

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

**Sept. 17, 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, Network Administrator Jeff Dulac, and Financial Consultant Keith Dahl of Ehlers and Associates.

3. Approval of EDAC June 25, 2020 Meeting Minutes

Tyacke motioned, Hromatka seconded the motion to approve the June 25, 2020 meeting minutes as submitted with a modification to Page 3 to reflect that Calvert stated that councilmembers were extremely concerned knowing that residents as well as business owners have rent or mortgages to pay and may need assistance. Duginski Cibulka, Falk, Hromatka, Jacobsohn, Johnston, Tyacke, and Yunker voted yes. Motion passed.

4. Wellington Management (10901 Red Circle Drive) Concept Plan Review

Gray gave the staff report.

David Wellington, co-owner of Wellington Management, applicant, stated that:

- He appreciates their time spent on reviewing the request.
- Wellington Management has been the owner and commercial property manager of the Shady Oak Office Building since 2004. The company owns 100 properties in the twin cities and its headquarters is in St. Paul.
- The company has its own affordable housing division and built two affordable-housing projects in south Minneapolis. One is located near the Blue Line Light Rail Station.
- His company provides long-term planning with the community and elected officials.
- The building has vacancies and has been unable to attract new tenants.

Hromatka asked if this would be a new TIF district. Grey answered affirmatively.

In answer to Hromatka's question, Mr. Wellington stated that he received the report from Ehlers yesterday and needs to do more research. He would be fine with the six percent return on cost if his research confirms Ehlers' findings.

Falk questioned how the 20 percent value for the affordable units was chosen. Mr. Wellington would like to have more units of affordability. There is a trade off from public dollars to buy down additional affordable units. The more affordability diminishes some of the ability to obtain capital. The capital environment is very challenging right now. Banks tend to be uncomfortable with mixed-income projects.

Calvert asked if the management fees would be passed on to the renter. Mr. Wellington stated that the \$3,700 per unit would be tied to the owner's liability, not the renter's liability.

Jacobsohn asked what the current property tax is and what the expected property tax after completion of the proposal would be for the property. Dahl explained that a 250-unit apartment building would create a value of \$205,000 per unit for a total \$5 million in taxable market value. That would equal approximately \$817,000. That would be divided between the city, county, and school district. The building with 185 apartments would have the same value per unit with a total taxable market value of \$38,000 million and generate \$605,000 a year in property taxes. Mr. Wellington provided that the Hennepin County website shows the 2020 market value to be \$5.4 million and total tax \$280,515. Wischnack noted that some of the property tax paid on the commercial property would also be paid to fiscal disparity, but as a residential property, it would not have to pay fiscal disparity.

Jacobsohn has confidence in Wellington Management's ability to manage properties.

Hromatka thought the nine-year and 11-year TIF districts seem like short periods of time. Wischnack stated that the short time periods have benefits. Dahl explained that it is typical for a housing TIF district to be open nine to 15 years with 20 percent affordable units at 50 percent AMI or 40 percent affordable units at 60 percent AMI. Six percent cash on cost would be the limit for assistance. The 250-unit building would have a term length of 11 years of TIF assistance and the 185-unit building would have nine years of TIF assistance. Housing TIF districts are unique because they are allowed to stay active for the full 26 years and the additional tax increment could be used by the city for other housing projects. The benefits of limiting the term include helping the developer achieve a respectable rate of return to attract investors and allowing the city to provide potential assistance to other projects.

Tyacke asked when the city would see its property-tax benefit. Dahl answered that would be decided by the city council. Wischnack explained that the city council has utilized both options in the past. In some cases, the city council has decertified the district after the pay-as-you-go notes have expired and, in other cases, the city council has let the TIF district remain open the full 26 years.

In response to Duginski Cibulka's question, Dahl explained that the Ehlers report found that the proposal overstated the property tax amount and undervalued the potential of the tax increment that would be generated.

Duginski Cibulka asked the applicant how the demand for apartments in the area was determined. Mr. Wellington explained that a market study was completed. He did share that with city staff. It is difficult to do a market study now with the impact Covid is having on the economy, but the expectation is to see things return to normal in the near future. Providing units that are more attainable rather than high-end units is the goal. He felt confident that there would be a healthy demand at this location, at this price point, adjacent to the SWLRT in the near future.

Duginski Cibulka asked what feedback was obtained at the neighborhood and planning commission meetings. Wischnack answered that one resident attended the neighborhood meeting. Staff received a letter from the neighbor on the north who felt there would be too much residential housing in the area. Planning commissioners discussed market, design, and place-making in Opus.

Hromatka felt that the request is reasonable. He likes that the pay-as-you-go note would be completed before the length of term. That would provide flexibility for the developer if there would be an increase in construction costs. The proposal fits within the city's affordable housing plan. It is a favorable project.

Tyacke agreed. The development would be a positive for the city. It would provide additional affordable housing which fits with the goals of the comprehensive guide plan. The location next to the SWLRT would be beneficial. He supports providing the \$8 million as detailed in the Ehlers' report.

Johnston appreciated the background and information from staff, Ehlers, and the applicant. She supports the two, separate, \$8 million, pay-as-you-go notes. She has worked for 10 years in a building that is managed by Wellington Management. The applicant does a nice job managing the property.

Chair Yunker agreed. He felt that the financing recommended by Ehlers would be appropriate. The applicant is on board with Ehlers' recommendation.

Calvert encouraged commissioners to provide additional feedback.

Jacobsohn agreed with Hromatka's comments. The \$8 million level of assistance would provide a very reasonable rate of return for the city and the amount of affordable housing that would be created. He knows Wellington Management is a good company for the city to be partnering with.

Duginski Cibulka understood that the focus for the Opus area is on future growth. The developer has completed a market study and is working to fill a need for affordable apartments. The term would allow flexibility for TIF funds to be used to support future uses. The proposal's density and vitality could spur additional developments to be done

in the area. The proposal has a reasonable return for the risk. She wishes the applicant the best of luck.

Gray noted that commissioners would review the proposal's amount of assistance again when the commissioners would review a draft of the contracts if the applicant would move forward with an application.

5. 2021 Preliminary Budget

Gray gave the staff report.

In response to Tyacke's question, Wischnack stated that the Development Fund holds a continual balance.

Hromatka confirmed with Wischnack that the city will receive CARES Act Funding by the end of 2020 which could help some funds.

Hromatka asked if staff want commissioners to consider establishing a permanent, affordable-housing trust. Gray answered in the affirmative. One would be required for the city to provide rent and mortgage assistance. Hromatka would be in favor of establishing a permanent, affordable-housing trust for the purpose of having the flexibility for the city moving forward.

In response to Tyacke's question, Gray explained that the affordable-housing trust could receive funds now or in the future. Tyacke supports establishing a permanent, affordable-housing trust.

Jacobsohn supports creating the tool of a permanent, affordable-housing trust. When to allocate funds and the amount may be discussed at another time.

Falk supports the recommendation of establishing a permanent, affordable-housing trust tool. She supports keeping the funding mechanism flexible with a set minimum balance to keep the tool useful.

Chair Yunker supports establishing a permanent, affordable-housing trust to have the tool available. He concurs with commissioners.

Hromatka supports staff's recommendation for the HRA Levy. It would equal one tenth of the possible amount that could be levied. Of the \$300,000, \$100,000 would be allocated for emergency housing and business assistance. So, even though it would be higher than years past, it would be for a good reason and well within the percentage limit set by the state.

Chair Yunker appreciates the benefits of Homes Within Reach. He supports staff's recommendation.

Calvert noted that councilmembers recently discussed the benefits of Homes Within Reach.

Duginski Cibulka asked if current information was available that compares similar cities' HRA Levy amounts. Gray stated that she will share that information with commissioners.

Calvert stated that councilmembers discussed the potential of the city providing loans to assist a homeowner with repairs in exchange for keeping a house affordable.

Johnston left the virtual meeting.

Chair Yunker confirmed with commissioners that they did not have an item to be added to the budget at this time.

Hromatka motioned, Jacobsohn seconded the motion to recommend that the city council approve the resolution adopting the 2021 preliminary budget that would provide \$75,000 for the SWLRT; \$0 for Homes Within Reach; \$100,000 for Housing Loans; \$25,000 for Business Outreach; \$50,000 for Emergency Business Assistance; and \$50,000 for Emergency Housing Assistance for a total of \$300,000 for the HRA Levy. Duginski Cibulka, Falk, Hromatka, Jacobsohn, Tyacke and Yunker voted yes. Johnston was absent. Motion passed.

Hromatka motioned, Jacobsohn seconded the motion to recommend that the city council approve the resolution establishing a permanent housing trust. Duginski Cibulka, Falk, Hromatka, Jacobsohn, Tyacke and Yunker voted yes. Johnston was absent. Motion passed.

Hromatka welcomed information on what programs other cities are doing that Minnetonka could consider. Wischnack agreed that is a valuable resource.

6. Staff Report

Gray and Wischnack gave the staff report:

- The Green Line Extension received \$920 million to complete construction through opening day. The pedestrian tunnel north of Bren Road and the Opus Station is under construction. Construction updates are available at www.swlrt.org.
- Metro Transit suspended 92 of 217 routes. There has been an 80 percent to 90 percent decline in ridership. Sixty-three percent of Minnetonka's local routes are operational. Only 20 percent of the downtown express routes are still operating.
- Developments in progress include The Pointe, Avidor, The Luxe, Doran (The Burke), Shady Oak Crossing, Legends (Dominium), Shady Oak Office Center, Ridgedale Drive reconstruction, the Minnetonka Police and Fire project, and an environmental assessment of the Opus area.
- Sixty-eight Minnetonka businesses applied for emergency Covid-19 funds provided by Hennepin County and 22 were deemed eligible to move forward with funding.
- The Glen Lake District will receive a Hennepin County grant of \$10,000 to use for advertising businesses.

- Minnetonka utilized \$150,000 of the existing Development Fund balance to provide a one-time payment of up to \$1,500 to assist with rent and utility expenses to residents in need of assistance.
- ICA has spent \$62,400 of the Minnetonka money on assistance for residents which assisted 45 households with an average amount of \$1,356. The fund has \$77,500 remaining for Sept.-Nov.
- The federal administration and CDC put forward an eviction moratorium that would remain in effect through the end of 2020.

7. Other Business

The next EDAC meeting is tentatively scheduled to be held Oct. 29, 2020 at 6 p.m.

8. Adjournment

Jacobsohn moved, Hromatka seconded a motion to adjourn the meeting at 7:55 p.m.
Motion passed unanimously.