levy of the City of Minnetonka.

HOUSING & REDEVELOPMENT AUTHORITY FUND

Revenues	2017 Actual	2018 Actual	2019 Budget	2019 Revised	2020 Budget
Ad Valorem Tax Levy	$ 171,735	$ 247,728	$ 300,000	$ 300,000	$ 225,000
Miscellaneous Revenue	915	-	15,000	20,000	30,000
Investment Interest	4,516	14,887	3,000	10,000	10,000
Totals	$ 177,166	$ 262,615	$ 318,000	$ 330,000	$ 265,000
Expenditures by Category					
WHAHLT (Tsf Mtka Liv Commty Fd)	-	100,000	100,000	100,000	150,000
Village Center Master Planning	-	-	-	-	-
SWLRT	-	100,000	75,000	75,000	75,000
Housing Programs	(511)	8,060	150,000	150,000	150,000
Business Program	-	-	-	3,000	3,000
Totals	*$ (511)*	*$ 208,060*	*$ 325,000*	*$ 328,000*	*$ 378,000*
Surplus (Deficiency) of Revenues over Expenditures	177,677	54,555	(7,000)	2,000	(113,000)
Reserve for Delayed Projects	-	-		589,000	
Beginning Fund Balance	*680,793*	*858,470*	*913,025*	*913,025*	*326,025*
Ending Fund Balance	*$ 858,470*	*$ 913,025*	*$ 906,025*	*$ 326,025*	*$ 213,025*

Description of Services:

Minnesota Statutes 469.033, Subd. 6 authorizes housing and redevelopment authorities (HRAs) the power to levy a tax upon all property within its district to finance housing and redevelopment programs subject to the consent of the city council. In 1988 and amended in 1994 and 2010, the Minnetonka City Council established the Economic Development Authority (EDA) of the City of Minnetonka and transferred to the EDA the control, authority and operation of all projects and programs of the city's HRA. The law and council resolutions further require the EDA to file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city and all actions of the authority to be approved by the city council.

Key Measures:	2017 Actual	2018 Actual	2019 Estimated	2020 Projected
Housing rehab loan issued <$15,000	1	3	6	5
Average amount of rehab loan	$15,000	$11,000	$15,000	$15,000
Down payment assistance provided <$10,000	1	1	4	5
Average amount of down payment loans	$9,000	$7,200	$10,000	$15,000

Budget Comments/Issues:

The 2020 Housing and Redevelopment Authority (HRA) budget includes funding for the West Hennepin Affordable Land Trust (WHAHLT), supplemental funding for the city's two housing loan programs, and the city's fifth year of a ten-year payback for its commitment the Southwest Light Rail Transit project. The annual budget of the HRA Fund is reviewed by the Economic Development Advisory Commission (EDAC) and as identified in the adopted Economic Improvement Program (EIP).

- The city launched two housing improvement programs in June 2011, Minnetonka Home Enhancement (rehab) and Welcome to Minnetonka (down payment assistance). Additional dollars are included in the EIP recommendations for the 2020 levy to fund the program in future years.
- In 2020, WHAHLT (Homes Within Reach) will be funded through a combination of a $25,000 HRA levy and a $125,000 recommitment of WTM (Welcome to Minnetonka) and MHEP (Minnetonka Home Enhancement Program) program dollars. This combined $150,000 will be transferred into the Livable Communities Fund and shown as an expenditure on the HRA page and matches the total EIP recommended committment for 2020.
- The Center for Energy and Environment manages the Welcome To Minnetonka and Minnetonka Home Enhancement programs on behalf of the city. Community Reinvestment Fund (CRF) continues to service the loans for the city. To date in 2019 six loans were disbursed and staff is estimating an additional four loans will be made in the remainder of 2019.
- Reserve for delayed projects includes funding for Housing programs, Business Outreach, SWLRT and marketing.
- Because HRA levies are specifically covered as separate levies under state law, proposed property tax notices and invoices to property owners identify the levy as a "special taxing district" separate from the city.

MINNETONKA LIVABLE COMMUNITIES FUND - Community Development Department

Revenues	2017 Actual	2018 Actual	2019 Budget	2019 Revised	2020 Budget
Interest Income	112	6,223	1,000	4,000	3,000
Metropolitan Council Grants	178,967	186,511	67,500	125,000	177,500
Transfer In, from HRA Fund	-	100,000	100,000	100,000	150,000
Minnetonka Heights	-	400,000	-	-	-
Totals	*$ 179,079*	*$ 692,734*	*$ 168,500*	*$ 229,000*	*$ 330,500*
Expenditures by Category					
WHAHLT/City Grant	212,140	162,912	200,000	200,000	150,000
WHAHLT/Met Council	130,680	153,833	167,500	167,500	177,500
Legal/Other	-	-	-	-	-
Totals	*$ 342,820*	*$ 316,745*	*$ 367,500*	*$ 367,500*	*$ 327,500*
Surplus (Deficiency) of Revenues over Expenditures	(163,741)	375,989	(199,000)	(138,500)	3,000
Beginning Fund Balance	*414,599*	*250,858*	*626,847*	*626,847*	*221,378*
Reserve for prior obligations	-	-	-	$266,969	0
Ending Fund Balance	*$ 250,858*	*$ 626,847*	*$ 427,847*	*$ 221,378*	*$ 224,378*

Description of Services:

The Livable Communities fund was created after receiving special legislation to develop an account from the revenues of a closed Tax Increment Finance (TIF) district. The legislation specifically restricts the use of these funds for affordable housing programs. Standards for affordability are consistent with the Metropolitan Council's income, rent and sales price limits. Uses of the fund are annually recommended by the city's Economic Development Advisory Commission (EDAC) and adopted by the city council herein.

Key Measures:	2017 Actual	2018 Actual	2019 Estimated	2020 Projected
Total WHAHLT units in Minnetonka	58	60	62	64
Average sales price of WHAHLT unit	$145,000	$148,000	$150,000	$150,000
Percent of Met Council housing goals achieved	55%	60%	75%	100%
Median value of Minnetonka home	$332,800	$359,800	$378,500	$390,000
Change from previous year	2.9%	8.1%	5.2%	3.0%

Budget Comments/Issues:

Due to use of the fund balance, the Livable Communities Fund balance is projected to decrease over time. In 2009, the city's Economic Development Authority (EDA) and the Minnetonka city council adopted a Housing & Redevelopment Authority (HRA) levy to potentially supplement this fund for the purposes of affordable housing.

- The city provides annual financial support to the West Hennepin Affordable Housing Land Trust (WHAHLT), or Homes Within Reach. The city generally provided around $225,000 annually through 2016, and WHAHLT has two years to use each year's allotment. "Reserve for prior obligations" are the portion of the prior year WHAHLT allotment that may still be spent in the current fiscal year. Per the adopted Economic Improvement Program (EIP), it is anticipated that balances will be exhausted in this fund in 2021.
- As outlined in the EIP, annual funding to Homes within Reach was reduced to $100,000 in 2018 and 2019. The balance of the final three-year commitment in this fund is $305,247. In the 2020-2024 EIP, the recommended funding for HWR is $25,000 from the HRA Levy and a recommitment of $125,000 of WTM and MHEP program dollars in 2020.
- Revenue and expenditures include a pass-through annual grant for WHAHLT from the Metropolitan Council, which the non-profit is using to fund scattered-site affordable housing.
- New Metropolitan Council housing goals began in 2011, making the percentage of achievement drop as noted above. The percentages are based on an allocation goal established by the Met Council, and the City of Minnetonka's goal is 246 affordable housing units to be provided between 2011 and 2020. In 2020, it is expected that 100% of this goal will be met and be exceeded.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - Community Development Dept.

Revenues	2017 Actual	2018 Actual	2019 Budget	2019 Revised	2020 Budget
Federal Grant - HUD Direct	$ 86,051	$ 34,225	$ -	$ 203,700	$ -
Federal Grant - Program Income	53,408	39,833	235,000	34,556	40,000
Investment Income	587	1,469	-	1,500	1,500
Totals	*$ 140,046*	*$ 75,527*	*$ 235,000*	*$ 239,756*	*$ 41,500*
Expenditures by Category					
Housing Rehabilitation	$ 81,990	$ 68,090	$ 13,000	$ 13,000	$ -
Business Relocation	$ -	$ -	160,000	200,000	-
Support Services	34,329	9,092	-	-	-
Administration	41	-	28,000	1,651	40,000
Fair Housing	-	3,171	-	-	-
Totals	*$ 116,360*	*$ 80,353*	*$ 201,000*	*$ 214,651*	*$ 40,000*
Surplus (Deficiency) of Revenues over Expenditures	23,686	(4,826)	34,000	25,105	1,500
Beginning Fund Balance	*64,860*	*88,546*	*83,720*	*83,720*	*108,825*
Ending Fund Balance	*$ 88,546*	*$ 83,720*	*$ 117,720*	*$ 108,825*	*$ 110,325*

Description of Services:

Since 1975, the Community Development Block Grant (CDBG) fund has accounted for revenues and expenditures made under the federal CDBG program. Minnetonka typically uses these funds for housing projects and programs (such as housing rehab, affordable housing, and supportive housing) and supportive services (such as senior chore programs, sliding fee day care assistance, and others). The CDBG grant revenues vary from year to year based on funding decisions made by the federal government. Because CDBG funding distribution and the federal fiscal year do not coincide with the city's fiscal year, expenditures and revenue figures may seem lower or higher than the allocation, which also affects the key measure comparison. A typical CDBG timeline is the award notification by the Federal government is provided in February, the funds become available in July of that year. This budget is prepared approximately one year ahead of the actual knowledge of funds received.

Key Measures:	2017 Actual	2018 Actual	2019 Estimated	2020 Projected
Small projects rehab program completed	9	11	1	NA
Avg. cost of emergency repair project	$4,909	$5,550	$3,715	$15,000
Businesses Assisted	NA	NA	4	NA
Cost of business assistance	NA	NA	$176,521	$0

Budget Comments/Issues:

In July of 2018, the city switched to participate in Hennepin County's Urban County CDBG program. This change streamlines public service funding requests and assists the city with administration of the various programs. The city anticipates that this Federal fund will not continue for the long term.

- Housing Rehabilitation expenditures above include the program income from the Minnetonka Entitlement repayments from loans made prior to 2018.
- In 2018, the maximum loan amount for the Home Rehabilitation Program was increased to $15,000. In 2019, there are currently 78 residents on the waitlist. The current available balance is $84,545.
- In 2019, a goal was added to the annual action plan for business assistance. It is anticipated that we will support four businesses at $50,000 each for relocation assistance. The total relocation assistance in 2019 is estimated at $176,521.
- Prior to 2018, the city received applications from public service providers to request funding for their programming. With the move to Hennepin County's Urban County CDBG program in 2018, the application process is now facilitated through Hennepin County. All expenses related to the programs would not flow through the county. In 2019, the estimated award for public service programming is $23,250.

	2017	2018	2019	2020
Community Action Partnership of Suburban Hennepin (CAPSH)	$ 2,409	switch to county	switch to county	switch to county
HOMELine	-			
Resource West	4,336			
Intercongregation Communities	7,708			
Senior Community Services (SCS)	5,300			
Treehouse	3,854			
Total	*$ 23,607*			

SUMMARY TABLE
EIP 2021
Expenditures by Category & Fund

Category	*Program*	*Total*	*Fund:* *CDBG (Entitlement Funds)*	*Devpt Fund*	*HRA Levy*	*Livable Com Fund*	*TIF Pooling*	*Other*
Housing:								
	CDBG Entitlement (Prior to 2018)	$ 254,417	$ 254,417					
	CDBG Consortium (2018 - Future)	$ -						
	Homes Within Reach	$ -						
	Housing Improvement Areas	$ 1,000,000						$ 1,000,000
	Welcome to Minnetonka	$ 50,000			50,000			
	Mtka Home Enhancement	$ 50,000			50,000			
	Housing Trust Fund (Rental Assistance)	$ 50,000			50,000			
	Subtotal	***$ 1,404,417***	*$ 254,417*	*$ -*	*$ 150,000*	*$ -*	*$ -*	*$ 1,000,000*
Business:								
	Fire Sprinkler Retrofit	**$ 50,000**						50,000
	Pass-Through Grants	**$ 2,600,000**		2,600,000				
	GreaterMSP	**$ 25,000**		25,000				
	MIF/JCF	**$ 1,000,000**		1,000,000				
	Open to Business	**$ 15,000**		15,000				
	Outreach	**$ 25,000**			25,000			
	MN Regional Chamber	**$ 5,000**						10,000
	SAC/REC Deferral Program	**$ 50,000**						50,000
	Emergency Business Assistance	**$ 50,000**			50,000			
	Subtotal	***$ 3,825,000***	*$ -*	*$ 3,640,000*	*$ 75,000*	*$ -*	*$ -*	*$ 110,000*
Transit:								
	Commuter Services	**$ 28,000**						28,000
	Transit Improvments	**$ -**						
	Subtotal	***$ 28,000***	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ 28,000*
Devpt & Redevpt:								
	Predevelopment	**$ 75,000**		75,000				
	LRT and Station Area	**$ 75,000**			75,000			
	Subtotal	***$ 150,000***	*$ -*	*$ 75,000*	*$ 75,000*	*$ -*	*$ -*	*$ -*
TIF Districts:								
	Devpt Agmt & TIF Admin	**$ 140,000**		140,000				
	Subtotal	***$ 140,000***	*$ -*	*$ 140,000*	*$ -*	*$ -*	*$ -*	*$ -*
Tax Abatement:								
	Ridgedale	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -
	Subtotal	***$ -***	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*	*$ -*
	TOTALS	***$ 5,547,417***	***$ 254,417***	***$ 3,855,000***	***$ 300,000***	***$ -***	***$ -***	***$ 1,138,000***

EIP 2021-2030
All Categories
Funding Sources and Expenditure Projections

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL
Method of Financing											
Development Account	$ 3,855,000	$ 3,255,000	$ 2,245,000	$ 2,245,000	$ 1,745,000	$ 1,745,000	$ 1,745,000	$ 1,745,000	$ 1,745,000	$ 1,745,000	**$ 22,070,000**
Livable Communities Account	-	-	-	-	-	-	-	-	-		
General Fund	33,000	33,000	35,000	35,000	37,000	37,000	39,000	39,000	41,000	41,000	**370,000**
Federal Grant (CDBG) - Entitlement	254,417	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	**$ 569,417**
Federal Grant (CDBG) - Consortium	-	-	-	-	-	-	-	-	-		**$ -**
Ad Valorem Tax Levy	300,000	325,000	325,000	400,000	325,000	250,000	250,000	250,000	250,000	250,000	**$ 2,925,000**
Pooled TIF Funds- Blvd Gardens	-	-	-	-	-	-	-	-	-	-	**$ -**
Pooled TIF Funds - Beacon/Tonka/Rowland	-	-	-	-	-	-	-	-	-	-	**$ -**
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	**$ 3,930,000**
Other	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	**$ 11,000,000**
Total Funding Sources	*$ 5,542,417*	*$ 4,748,000*	*$ 3,740,000*	*$ 3,815,000*	*$ 3,242,000*	*$ 3,167,000*	*$ 3,169,000*	*$ 3,169,000*	*$ 3,171,000*	*$ 3,171,000*	***$ 36,934,417***
Expenditures											
Housing	$ 1,404,417	$ 1,260,000	$ 1,260,000	$ 1,260,000	$ 1,260,000	$ 1,260,000	$ 1,260,000	$ 1,260,000	$ 1,260,000	$ 1,260,000	**$ 12,744,417**
Business	3,820,000	3,170,000	2,170,000	2,170,000	1,670,000	1,670,000	1,670,000	1,670,000	1,670,000	1,670,000	**$ 21,350,000**
Transit	28,000	28,000	30,000	30,000	32,000	32,000	34,000	34,000	36,000	36,000	**$ 320,000**
Development/Redevelopment	150,000	150,000	150,000	225,000	150,000	75,000	75,000	75,000	75,000	75,000	**$ 1,200,000**
TIF Admin	140,000	140,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	**$ 1,320,000**
Total Expenditures	*$ 5,542,417*	*$ 4,748,000*	*$ 3,740,000*	*$ 3,815,000*	*$ 3,242,000*	*$ 3,167,000*	*$ 3,169,000*	*$ 3,169,000*	*$ 3,171,000*	*$ 3,171,000*	***$ 36,934,417***

City of Minnetonka, Minnesota

Economic Improvement Program

2021 thru 2030

SOURCES AND USES OF FUNDS

Source	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CDBG										
Beginning Balance	254,417	40,000	45,000	50,000	55,000	70,000	85,000	100,000	115,000	130,000
Revenues and Other Fund Sources										
Revenue										
Federal grant	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
program income	*40,000*	*40,000*	*40,000*	*40,000*	*50,000*	*50,000*	*50,000*	*50,000*	*50,000*	*0*
Total	40,000	40,000	40,000	40,000	50,000	50,000	50,000	50,000	50,000	0
Total Revenues and Other Fund Sources	40,000	40,000	40,000	40,000	50,000	50,000	50,000	50,000	50,000	0
Total Funds Available	294,417	80,000	85,000	90,000	105,000	120,000	135,000	150,000	165,000	130,000
Expenditures and Uses										
Capital Projects & Equipment										
1-Housing										
CDBG Entitlement (Prior to 2018) *Housing-20*	*(254,417)*	*(35,000)*	*(35,000)*	*(35,000)*	*(35,000)*	*(35,000)*	*(35,000)*	*(35,000)*	*(35,000)*	*(35,000)*
Total	(254,417)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
Total Expenditures and Uses	(254,417)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
Change in Fund Balance	(214,417)	5,000	5,000	5,000	15,000	15,000	15,000	15,000	15,000	(35,000)
Ending Balance	40,000	45,000	50,000	55,000	70,000	85,000	100,000	115,000	130,000	95,000

City of Minnetonka, Minnesota

Economic Improvement Program

2021 thru 2030

SOURCES AND USES OF FUNDS

Source		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Development Fund											
Beginning Balance		3,336,506	2,677,636	1,500,766	1,436,896	1,368,026	1,299,156	1,220,286	1,141,416	1,062,546	983,676
Revenues and Other Fund Sources											
Revenue											
No Funds		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Cedar Ridge Assessments		*49,500*	*49,500*	*49,500*	*49,500*	*49,500*	*49,500*	*49,500*	*49,500*	*49,500*	*0*
Cloud 9 Admin		*1,630*	*1,630*	*1,630*	*1,630*	*1,630*	*1,630*	*1,630*	*1,630*	*1,630*	*0*
Grants		*3,000,000*	*2,000,000*	*2,000,000*	*2,000,000*	*1,500,000*	*1,500,000*	*1,500,000*	*1,500,000*	*1,500,000*	*0*
Interest Income		*15,000*	*15,000*	*20,000*	*15,000*	*15,000*	*15,000*	*15,000*	*15,000*	*15,000*	*0*
TIFAdmin Revenue		*130,000*	*12,000*	*110,000*	*110,000*	*110,000*	*100,000*	*100,000*	*100,000*	*100,000*	*0*
	Total	3,196,130	2,078,130	2,181,130	2,176,130	1,676,130	1,666,130	1,666,130	1,666,130	1,666,130	0
Total Revenues and Other Fund Sources		3,196,130	2,078,130	2,181,130	2,176,130	1,676,130	1,666,130	1,666,130	1,666,130	1,666,130	0
Total Funds Available		6,532,636	4,755,766	3,681,896	3,613,026	3,044,156	2,965,286	2,886,416	2,807,546	2,728,676	983,676
Expenditures and Uses											
Capital Projects & Equipment											
2-Business											
Pass-Through Grants	*Business-02*	*(2,600,000)*	*(2,000,000)*	*(1,000,000)*	*(1,000,000)*	*(500,000)*	*(500,000)*	*(500,000)*	*(500,000)*	*(500,000)*	*(500,000)*
GreaterMSP	*Business-04*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*0*
MIF/JCF Projects	*Business-06*	*(1,000,000)*	*(1,000,000)*	*(1,000,000)*	*(1,000,000)*	*(1,000,000)*	*(1,000,000)*	*(1,000,000)*	*(1,000,000)*	*(1,000,000)*	*(1,000,000)*
Open to Business	*Business-07*	*(15,000)*	*(15,000)*	*(15,000)*	*(15,000)*	*(15,000)*	*(15,000)*	*(15,000)*	*(15,000)*	*(15,000)*	*(15,000)*
Special Service District	*Business-13*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
	Total	(3,640,000)	(3,040,000)	(2,040,000)	(2,040,000)	(1,540,000)	(1,540,000)	(1,540,000)	(1,540,000)	(1,540,000)	(1,515,000)

Source		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Development Fund											
4-Development & Redevelopment											
Pre-Development	*Dev/Redev-01*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*
	Total	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)	(75,000)
5-TIF Districts											
Development Agreement and TIF Administration	*TIF-01*	*(140,000)*	*(140,000)*	*(130,000)*	*(130,000)*	*(130,000)*	*(130,000)*	*(130,000)*	*(130,000)*	*(130,000)*	*(130,000)*
	Total	(140,000)	(140,000)	(130,000)	(130,000)	(130,000)	(130,000)	(130,000)	(130,000)	(130,000)	(130,000)
Total Expenditures and Uses		(3,855,000)	(3,255,000)	(2,245,000)	(2,245,000)	(1,745,000)	(1,745,000)	(1,745,000)	(1,745,000)	(1,745,000)	(1,720,000)
Change in Fund Balance		(658,870)	(1,176,870)	(63,870)	(68,870)	(68,870)	(78,870)	(78,870)	(78,870)	(78,870)	(1,720,000)
Ending Balance		2,677,636	1,500,766	1,436,896	1,368,026	1,299,156	1,220,286	1,141,416	1,062,546	983,676	(736,324)

SOURCES AND USES OF FUNDS

Source		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
HRA Levy											
Beginning Balance		300,000	247,000	169,000	91,000	(62,000)	(140,000)	(218,000)	(296,000)	(374,000)	(452,000)
Revenues and Other Fund Sources											
Revenue											
Ad Valorem Tax Levy		*225,000*	*225,000*	*225,000*	*225,000*	*225,000*	*150,000*	*150,000*	*150,000*	*150,000*	*0*
Investment Interest		*2,000*	*2,000*	*2,000*	*2,000*	*2,000*	*2,000*	*2,000*	*2,000*	*2,000*	*0*
Loan paybacks		*20,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*	*20,000*	*0*
Total		247,000	247,000	247,000	247,000	247,000	172,000	172,000	172,000	172,000	0
Total Revenues and Other Fund Sources		247,000	247,000	247,000	247,000	247,000	172,000	172,000	172,000	172,000	0
Total Funds Available		547,000	494,000	416,000	338,000	185,000	32,000	(46,000)	(124,000)	(202,000)	(452,000)
Expenditures and Uses											
Capital Projects & Equipment											
1-Housing											
Homes Within Reach	*Housing-05*	*0*	*(125,000)*	*(125,000)*	*(125,000)*	*(125,000)*	*(125,000)*	*(125,000)*	*(125,000)*	*(125,000)*	*(125,000)*
Minnetonka Home Enhancement	*Housing-08*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*
Welcome to Minnetonka Loan Program	*Housing-14*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*	*(50,000)*
Housing Trust Fund	*Housing-22*	*(50,000)*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total		(150,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)
2-Business											
Outreach	*Business-08*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*	*(25,000)*
Emergency Business Assistance	*Business-16*	*(50,000)*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Source		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
HRA Levy											
Total		(75,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
4-Development & Redevelopment											
Village Center Studies and Comprehensive Plan	*Dev/Redev-02*	*0*	*0*	*0*	*(75,000)*	*0*	*0*	*0*	*0*	*0*	*0*
LRT and LRT Station Area Development	*Dev/Redev-03*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*	*(75,000)*	*0*	*0*	*0*	*0*	*0*
Future HRA Levy projects	*Dev/Redev-06*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total		(75,000)	(75,000)	(75,000)	(150,000)	(75,000)	0	0	0	0	0
Total Expenditures and Uses		(300,000)	(325,000)	(325,000)	(400,000)	(325,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Change in Fund Balance		(53,000)	(78,000)	(78,000)	(153,000)	(78,000)	(78,000)	(78,000)	(78,000)	(78,000)	(250,000)
Ending Balance		247,000	169,000	91,000	(62,000)	(140,000)	(218,000)	(296,000)	(374,000)	(452,000)	(702,000)

SOURCES AND USES OF FUNDS

Source	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Livable Communities Fund										
Beginning Balance	400,000	401,000	402,000	403,000	404,000	405,000	406,000	407,000	408,000	409,000
Revenues and Other Fund Sources										
Revenue										
Interest Income	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*0*
Total	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0
Total Revenues and Other Fund Sources	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0
Total Funds Available	401,000	402,000	403,000	404,000	405,000	406,000	407,000	408,000	409,000	409,000
Expenditures and Uses										
Other Uses										
Committed HWR Funding	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total	0	0	0	0	0	0	0	0	0	0
Total Expenditures and Uses	0	0	0	0	0	0	0	0	0	0
Change in Fund Balance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0
Ending Balance	401,000	402,000	403,000	404,000	405,000	406,000	407,000	408,000	409,000	409,000

City of Minnetonka, Minnesota

Economic Improvement Program

2021 thru 2030

SOURCES AND USES OF FUNDS

Source		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
TIF Pooling/Beacon/Tonka/Row											
Beginning Balance		936,386	1,184,863	1,216,384	1,248,062	1,279,935	1,311,901	1,344,057	1,376,374	1,408,852	1,441,493
Revenues and Other Fund Sources											
Revenue											
Beacon/Tonka/Row TIF Pooling		*248,477*	*31,521*	*31,678*	*31,873*	*31,966*	*32,156*	*32,317*	*32,478*	*32,641*	*0*
Total		248,477	31,521	31,678	31,873	31,966	32,156	32,317	32,478	32,641	0
Total Revenues and Other Fund Sources		248,477	31,521	31,678	31,873	31,966	32,156	32,317	32,478	32,641	0
Total Funds Available		1,184,863	1,216,384	1,248,062	1,279,935	1,311,901	1,344,057	1,376,374	1,408,852	1,441,493	1,441,493
Expenditures and Uses											
Capital Projects & Equipment											
1-Housing											
Afford. Housing-TIF Pooling/Beacon/Tonka/Row	*Housing-13*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total		0	0	0	0	0	0	0	0	0	0
Total Expenditures and Uses		0	0	0	0	0	0	0	0	0	0
Change in Fund Balance		248,477	31,521	31,678	31,873	31,966	32,156	32,317	32,478	32,641	0
Ending Balance		1,184,863	1,216,384	1,248,062	1,279,935	1,311,901	1,344,057	1,376,374	1,408,852	1,441,493	1,441,493

Source		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
TIF Pooling/Blvd Gardens											
Beginning Balance		5,193,714	5,318,854	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173
Revenues and Other Fund Sources											
Revenue											
Blvd Gardens/TIF Pooling		*681,319*	*681,319*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total		681,319	681,319	0	0	0	0	0	0	0	0
Total Revenues and Other Fund Sources		681,319	681,319	0	0	0	0	0	0	0	0
Total Funds Available		5,875,033	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173
Expenditures and Uses											
Capital Projects & Equipment											
1-Housing											
Affordable Housing via TIF Pooling/Blvd Gardens	*Housing-12*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total		0	0	0	0	0	0	0	0	0	0
Other Uses											
TIF Pooling/Blvd Gardens		*(556,179)*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total		(556,179)	0	0	0	0	0	0	0	0	0
Total Expenditures and Uses		(556,179)	0	0	0	0	0	0	0	0	0
Change in Fund Balance		125,140	681,319	0	0	0	0	0	0	0	0
Ending Balance		5,318,854	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173	6,000,173

City Council Study Session Item #2
Meeting of March 17, 2008

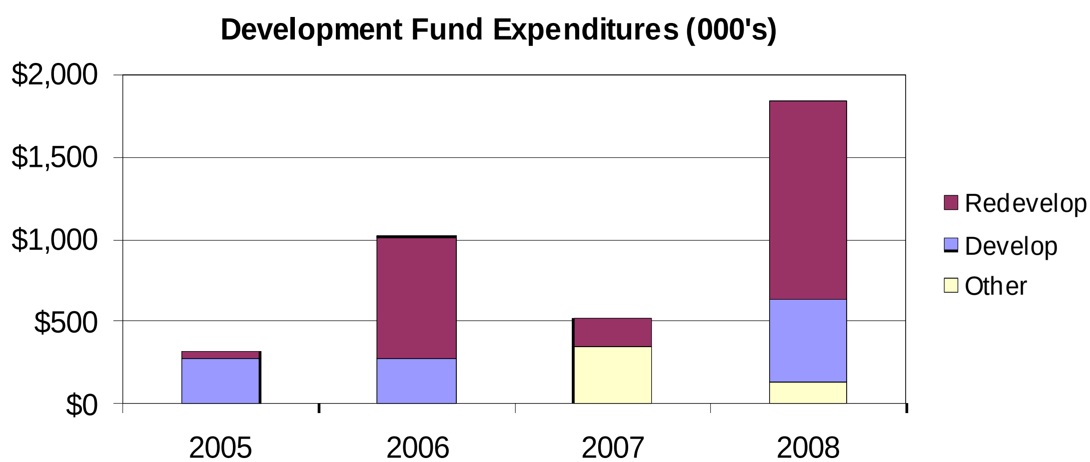
Brief Description: Development-related funds

Recommended action: Provide policy direction for future uses and funding sources.

Background

Since the 1990's, Minnetonka has maintained a development fund and a livable communities fund to help channel resources to redevelopment and economic development projects and to affordable housing initiatives. With growing demands for use of the funds, council requested a review of the history and status of these funds so that policy alternatives could be discussed prior to the next city budget cycle. Because of their direct involvement in these projects and initiatives, EDA commissioners were invited to the city council study session.

Development fund. Minnetonka's development fund was established in 1993, and was initially funded with the proceeds remaining after early retirement of bonds issued for the original Glen Lake and Carlson Center projects. With a beginning deposit of $2.2 million, the development fund has been used to assist various redevelopment and economic development projects in recent years:



Most notably, the development fund is being used to cover certain initial costs associated with the Glen Lake and United Health Group (UHG) redevelopment projects. UHG project expenditures for Bren Road improvements will be fully reimbursed by the developer in the same year and much of the Glen Lake expenditures will be repaid over time through TIF receipts in accordance with the comprehensive redevelopment agreement with the developer.

The development fund also finances various economic development programs, such as a deposit to the Twin Cities Community Capital Fund for Minnetonka's participation in that initiative. Additionally, pass-through grants, such as those from the state's Minnesota Investment Fund, directed to Cargill-Dow and Nestle Nutrition, are accounted for through the development fund, even though there is no city money involved.

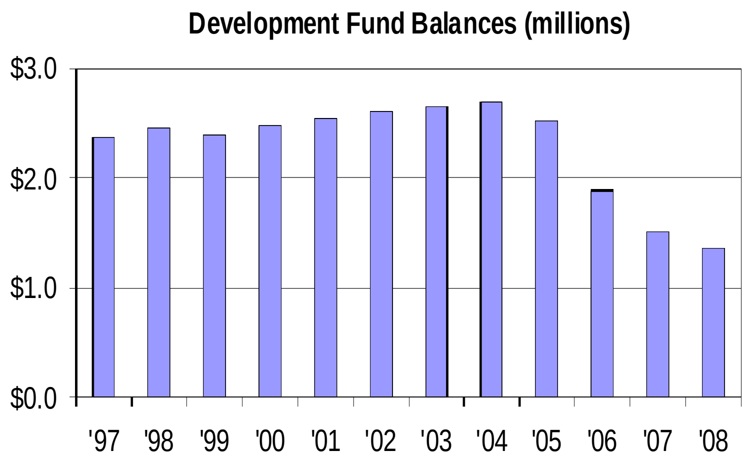
The development fund is also paying part of the cost of the comprehensive plan update, since a significant part of the planning work evaluates future redevelopment possibilities. Significant recent expenditures include:

Year	Project	Amount
2005	Twin Cities Capital Fund	$187,500
2005-06	Cargill/Dow DEED Financing	$316,000
2005-08	Glenhaven (Glen Lake) TIF	$1,300,000
2007-08	Comprehensive Plan	$195,000
2008	Glen Lake TOD Grant	$280,000
2008	Nestle/Novartis Project	$500,000
2008	United Health Group	$552,000

Development fund revenues are almost entirely made up of interest earnings and tax increment financing (TIF) reimbursements. Since these reimbursements are based on direct expenditures for certain project and administrative costs, they only offset those previous outlays, and the reimbursements are not available to help cover other, unreimbursed expenditures. Examples of these outlays include the comp plan update, as well as some of the extraordinary costs associated with relocating the Alano facility to "make them whole."

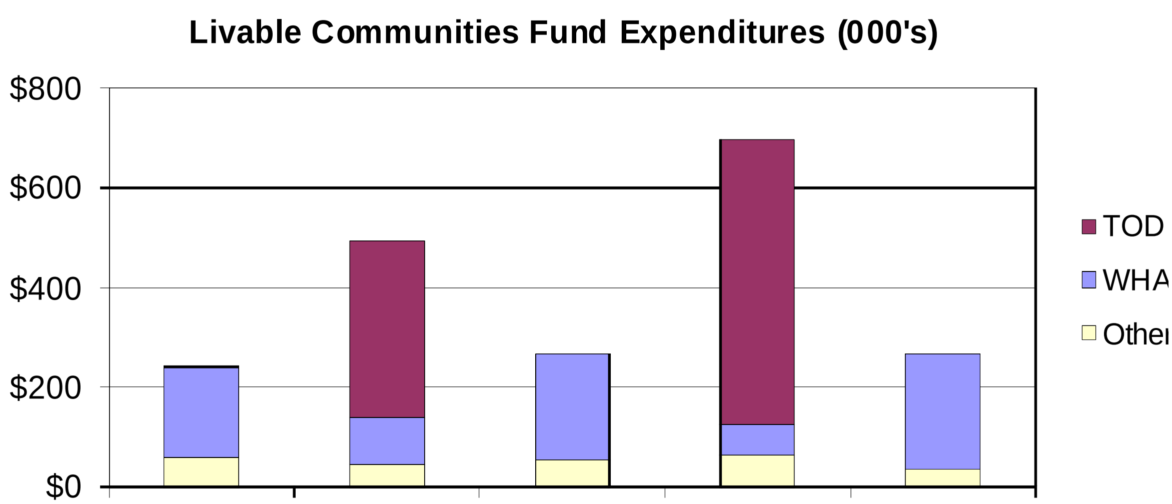
Another example of an unreimbursed outlay is paying for a portion of the costs of the Glen Lake streetscaping plan. While it is expected that TIF reimbursements will cover the costs of the new sidewalks, streetlighting and plantings related to the redevelopment project, the development fund will need to help cover the costs of rejuvenating the infrastructure in the other parts of the Glen Lake commercial area.

In the past, it has been possible to accommodate these occasional unreimbursed outlays in the development fund without significant impact. Similarly the capacity of the fund has been sufficient to make advances to redevelopment projects in anticipation of future TIF reimbursement. However, recent demands on the fund have reduced fund balances, such that the capacity to support additional redevelopment projects is limited until Glen Lake TIF reimbursements replenish the fund over time.



The cost of future redevelopments in the I-394 corridor, Opus business park area, and potential other locations could easily outstrip the resources of the fund unless criteria are developed to maintain the integrity of the fund. Such considerations might include the nature and structure of the uses, as well as new ongoing sources of revenue.

Livable communities fund. The livable communities fund was established in 1997 by special legislation, which allowed the city of Minnetonka to retain monies remaining after early decertification of the Ridgepointe-Cliffs housing TIF district. The special legislation was approved with the provision that the money could only be used for housing activities and directly-related public improvements. Recent expenditures include:

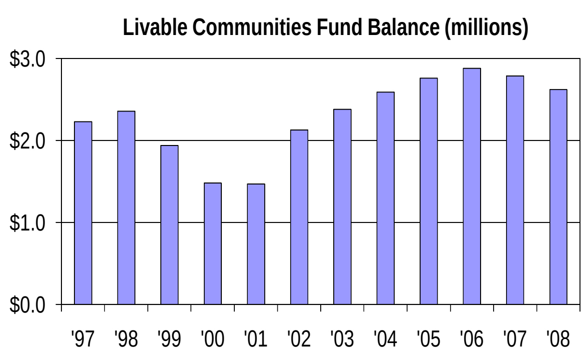


Examples of housing activities covered through the livable communities fund include annual contributions to help Homes Within Reach (WHAHLT) write-down the net cost of purchasing homes in Minnetonka, and paying a quarterly off-set amount for a part of the subsidized rents at the Cedar Pointe Townhomes. Over the past several years, the livable communities fund has also contributed annually to the cost of family-oriented support programs at the Crown Ridge and Minnetonka Heights affordable housing developments. This was a commitment the city made as a partner in developing this housing during area redevelopment.

The livable communities fund also accounts for certain pass-through grants, such as the Hennepin County transit-oriented development (TOD) grants used to assist affordable housing at The Sanctuary and Deephaven Cove through WHAHLT. Average outlays over the past five years include:

Project	**Five Year Average Amount**
WHAHLT support	$155,000
Cedar Pointe Affordable Housing	$30,800
Minnetonka Heights & Crown Ridge	$16,200
WHALT TOD Grants	
Sanctuary (2005 & 2007)	$533,500
Deephaven Cove (2007)	$395,000

Livable communities fund revenues are largely made up of interest earnings, and in past years, reimbursement of certain TIF-related costs. To date, these resources have been adequate to cover the relatively minor unreimbursed outlays to WHAHLT, and the fund balance has remained healthy. However, new sources of revenue would be necessary to sustain any significant new affordable housing initiatives.



Affordable housing efforts. The city of Minnetonka has been fortunate to add a substantial amount of new affordable housing without having to make many direct outlays of city funds. Most publicly-supported affordable housing projects received substantial allocations from federal, state and Family Housing Fund grants, with local contributions coming from private TIF reimbursement or Metropolitan Council grants:

Affordable Housing Project	Source of Funds
Presbyterian Homes/Beacon Hill	TIF land writedown
Westridge Market:	
The Gables townhomes	TIF land writedown
Crown Ridge apartments	TIF land writedown & Met Council grant
Boulevard Gardens apts	TIF land writedown & Met Council grant
Twin City Christian Homes	TIF land writedown
Minnetonka Heights	City grant & Met Council grant
Minnetonka Mills Townhomes	TIF land writedown & Met Council grant
Ridgebury	TIF land writedown
Habitat for Humanity	Land donation, hookup fees waived
WHAHLT	Developer contributions used as “start up” funds

Minnetonka’s allocation of federal CDBG funds have also been used to assist certain housing developments with some capital costs, including Sojourner, CIP Supportive Housing, WHAHLT home rehab work and the Cedar Hills Townhomes renovation.

These resources have allowed the city of Minnetonka to preserve most of the original balance of the development and livable communities funds. However, while some of these resources will likely continue to be available, new sources of revenue would be necessary to sustain any significant new affordable housing initiative.

Policy Considerations

The development fund and livable community fund have served the city well for the smaller scale applications historically supported by the two funds. However, if any expanded uses are to be considered to support expected future affordable housing and redevelopment demands, a more permanent funding source must be available, and a sound financial policy structure adopted to guide use of the resources.

Use of the funds. Staff recommends that the two development-related funds continue to be used as initially intended. The development fund can effectively function as a “general fund” for housing, redevelopment and economic development activities and programs. Staff believes it is appropriate to continue to use this fund for expenditures directly related to redevelopment and economic development activities.

The special legislation allowing the city to establish the livable communities fund only allows that fund to be used for affordable housing activities, and directly-related public improvements. The city has strictly followed this policy since the fund was established, and should continue to do so. Various options exist for possible expansion of the city’s traditional redevelopment and affordable housing roles:

- **WHAHLT.** The city of Minnetonka is currently providing about $250,000 annually to support the efforts of the West Hennepin Affordable Housing Land Trust (WHAHLT). That current allocation helps purchase five or six homes each year, and staff believes the land trust could continue to effectively leverage that amount to help writedown the cost of properties purchased in Minnetonka. An HRA levy would provide an ongoing source of support to replace the draw from one-time fund balances.

- **Affordable housing writedown.** As previously noted, the city of Minnetonka has been fortunate in the past to support new affordable housing with federal, state and private funds. However, the demand for local matches and direct city contributions is increasing to help affordable developments, primarily through land writedowns. Staff suggests considering an annual appropriation of about $100,000 to start a new program for that purpose.

- **Neighborhood connections.** The need to improve Minnetonka’s walkways and trails systems is consistently noted as a growing priority by community residents, businesses and focus groups in the Comp Plan update process. In fact, it is emerging as the single biggest redevelopment issue to be addressed by the Comp Plan Steering Committee. Various projects could improve the practical usability of connections to such areas as Glen Lake, 5 & 101, Opus, Ridgedale, Shady Oak, 5 & 169 and Minnetonka Mills, as well as to schools, libraries and other public facilities throughout the community. Staff suggests considering $250,000 annually to support a multi-year improvement program.

- **Senior housing transitions.** The EDA has suggested consideration of local incentives to encourage seniors to transition into other housing, thereby making their existing homes available as "move-up" housing for younger families. Staff suggests considering an annual allocation of $100,000 to initiate this effort.

- **Minnetonka Heights/Crown Ridge.** Youth and family programs are provided by CommonBond and the Ridgedale YMCA in the Minnetonka Heights and Crown Ridge developments. Although these programs have historically been supported through various fund-raising efforts and by volunteers, an annual unmet need of about $30,000 has been identified.

- **Land purchases.** From time to time, the city has opportunities to purchase properties that are likely to be suitable for future affordable housing. Examples include properties on Martha Lane and Rowland Road/Baker Road, which accounted for the two-year dip in the livable communities fund balances. Providing for the ongoing capacity to continue these past ad hoc efforts will be increasingly important as land values keep escalating. Although an adequate fund balance will be necessary to cash flow acquisitions, staff suggests structuring these purchases as revolving loans to minimize levy requirements.

- **Housing rehabilitation.** CDBG funds have historically been adequate to support the city's emergency repair and housing rehab programs. However, as CDBG funding continues to decline, and as demand increases (especially from seniors), an annual city supplement may be needed in the future. While not now recommended, future support could require up to $100,000 annually.

- **Program support.** The general fund has historically borne all the support costs associated with the city's housing, redevelopment and economic development activities. Staff recommends assigning ten percent of any annual levy for development and livable communities activities to help off-set these costs.

Discussion questions: Does council agree with continuing the traditional fund uses? Which programs should be considered for possible expansion?

Structure of public assistance. Staff recommends that guidelines for use of the funds be established to help maintain financial integrity. Such guidelines should include a preference for investments where the city would recapture public assistance – either through TIF reimbursement or loan repayments – thereby managing the assets as revolving funds to the greatest extent possible.

Specifically, public assistance should be structured as “loans,” especially when tied to explicit programs, or for such activities as speculative land purchases. Depending on the circumstances, “repayment” terms might reflect lending rates ranging from zero interest loans up to rates earned by city investments. Loans might also be structured to be forgivable if certain criteria are net, such as completion of public improvements, creation of jobs, or the provision of programs that benefit community residents or businesses. In the case of speculative land purchases, staff recommends that stricter loan portfolio standards be established.

By establishing the concept of public assistance as “loans,” the EDA could function as a loan committee, much like the review committee of a financial lending institution. While lending standards would obviously differ, staff believes it would be useful to view potential public assistance applications within this context.

> ***Discussion questions: Does council concur with the need to develop guidelines for public assistance, and the suggested role of the EDA?***

Source of funds. The city and EDA have been careful with past applications of the two development-related funds, only using these resources for expenses directly related to affordable housing and economic development activities. Absent a reliable source of revenue, policy officials have been reluctant to draw down the fund balance through any single large expenditure.

The primary shortcoming of the two funds is the lack of a reliable, ongoing revenue source. At present, the funds are largely dependent on reimbursements, where those have been arranged, and limited investment earnings. Recent examples of these limitations include the outlays for the Alano relocation and Glen Lake streetscaping. Although outlays of a similar magnitude are not currently planned, little capacity exists for any similar future considerations.

The most commonly used source of funding for economic development activities by cities is an HRA property tax levy. Under state law, such levies are limited to 0.0144% of a city’s market value, any may be spent on any authorized activity of the EDA, including housing, economic development and redevelopment.

Any HRA levy is outside of state levy limits and is not reported on Truth-in-Taxation statements as a levy of the city. In Minnetonka, the EDA acts as the city’s HRA and is authorized to adopt an HRA levy to be approved by city council.

Most other comparable communities in the western suburban area have already adopted EDA and HRA levies to support their development-related activities. This approach provides a reliable revenue stream, as set each year by the city council, to maintain the financial health of their development funds. Examples include:

City	Levy	Uses
Bloomington	$1,700,000	housing, preservation, redevelopment
Brooklyn Park	$1,200,000	housing, redevelopment, infrastructure
St. Louis Park	$797,000	redevelopment and infrastructure costs
Plymouth	$524,000	housing subsidies, staff, overhead
Brooklyn Center	$265,000	redevelopment, staff, overhead
Crystal	$229,000	housing, redevelopment, staff, overhead
Eden Prairie	$200,000	housing and redevelopment

The amounts and purposes of development-related levies vary considerably among nearby cities, but are generally related to the same uses the city of Minnetonka has made of the development and livable community funds. Staff believes the traditional uses of both the development and livable communities funds continue to be viable and appropriate, and that the original policy goals are being met.

However, the lack of a reliable source of revenue makes these funds less capable of assisting expected future housing and redevelopment activities, and recommends consideration of an HRA levy in the next budget cycle. The maximum total amount that could be levied for both funds would be approximately $1.2 million. Staff recommends consideration of an initial levy less than the maximum for the following purposes:

Program	Recommended 2009 HRA Levy
Homes Within Reach	$250,000
Affordable housing writedown	$100,000
Neighborhood connections	$250,000
Senior housing transitions	$100,000
Minnetonka Heights/Crown Ridge	$30,000
Land purchases	revolving
Housing rehabilitation	CDBG
Program support	$80,000
Total Levy	$810,000

About two-thirds of the new funding would be allocated to affordable housing activities, with the remainder for redevelopment activities. The recommended HRA levy of 0.93% would be an increase of about 2.8 percent above the expected 2009 levy for all other city operating and capital purposes. The suggested levy would represent a cost about $32 annually for a $350,000 home in Minnetonka. Current HRA levies in other area cities are:

	Levy	**Rate**	**Cost for $350,000 home**
St. Louis Park	$797,000	1.344%	$47
Brooklyn Park	$1,200,000	1.302%	$46
Minnetonka	**$810,000**	**0.930%**	**$32**
Plymouth	$524,000	0.454%	$16
Eden Prairie	$200,000	0.179%	$6

Discussion questions: Does council wish to consider an HRA levy for 2009? If so, what range and potential uses should be evaluated for consideration in budget discussions?

Submitted through:
John Gunyou, City Manager

Originated by:
Merrill King, Finance Director
Ron Rankin, Community Development Director

EDAC Agenda Item #6
Meeting of Sept. 17, 2020

Brief Description Staff Report

Transit Updates

Green Line Extension (Southwest LRT)

Construction updates for Minnetonka:

- Detours remain in effect in the Opus Area including Red and Yellow Circle and Bren Road West.
- Work on abutments for the Smetana Road bridge over LRT continues. Smetana Road remains closed until fall 2020.
- Clearing and ground cover removal for the Minnetonka-Hopkins bridge is ongoing intermittently and is progressing to the south end of the bridge. Piling and construction of bridge piers is ongoing on the north end of the bridge.

Construction updates from the Metro Transit project office are available online or to sign up to receive construction updates every Friday, please visit www.swlrt.org

Network Next Outreach

In 2020, Metro Transit had planned to develop and share a Guiding Framework, for the transit network, based off of community outreach efforts by the end of this summer. When complete, the Guiding Framework will direct the development, evaluation, and prioritization of 2040 bus service improvements. However due to COIVD-19 and social unrest of the year, the framework has been put on hold for the near-term. Plans are to restart that effort in 2021.

Additionally, Metro Transit will soon be launching a broader engagement effort aimed at listening to riders and understanding how their needs have changed amidst the events of this year. Once underway, the work will help shape how community is engaged in the next steps of Network Next.

Metro Transit Service Updates

Community Development staff continues to meet with Metro Transit each quarter. Most of the discussion is devoted to new development connections and preparing for the LRT opening. However, more recently Metro Transit is providing updates on service reductions related to the pandemic. Metro Transit staff is anticipating a phased increase in transit services in response to COVID-19.

Regionally, 92 of 217 Metro Transit routes continue to be suspended. Local bus service is operating at between 87% and 100% pre-COVID, while commuter express service is at 25% of its pre-COVID level. Metro Transit has seen a decline in ridership on the commuter express routes of between 80% and 90%.

Minnetonka Service Details

In Minnetonka, 63% of weekday service in the city is operational. Most local routes are operating while express bus service is greatly reduced. Six express lines serving the city are currently suspended, while four are providing minimal service.

Weekend service (mostly local lines) is operating at around 96% of pre-COVID levels. Service levels will continue to be evaluated and adjusted as commuter patters change in coordination with the pandemic.

Development Updates

Virtual Tour

On Thursday, August 27, staff held a virtual tour for the City Council, EDAC, and Planning Commission to take a look at some highlights from the past year of projects. The tour featured videos, aerial imagery, and photos, of projects that are listed below as well as providing an update on the economic health of Ridgedale Mall, Green Line Extension, and select subdivisions.

The entirety of the tour can be viewed on the city's video streaming page (link to video).

Projects	Location	Status
Housing		
The Pointe	801 Carlson	waiting for site development applications
Avidor	Ridgedale	Under construction
The Luxe	Ridgedale	Now leasing
Doran (The Birke)	394 Frontage	Framing 5th floor
Shady Oak Crossing	Shady Oak Road / Mainstreet	Site prep work underway, waiting for site development permit applications
Legends (Dominium)	Bren Road	All phases under construction, completion on first phase by end of 2020.
Shady Oak Office Center	10901 Red Circle Drive	Concept plan for apartments
Misc Projects		
Ridgedale Drive Reconstruction	Road reconstruction	Phase 3 underway
Minnetonka Police/Fire Project	Minnetonka Civic Center Campus	Under Construction
Opus AUAR Study	Opus	Draft received, staff review underway

Business Updates

Hennepin County COVID Response

In August, Hennepin County made available additional money for businesses affected by COVID-19. Businesses who had not previously received assistance from local, state, and federal programs received priority for grants of up to $15,000.

In total, over 2,300 businesses had applied. 800 businesses had not previously received assistance and were selected to move forward. Minnetonka businesses made up 68 of the applications, 22 were deemed eligible to move forward with funding.

Business District Recovery

The City of Minnetonka, with support from Hennepin County has selected the Glen Lake Business District to participate in the COVID Business District Recovery marketing program. This initiative is led by consultants Mod & Company Advertising, McDonnel & Company Marketing and Communications, and city staff. Support will come from Hennepin County staff and Glen Lake stakeholders. Glen Lake was one of eleven Hennepin County business districts selected to be included in this project.

Mod & Company has previous experience with government and business stakeholders having worked with the Metropolitan Council and the City of St. Paul to develop “On the Green Line” marketing campaign. This campaign consisted of marketing materials and advertising for businesses affected by Green Line construction along University Ave. in St. Paul.

For this initiative, the marketing team will develop a marketing and branding plan which includes:

- Stakeholder engagement
- Strategies and tools to help businesses in Glen Lake attract and engage customers and market their business and COVID-19 safety measures. Specific strategies may include buy local campaigns, local coupon books, district social media, web design, special events, and local advertising.
- Encouraging business owners to work together in marketing their district
- Help districts cultivate a sense of identity
- Helping communities understand the value of their business districts and feel a sense of shared ownership.

This initiative will run from August to December 2020. The entire project budget is $125,000, with each district receiving about $10,000 in media, printing, photography, etc. The funds are paid entirely through Hennepin County CARES Act dollars.

Housing Updates

Emergency Rental Assistance Program

On April 20, the city council approved funding for an emergency rental assistance program to assist Minnetonka residents impacted by COVID-19. To establish the program, the city approved a temporary ordinance that allows the city to set up a housing trust fund for this purpose. The city dedicated $150,000 of the existing fund balance from the Development Fund.

This amount represented the balance of conduit bond administrative fees city collected by the city, which are available for this purpose and not committed to other programming.

Minnetonka residents earning up to 120 percent of the area median income may apply for assistance.

- Qualified households may receive a one-time payment of up to $1,500 to assist with rent and utility expenses.
- Eligible household income limits include:
  - One person: up to $84,000
  - Two people: up to $96,000
  - Three people: up to $108,000
  - Four people: up to $120,000

As of Sept 1, 2020, ICA spent $62,400 of the Minnetonka money on assistance for residents. This equates to:

- 45 households assisted
- Average assistance is $1,356 for rent/utilities
- $77,500 in funding remaining for Sept-Nov

Applications continue to be accepted through ICA by calling 952-938-0729.

Eviction Freeze

Federal Eviction Freeze

On Sept. 1, 2020, the Trump administration and the CDC put forward an eviction moratorium that would remain in effect through the end of 2020.

Under the rules, renters have to sign a declaration stating: their income is not higher than $99,000 a year, or twice that if filing a joint return, and that they have no other option if evicted other than homelessness or living with more people in close proximity.

Evictions for reasons other than nonpayment of rent will still be allowed.

State Eviction Freeze

On July 14, 2020, Governor Walz signed Executive Order 20-79, which modified the existing evictions moratorium. This order went into effect Aug. 4, 2020. This order shall remain in effect until the declared peacetime state of emergency ends. On Aug. 12, 2020, Governor Walz issued Executive Order 20-83 which extends the Peacetime Emergency Declaration until Sept. 11, 2020.

It is expected that Governor Walz will continue to extend the Peacetime Emergency Declaration as the COVID-19 pandemic persists, extending the eviction moratorium for the foreseeable future. Staff is monitoring the status of the eviction moratorium, and is researching the possibility of enacting a city ordinance should the governor remove this protection.

Planning/Redevelopment Studies

Opus Alternative Urban Area wide Review (AUAR) Study

An AUAR is a planning tool for local governments to assess the cumulative environmental and infrastructure impacts of projected development scenarios within a given area. It is a way of performing an environmental analysis before significant development occurs.

City staff has received robust interest in redevelopment of the Opus area over the last several years and expect that trend to continue as the light rail construction progresses. Staff expects a number of sites within Opus could redevelop and trigger further environmental review. Conducting these reviews can add significant time and cost to the development process, and fail to provide a more comprehensive view.

To increase development efficiency and gain a better understanding of the cumulative impacts that anticipated new development in Opus can have, staff has contracted with a consultant to carry out an AUAR analysis on a number of parcels within the Opus Area.

Staff has received the first draft of the study and it is under review. Once staff has responded, the consultant will present a final version of the study for the City Council to consider as an area wide mitigation plan to address environmental impacts future redevelopment projects could produce. Future projects that are in conformance with the AUAR mitigation plan should not need to conduct additional environmental studies.

Upcoming Events

Oct. 29, 2020 - EDAC Meeting

Originated by:
Alisha Gray, EDFP, Economic Development and Housing Manager
Rob Hanson, EDFP, Economic Development Coordinator