

**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 business owners and residents have rent or mortgages to pay, so councilmembers directed staff to find a funding mechanism for 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.