



**AGENDA
CITY OF MINNETONKA
ECONOMIC DEVELOPMENT ADVISORY COMMISSION**

Thursday, Feb. 25, 2021
6:00 p.m.

Virtual Meeting

1. Call to Order

2. Roll Call

Charlie Yunker
Maram Falk
Melissa Johnston
Ann Duginske Cibulka

Steven Tyacke
Jay Hromatka
Lee Jacobsohn

3. Approval of Oct. 29, 2020 minutes

BUSINESS ITEMS

4. Tax Increment Financing Renewal and Renovation District – Opus Area

Recommendation: Review and provide feedback

5. Linden Street/Minnetonka Station (10400, 10500 and 10550 Bren Road East)

Recommendation: Review and provide a recommendation to city council

6. Staff Report

7. Other Business

The next regularly scheduled EDAC meeting will be held on March 11.

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

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

**Oct. 29, 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 Duginske Cibulka, Jay Hromatka, Lee Jacobsohn, Melissa Johnston, and Charlie Yunker were present. Maram Falk and Steven Tyacke were absent.

Councilmember Deb Calvert was present.

Staff present: Economic Development and Housing Manager Alisha Gray, Economic Development Coordinator Rob Hanson, IT Assistant Gary Wicks, and Financial Consultant Keith Dahl of Ehlers and Associates.

3. Approval of EDAC Sept. 17, 2020 Meeting Minutes

Hromatka motioned, Jacobsohn seconded the motion to approve the Sept. 17, 2020 meeting minutes as submitted with a change from “\$38,000 million” to “\$3.8 million” on Page 2. Duginske Cibulka, Hromatka, Jacobsohn, Johnston, and Yunker voted yes. Falk and Tyacke were absent. Motion passed.

4. Minnetonka Station at 10400, 10500 and 10550 Bren Road East

Gray gave the staff report.

Hromatka asked how the proposal’s affordable units compare to others in Opus. Gray explained that Dominion is different because it is a tax-credit project. Dominion has 482 units of affordability that break down to \$540 per unit, per year. The Rize did not receive any city assistance. The Rize has 10 percent of its units at 80 percent AMI. The Wellington proposal came in roughly at \$3,000 a unit with two phases totaling 87 affordable units and 348 market-rate units. The Ehlers’ report recommends \$1.8 million for Minnetonka Station which would bring it down to approximately \$1,000 per unit.

Keith Dahl, municipal consultant and financial advisor with Ehlers and Associates, representing the city, stated that:

- The proposal still has a few moving pieces and he is still working with the developer.

- The developer maximized the request based on a TIF district with a 26-year term. He did not feel that would be necessary for the project. Over 26 years, the project could potentially generate \$9 million.
- After reviewing the budget, pro forma against industry standards for construction, land acquisition, project costs, and return on investment he would expect the developer to achieve stabilization within year four. After year four, TIF assistance would end because the project would have met the industry standard for a return on an investment and would no longer need public assistance. In year four, \$1.85 million could potentially be generated in tax increment. That is Ehlers' current recommendation, but it still might change.

Jacobsohn asked if the developer listing 75 percent for the first mortgage and Ehlers' recommending 65 percent for the first mortgage also impacted the change. Dahl answered affirmatively. Dahl stated that typically it would be 70 to 75 percent. Based on the net operating income and potential to maximize the first mortgage, the analysis saw that that could be increased a little further. The developer does not have to do that, but it would be one way to help fill the gap in sources. With the current calculation, Ehlers recommends 70 percent.

Chair Yunker clarified with Dahl that the difference comes from the four-year time frame versus 26-year time frame of the TIF district.

In response to Duginske Cibulka's question, Dahl explained that the replacement reserves and management fee had been included in the operating costs before the management fee, property taxes, and replacement reserves. With that calculation changed, the operating expenses are within a typical amount of \$38,000 per unit per year and within the threshold for the project.

Scott Richardson, representing Linden Street, the applicant, stated that:

- As far as mortgage sizes are concerned, he is involved in the capital markets every day. Covid has shrunk loan-to-cost ratios and mortgage sizes. Back in Feb., 70 percent to 75 percent loan to cost would have been a viable scenario, but, unfortunately, that has changed to 65 percent to 70 percent. In today's market, 75 percent would not be doable.
- The applicant is working on purchasing the site and is excited by its proximity to the future SWLRT station. It would also be connected to the trail system on the north and west sides.
- The applicant is contemplating installing a solar array on the roof.
- There would be public art along Bren Road East. He thinks it would be important because of the visibility of the location.
- It would be a very high-quality project.
- Dominion has a totally different capital stack. The tax credit world has very little to do with the way that this deal, which would be predominately a market-rate deal, would be financed.

Mike Krych, of BKV Group, stated that:

- He is excited about the project.

- It would provide a lot of community benefit.
- The applicant is integrating the proposal's plans with the city's vision for Opus in the future as provided in the comprehensive guide plan.
- The proposal would help the city reach its goals related to transit, community representation, and greater sustainability.
- The design would be high quality and a great representation that other projects could strive towards.

In response to Calvert's questions, Mr. Richardson stated that there would not be three-bedroom units, but there would be large, two-bedroom units. He clarified that the correct number of units should be 279 in the proposal materials. In reference to return on cost, six would not work for the applicant. Six-and-a-half to seven may work. The applicant would be paying the current market rate for the property.

Duginske Cibulka agreed with what the applicant said regarding mortgages. Every deal happening now is dealing with a loan to cost challenge. She thought that the \$1.85 million may change. She asked if the applicant should return when more information is known. Mr. Richardson would be open for returning to the EDAC, but he deferred to city staff. Gray agreed that the proposal would evolve. Ehlers' staff is working to make sure the city will be treating each proposal equally. Mr. Richardson noted that the amount being recommended is less than a third received by another project that was reviewed a couple weeks ago and would be located across the street. He did not want to end up in a position competing against a project across the street with the other project having received three times more assistance from the city even though both projects are doing 20 percent affordable at 50 percent AMI. He did not expect to be in a better position than anyone else, but he did not want to be disadvantaged.

Jon Commers, project consultant for the development team, stated that:

- He appreciated the dialogue he has had with the Ehlers team since they reviewed Ehlers' draft report on Monday. He looks forward to discussing with them more aspects of the report.
- He discussed framing the partnership between the applicant and the city as a vehicle to produce public benefit. The affordable piece would allow many people to utilize the proposal's proximity to trails, location to the SWLRT, public art, and solar array. The recommendation in its current form does not provide the kind of partnership required to unlock that basket of benefits.

Dahl noted that Ehlers does not use a per-unit-per-year metric to base the size of assistance. Ehlers looks at a proposal's return on investment and would not create a return on an investment for one project that would be larger than another project. Ehlers works with each applicant to determine the amount of return each proposal hopes to achieve. He will continue to work with the applicant and city staff.

Hromatka agreed that it is a little premature to make a recommendation to the city council since there are too many unknowns. The concept and visual plan are all good, but there are too many unknowns related to the financial aspect.

In response to Johnston's question, Gray answered that she understands that commissioners felt it would be premature to provide feedback on the financial information. She requested feedback on the mix of units, number of units, and if the affordability would be reasonable for the site.

Johnston asked if the proposal complies with the comprehensive guide plan. Gray answered affirmatively.

Jacobsohn felt that the proposal would meet the city's affordability and housing objectives. A clearer financial picture will come into focus once Ehlers staff and the applicant have more discussions. It would be valuable to know what the impact of some of the other components would be. He liked the solar array, but wanted to know if that would impact the financing request. It would be beneficial to know what other benefits, along with providing affordability, the assistance would fund.

Mr. Richardson agreed that is a great idea. He asked for guidance on a format that would be best to present the information to the group. He will work with staff to create a list of the features and amenities.

Hromatka asked if the TIF district already exists or if it would be created. Gray explained that either a new TIF district would be created or TIF pooling funds would be utilized, but not both. Gray noted that this is a preliminary review of the proposal. It would be reviewed by the EDAC again.

Hromatka asked if Linden Street factored in the impact Covid is having. Mr. Richardson stated that similar markets are slow. Their apartment buildings are capturing a high percentage of folks who tour the apartments, but leasing of apartments is off by 75 percent compared to leasing rates before Covid. He hopes Covid would be resolved by the time this proposal would start leasing. Dahl explained that the four years would start at stabilization which usually occurs three years after construction is completed.

Hromatka likes the proposal's concept and felt that the number of affordable units is in line with the city's affordable housing goals. He would support the project once the numbers come together.

Johnston agreed.

Duginske Cibulka concurred. She was excited for the solar array. She likes the care taken to connect with the trails. The aesthetic view would be attractive. She looks forward to reviewing the proposal again.

Chair Yunker concurred with commissioners. He thanked the applicants and Dahl for attending the meeting.

5. Doran Development Concept Plan

Gray gave the staff report. The applicant did not request financial assistance from the city.

Tony Kuechle, representing the applicant, Doran Development, stated that:

- The staff report did a good job outlining the proposal.
- The proposal is now focusing on 365 units instead of 400 units. The applicant met with neighbors and received comments at the planning commission meeting.
- Modifications have been made to the plan including adding a privacy fence along the north property line. The multi-use trail was moved away from the townhouses on the north side and the setback was increased to 70 feet.
- The applicant wants to provide a different level of affordability not yet provided in Opus and is proposing ten percent of the units at 80 percent AMI.
- He noted that councilmembers support the proposal having affordable units with three bedrooms. The proposal would provide more of the large units to be affordable units. At this density level, 38 units would be able to be affordable without a subsidy.
- The applicant plans on utilizing capital stacking and pace financing which would require the project to exceed the energy code by 20 percent.
- He was available for questions.

Hromatka asked Calvert if the six-story building would fit in the area. Calvert stated that there is a consensus that transit-oriented development is needed. She prefers to build up in some areas instead of out to provide density and allow preservation of large lots. The Metropolitan Council set aggressive housing goals. More affordable housing units are needed in the city.

Mr. Kuechle stated that this proposal is probably the least dense project being proposed for Opus. The plan was designed to preserve an acre-and-a-half to two acres of the property that has a stormwater pond and large trees located on it. Preserving that area is what would cause the need for the building to be six stories.

Chair Yunker noted that the affordable housing policy was put in place for a reason. He would need a compelling reason to give the city council to recommend an exception. It seems strange to have all this development happen at one time, but he thought the layout would help Opus keep the large-lot character. He believes the proposal would fit the character of the area.

Calvert agreed that the affordable housing policy was passed for a reason. It is not a requirement, it is a policy, but the goals were put in place because there is a need.

Jacobsohn agreed. He noted that 80 percent AMI is a piece that is missing in a lot of the projects currently being proposed for Opus. While it is not in the policy, maybe an answer may be 20 percent of units at 80 percent AMI. Some flexibility may make sense for this project, but he agreed that the policy is in place for a reason.

In response to Johnston's question, Gray learned that another project of Doran's, The Birke, was successful leasing the affordable units right away. That project has 50 percent AMI and a new TIF district.

Mr. Kuechle stated that he was very happy with the response in leasing of the affordable units and market-rate units for The Birke. More units will become available in December.

Chair Yunker noted that commissioners are, in general, comfortable with the concept plan, but want it to meet the standards of the affordable housing policy. He thanked Mr. Kuechle for participating at the meeting.

6. Community Development Block Grant

Hanson gave the staff report.

Johnston stated that she supports the amendment and then exited the meeting.

Hromatka asked how many Homes Within Reach (HWR) houses are currently in Minnetonka. Hanson answered that there are 62 HWR houses in Minnetonka. The money in the fund have different deadlines of when it needs to be used or returned based on when the city received the money. Gray provided that the HRA Levy is a separate pool of money.

Hromatka asked how the 62 HWR residents would be made aware of the CDBG funds. Hanson explained that staff has been working with HWR staff. HWR staff favors grants in the amount of \$10,000 since many emergency repairs cost at least that much to fix. Interest has already been expressed by HWR residents. Hanson talked to a HWR resident and let them know that this was being discussed. Additional notifications will be made as the program develops. Gray noted that staff could mail each HWR resident a notification.

Jacobsohn noted that the funds would be used for critical repairs and not aesthetic home improvements. Hanson agreed. The funds would be used for necessary repairs to roofs, heating systems, and etc.

Jacobsohn asked how a request for assistance in paying for emergency repairs would be handled today. Hanson explained that the homeowner could apply for one of the existing home programs. The wait list for the CDBG program is extensive. The homeowner could also apply for assistance from the HRA program which is structured more like a traditional loan.

Hromatka suggested a two-phased approach. The first phase would have \$3,750 of grant dollars available for emergency repairs to almost every house in HWR. If there would be remaining funds, then phase two would accept applications for requests up to \$7,500 total. He saw a fairness issue. The funds should be available to all of the HWR houses in Minnetonka instead of the select few who request the funds first.

Calvert felt that is a fair point, but there is a balancing act involving the grant amount being sufficient to cover the cost of the repair. She asked if two phases would require more funds to be spent on administrative costs. Gray noted that using two phases may make it more difficult to use the dollars before the lose-it deadline. Scoring and prioritizing projects most in need could be looked at to prevent solely a first-come, first-served allocation basis. The amount allocated to administration costs is already the most allowed.

Chair Yunker supports HWR. He saw the grants as an investment in Minnetonka's HWR housing stock. He noted the challenges in acquiring new properties given the high cost of houses. This could be a good use of the funds now to maintain the HWR houses in Minnetonka. The types of emergency repairs that the grants would cover could be listed such as roofs, windows, HVAC, plumbing, and electrical which are all high-ticket items, but the houses would not be habitable without those functioning items. He suggested that a percentage of the cost of a repair could be provided by the grant. Then the need would also be identified and a round two could be completed if there would still be funds available.

Hromatka supports HWR. It is needed. He found out recently how much it would cost to reshingle a roof. There are a number of HWR houses that need roofs and furnaces and are necessary in order for the housing stock to remain viable. He did not agree with using the funds for kitchen countertops or cabinets. He likes the concept of creating a list of what the funds could be used for, a list of items fundamental to the viability of the housing stock.

Jacobsohn likes the idea of creating a list of fundamental needs that the grants could cover. He suggested partial participation by a homeowner who would cover 10 percent of the cost and the grant would cover the other portion which would fit with HWR's goals of providing quality, safe housing. Hanson noted that another CDBG program lists eligible repair items to include plumbing, electrical, painting, windows, roof, and accessibility improvements.

Duginske Cibulka felt that it has been a good discussion. She supports putting the money to good use. The existing HWR program is vital. She likes the idea of the homeowner paying a portion of the repair to model the overall HWR program. She suggested expanding the list of emergency repairs that would be covered and identifying cosmetic changes that would not be covered.

Gray appreciated the discussion.

Hromatka liked the idea of the HWR homeowner contributing to the cost of a repair, but a lot of residents may not have the funds to pay for 10 percent of the cost to fix a roof, so the homeowner may put the repair off again. He was afraid it would limit homeowners' access to the grant dollars.

Hromatka motioned, seconded by Duginske Cibulka to recommend that the city council approve the CDBG Action Plan allocating \$207,500 of CDBG funds to the Rehabilitation Grant Program (HWR residents) to be used for emergency repairs consistent with CDBG guidelines for improvements to a house for emergency-type items and based on needs of the applicants and not for cosmetic-only purposes and the remaining \$11,917.56 of CDBG funds to be allocated for administration costs. Duginske Cibulka, Hromatka, and Yunker voted yes. Jacobsohn voted no. Johnston, Falk, and Tyacke were absent. Motion failed.

Calvert noted that commissioners' comments are reflected in the minutes and videos and councilmembers will review that information.

7. Staff Report

Gray gave the staff report:

- The Green Line Extension is currently working on the Opus Station platform, Shady Oak Station platform, excavation and construction of the Hwy 62 tunnel, and construction of the Smetana/Feltl Road bridges. Construction updates are available at www.swlrt.org.
- Metro Transit has seen a ridership increase of 31 percent since spring. Weekend service increased ridership by 55 percent. Metro Transit expects a drop in fare revenue of \$240 million in 2020.
- Developments in progress include The Pointe, Minnetonka Station, The Mariner, The Luxe, Doran (The Birke), Shady Oak Crossing, Legends (Dominium), Shady Oak Office Center, Ridgedale Park project, the Minnetonka Police and Fire project, and an environmental assessment of the Opus area.
- Hennepin County had 2,300 businesses apply for CARES grant money. Of those, there were 68 Minnetonka applications that are eligible and in line to receive funding. Minnetonka businesses have received over \$760,000 in assistance.
- Minnetonka received a grant to hire a consultant to advertise businesses in Glen Lake.
- The federal administration and CDC put forward an eviction moratorium that will remain in effect through the end of 2020.

8. Other Business

The next EDAC meeting is tentatively scheduled to be held Nov.12, 2020 at 6 p.m.

9. Adjournment

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

**EDAC Agenda Item #4
Meeting of Feb. 25, 2021**

Brief Description Tax Increment Financing Renewal and Renovation District

Recommendation Provide feedback

Background

On Oct. 12, 2020, staff provided an update to the city council on the status of four housing redevelopment proposals that were being considered in Opus. At the time, these projects were at various stages of review and staff was working with each developer to provide feedback on the initial concept proposals and determine the appropriate mix of affordable housing units in each project. Through this process, staff recognized that there were common elements from each project that had potential for a comprehensive solution, rather than looking at each site independently. The common elements included mix of affordable housing, infrastructure improvements, financing requests, and project timing.

Through the analysis, staff researched various types of financing tools that could be utilized to serve multiple projects in a defined geographic area. Staff determined that the city could potentially create a TIF Renewal and Renovation (R &R) District if it was determined that the buildings within the TIF district met certain building deficiency and coverage tests. Staff hired a consultant to conduct the analysis, and it was determined that a larger R &R District could be established to assist the four housing redevelopment projects and redevelopment initiatives.

The purpose of this staff report is to provide context on staff's recommendation to create a larger Tax Increment Financing R & R District and to receive feedback from EDAC commissioners on the overall financing strategy.

Current Redevelopment Proposals

On Oct. 12, 2020, staff provided an update to the city council on the four housing redevelopment proposals in Opus. At the time, staff was coordinating with each developer independently to determine the appropriate mix of affordable housing and potential financing for each project. The Minnetonka Station project and Doran projects were moving forward and both projects were presented to the EDAC on Oct. 29, 2020, with preliminary recommendations for funding or to review to determine alignment with the city's affordable housing policy.

During initial discussions with developers, staff considered utilizing a mix of financial tools, including the city's TIF Pooling balance and the creation of new TIF Housing districts to finance affordable housing for these projects. Through this process, staff found that the financing tools that were available would not allow staff to advocate for the level of affordability that would diversify the mix of affordable housing in the area because of limitations on use of TIF by state statute. Additionally, developers expressed that even with TIF Housing assistance, they were not able to get to the returns that investors were expecting, and could not finance their projects.

Following these initial discussions, staff began researching alternative approaches to financing for the area. It was determined that a TIF R & R District could assist the city in meeting its

affordable housing goals, as it does not require the city to follow the same affordability test as the TIF Housing District or the city's TIF Pooling funds and can be expended on additional redevelopment priorities. Within this approach, there is flexibility to mix various levels of affordability within each project, to balance the overall mix of affordable housing in the area.

Following confirmation that the R & R district was a possibility, staff looked at the overall mix of existing affordable ownership and rental housing in Opus. The current mix of rental and ownership affordable housing in Opus is as follows:

- 0-30% AMI = 0% units
- 30%-50% AMI = 2% of units
- 50%-60% AMI = 57% of units
- 60%-80% AMI = 28% of units
- Market Rate = 14% units
- Total of 2,183 housing units

As initially proposed, the projects attempted to meet the affordability requirements required to obtain tax increment financing through a Housing TIF District. Initially, a few of these projects included a mix of affordability of 20% of the units at 50% AMI. As staff reviewed the proformas and financing requests, it became evident that the assistance required to pay for the affordable units was not feasible.

- 0-30% AMI = 0% units (12 units were proposed)
- 30%-50% AMI = 6% of units
- 50%-60% AMI = 35% of units
- 60%-80% AMI = 24% of units
- Market Rate = 34% units
- Total of 3582 housing units

With this information, staff focused on efforts that would increase the units mix at 50% AMI and below and 60% AMI to 80% AMI (while balancing the requests with financial realities), to begin to even the stratification of affordable units in Opus. With consideration of the projects the city is currently reviewing, the proposed housing mix with the new unit types is as follows:

- 0-30% AMI = 0% units (12 units are proposed)
- 30%-50% AMI = 5% of units
- 50%-60% AMI = 37% of units
- 60%-80% AMI = 19% of units
- Market Rate = 38% units
- Total of 3,436 housing units (Wellington's second phase is not included as the unit count is not known at this time.)

Staff is recommending this approach as it will ensure long-term affordability options within the area. Below is a summary of the four housing redevelopment projects under review:

Minnetonka Station/Linden Street Partners (10400, 10500 and 10550 Bren Road East)

- Seven story, 275-unit apartment building
- City is recommending \$553,000 in assistance to provide 10% of units affordable at 50% AMI (compensating the developer for the extra 5% at 50% AMI instead of 60% as provided in the city policy).
- Current project schedule:
 - Feb 18, 2021 - Planning Commission (public hearing, feedback and provided recommendation to city council)
 - Feb 25, 2021 - EDAC (review financing request and provide recommendation to city council)
 - March 8, 2021 City Council Meeting (review proposal and planning commission recommendation, vote to approve or deny)

Doran Apartments (5959 Shady Oak Road)

- Six story, 375-unit apartment building
- Developer is proposing to meet the city's Affordable Housing Policy by providing 5% of the units at 50% AMI and 5% of the units at 60% AMI.
 - The developer is not seeking city assistance.
- Current project schedule:
 - March 4, 2021 – Planning Commission (public hearing, feedback and provide recommendation to city council)
 - March 11, 2021 – EDAC (review affordability and provide feedback)
 - March 22, 2021 – City Council (review proposal and planning commission recommendation, vote to approve or deny)

Shady Oak Office Center/Wellington Management (10901 Red Circle Drive)

- 4-5 story, 223 unit building (phase 1)
 - The developer is seeking assistance to provide affordable units, the level of assistance and affordability unit mix are under review by staff.
- 3-4 story, 70 unit building (future phase 2)
- Current project schedule
 - Planning Commission – TBD
 - EDAC – TBD
 - City Council – TBD

Bren Road Development, KA/AEON (10701 Bren Road East)

- 13-story, market rate apartment building with 275-300 units
- Six-story, affordable housing apartment building with 70-80 units
 - Affordable housing project includes a mix of 30%, 50%, and 60% AMI units
- Developer is seeking financing assistance to provide the affordable units.
- Current project schedule:
 - Planning Commission – TBD
 - EDAC – TBD
 - City Council – TBD

Opus Alternative Urban Areawide Review (AUAR)

In 2020, the city commissioned an AUAR study to gain a better understanding of the cumulative impacts that future redevelopment projects could have on the environment and infrastructure in

Opus. The document reviewed the major infrastructure improvements that would be required to meet the goals identified in the 2040 Comprehensive Plan and reviewed a second scenario that assumed the redevelopment of parcels into high density residential and office uses. The key finding of this report was that the 2040 Comprehensive Plans projections for employment (16,500 new jobs) and housing (3,550 people) would not trigger major infrastructure improvements.

The second scenario anticipated high density redevelopment and included the addition of 22,200 jobs (5,700 more than scenario 1) and 7,350 more people (3,800 more than scenario one) living in the area. The study found that additional demands on infrastructure systems would be generated. Existing water and sanitary sewer systems can currently accommodate anticipated flows. However, roadway system improvements would be required for development the 2040 Comprehensive Plan scenario.

It is anticipated that the public roadway improvements totaling approximately \$16.5 million in the future. Some of the need is caused by the development; but most of the need is based on a future more intense redevelopment scenario. These road improvements would serve the area where the four proposals are located, that were identified in the AUAR report. Typically, these costs would be shared proportionally between the redevelopment projects and paid for by the developer. The proposed TIF Renewal and Renovation District would allow the city to pay for these costs with tax increment generated by the district, rather than through assessments to the individual projects, which could impact the project's feasibility.

A map of the proposed Transportation Mitigation Plan with a description of the improvements is attached.

Tax Increment Renewal and Renovation District

Staff is recommending that the city establish a TIF R & R district to finance the road improvements, public improvements, and affordable housing units that are part of the four housing redevelopment project and potential future projects. Based upon the location of these projects, the proposed R & R district would be comprised of 23 parcels on the western portion of Opus.

The city has completed the analysis required to determine eligibility of the district and the next step is to go through the formal process to establish the TIF district. If approved, the district is anticipated to generate approximately \$54 million in future value increment over the next 16 years (the full term of the R & R district). Roughly, \$2.4 million would be available on an annual basis to pay for road improvements and administrative expenses. A remaining \$1.29 million per year could be available to provide affordable housing initiatives.

The city would propose utilizing tax increment revenue bonds to fund the \$16.5 million in road improvements and repay the bonds through the tax increment generated by the district over time. Additionally, the remaining tax increment could be utilized to support the city's affordable housing initiatives. Each redevelopment project is being reviewed independently to determine the appropriate mix of affordable units and need for assistance. Staff will present any requests for financial assistance to the EDAC as the projects move forward.

The establishment of the TIF R & R district is as follows:

- March 8 – Ehlers conducts an internal review of the plans, and city council may consider a resolution identifying parcels to be included in the TIF R & R district
- April 15 – Publication of hearing notice and map published in Sun Sailor
- April 26 – City council holds public hearing
- April 27 – City may issue building permits

The timing of the establishment of the TIF R & R district is critical as the city cannot issue a building permit for any of the projects prior to the public hearing for the TIF District. Two of the four housing projects are seeking final approval from the city council in March, which would align with the proposed TIF process that is outlined.

The attached memo from Ehlers further describes the establishment of the Renewal and Renovation District and the potential tax increment that the district could generate to assist with these projects. A representative from Ehlers will be available at the meeting to answer questions.

Recommendation

Staff recommends the EDAC provide feedback on the establishment of the TIF Renewal and Renovation District. EDAC feedback will be shared with the council at the March 8, 2021 city council meeting.

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Alisha Gray, EDFP, Economic Development and Housing Manager

Additional Information

Ehlers Memo
Housing Location Map
Transportation Mitigation Plan
Proposed TIF District Schedule
Affordable Housing Policy

[Oct. 12, 2020 City Council – Opus Housing Brief](#)

[Oct. 29, 2020 EDAC Meeting](#)

[Opus Alternative Urban Areawide Review](#)

[Opus Public Realm Design Guidelines](#)

MEMORANDUM

TO: Julie Wischnack – Community Development Director
 Alisha Gray – Economic Development and Housing Manager
FROM: Stacie Kvilvang & Keith Dahl - Ehlers
DATE: February 17, 2020
SUBJECT: New Renewal and Renovation TIF District (R & R District) – Opus Business Park

We have been discussing the creation of the above referenced TIF district to assist the City in paying for significant road and other public improvements in the area (approximately \$16.5 million), as well as assisting redevelopment initiatives within the District.

A R & R District has a term of 16 years and requires that (i) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; (ii) 20 percent of the buildings are structurally substandard; and (iii) 30 percent of the other buildings require substantial renovation or clearance to remove existing conditions such as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community.

Based upon discussions with staff and the future road and other public improvements required, the R & R District would be comprised of the following 23 parcels (of which 20 have buildings on them):

Parcel number	Address	Owner
36-117-22-31-00 17	10500 Bren Rd E	NewPort MW
36-117-22-31-00 18	10400 Bren Rd E	Mariner Aff. Apts LP
36-117-22-31-00 19	10550 Bren Rd E	NewPort MW
36-117-22-32-0004	5959 Shady Oak Rd	Isla Affiliated Building
36-117-22-32-0056	Not Assigned	Isla Affiliated Building
36-117-22-33-00 10	10901Red Circle Dr	Shady Oak Office Center LLC
36-117-22-31-00 14	10701Bren Rd E	TJT LLC
36-117-22-31-0005	10301Bren Rd W	Talon Bren Road Llc
36-117-22-31-00 16	10901Bren Rd E	Lyn-James Llc
36-117-22-32-0071	10900 Red Circle Dr	Transition Networks Inc
36-117-22-33-00 16	6001Shady Oak Rd	Mtka Crossings-Pi LLC
36-117-22-33-00 17	11000 Red Circle Dr	Three Putt LLC
36-117-22-33-0020	10985 Red Circle Dr	Summit Hospitality 17 LLC
36-117-22-33-0021	10995 Red Circle Dr	DJD Partners VII LLC
36-117-22-33-0022	10999 Red Circle Dr	DJD Partners VII LLC
36-117-22-34-00 10	10701Red Circle Dr	10701Red Circle Llc
36-117-22-34-00 11	10601Red Circle Dr	Tangren Capital Llc
36-117-22-34-00 13	10401Bren Rd E	Store Master Funding Ix LLC
36-117-22-34-00 14	10400 Yellow Circle Dr	Continental Minnetonka LLC
36-117-22-31-0021	Not Assigned	Metropolitan Council
36-117-22-31-0022	10451Bren Rd W	Metropolitan Council
36-117-22-34-00 12	10501Bren Rd E	Metropolitan Council
36-117-22-33-0009	10801Red Circle Dr	River Valley Church Of A V

The District meets the required 70% coverage test. The City had CR-BPS complete a blight analysis on four (4) properties it viewed could meet the required blight test (20% of the buildings). Based upon their findings and report, those buildings do meet the test. Staff is confident that 30% of the remaining buildings (6) will meet the third test. Based upon this, below is a map of the proposed boundaries of the TIF district:



Currently there are four (4) different redevelopment proposals in varying stages of the review process with the City. These include Doran (5959 Shady Oak Road), Linden Street Partners (10500, 10400 & 10550 Bren Road E.), Wellington (10901 Red Circle Drive) and Kraus Anderson/Aeon (10701 Bren Road). Not all of these projects require TIF assistance from the District and staff and Ehlers is working through the analysis process to bring forward any recommendations for assistance.

Based upon these preliminary development proposals, the District could generate in excess of \$54 million in future value tax increment (over 16 years). Many of these dollars could be made available to the City on an annual basis (up to \$3.6M) to pay for administrative costs, required public improvements within and adjacent to the TIF district, and up to 35% annually for other multi-family rental affordable housing initiatives (\$1.29 million and would leave a net of approximately \$2.4 million for administrative costs and road improvements). In order to utilize the 35%, the City would need to make that election within the TIF plan at the time of establishment.

Please contact either of us at 651-697-8506 with any questions.

Opus Housing Developments

Ownership

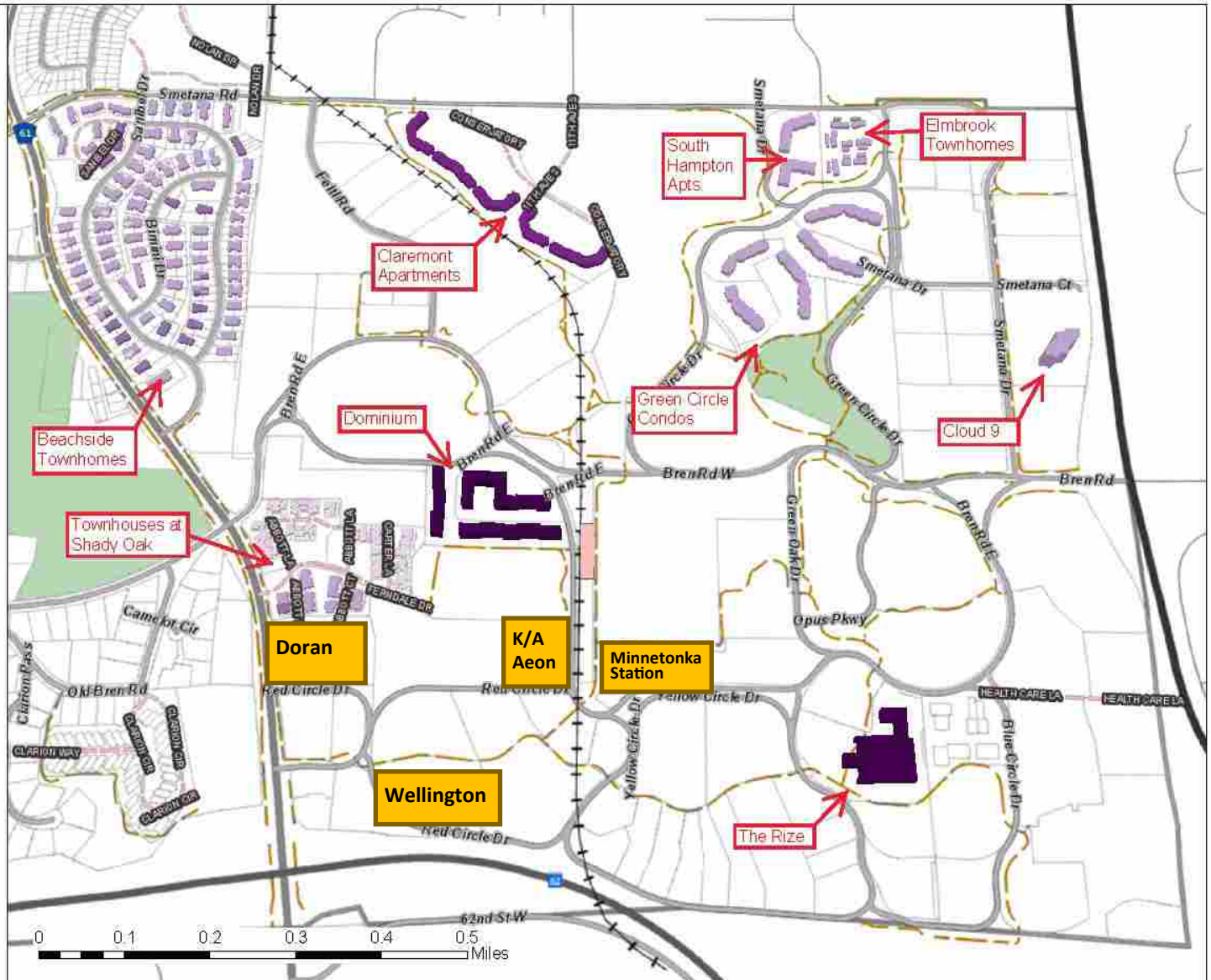
- Townhouses at Shady Oak
- Beachside
- Green Circle
- Cloud 9

Rental

- South Hampton Apts
- Claremont Apts
- Elmbrooke townhomes
- Rize
- Domium

Proposed/In Process

- Wellington
- Doran
- K/A Aeon
- Minnetonka Station



Transportation Mitigation Plan for Opus

The proposed renewal and renovation TIF District within Opus may assist the City in paying for significant road and other public improvements in the area as well as assisting redevelopment initiatives within the district. There are significant road projects that are impacted by current development proposals that are located within the TIF R&R district.

These projects are located within the proposed TIF District and would be needed due to current proposed redevelopment projects. This would be an In-District Expenditure

Shady Oak Road / Red Circle Drive

- Add an additional left turn lane with a minimum storage of 500 feet on westbound Red Circle Drive North at the approach to Shady Oak Road, thus providing this approach with dual lefts and a right turn lane. (Intersection 1)
- Signalize the south intersection of Shady Oak Road and Red Circle Drive South (Intersection 2)
- At Shady Oak Road and Red Circle Drive South, allow right turns from the outside northbound through lane into Red Circle Drive. Extend the existing right turn lane all the way to the TH 62 westbound ramps intersection. (Intersection 3)

Shady Oak Road / Hwy 62

- Reconfigure the Shady Oak Drive northbound approach at the TH 62 westbound ramps intersection to allow a third northbound through lane which drops into the right turn lane at Red Circle Drive. Shorten the inside left-turn lane so that only four lanes are needed under the TH 62 bridge. (Intersection 4)

These projects are located outside of the proposed TIF District and may be needed at a later date. These could be funded by TIF Pooling.

Shady Oak Road / Bren Road

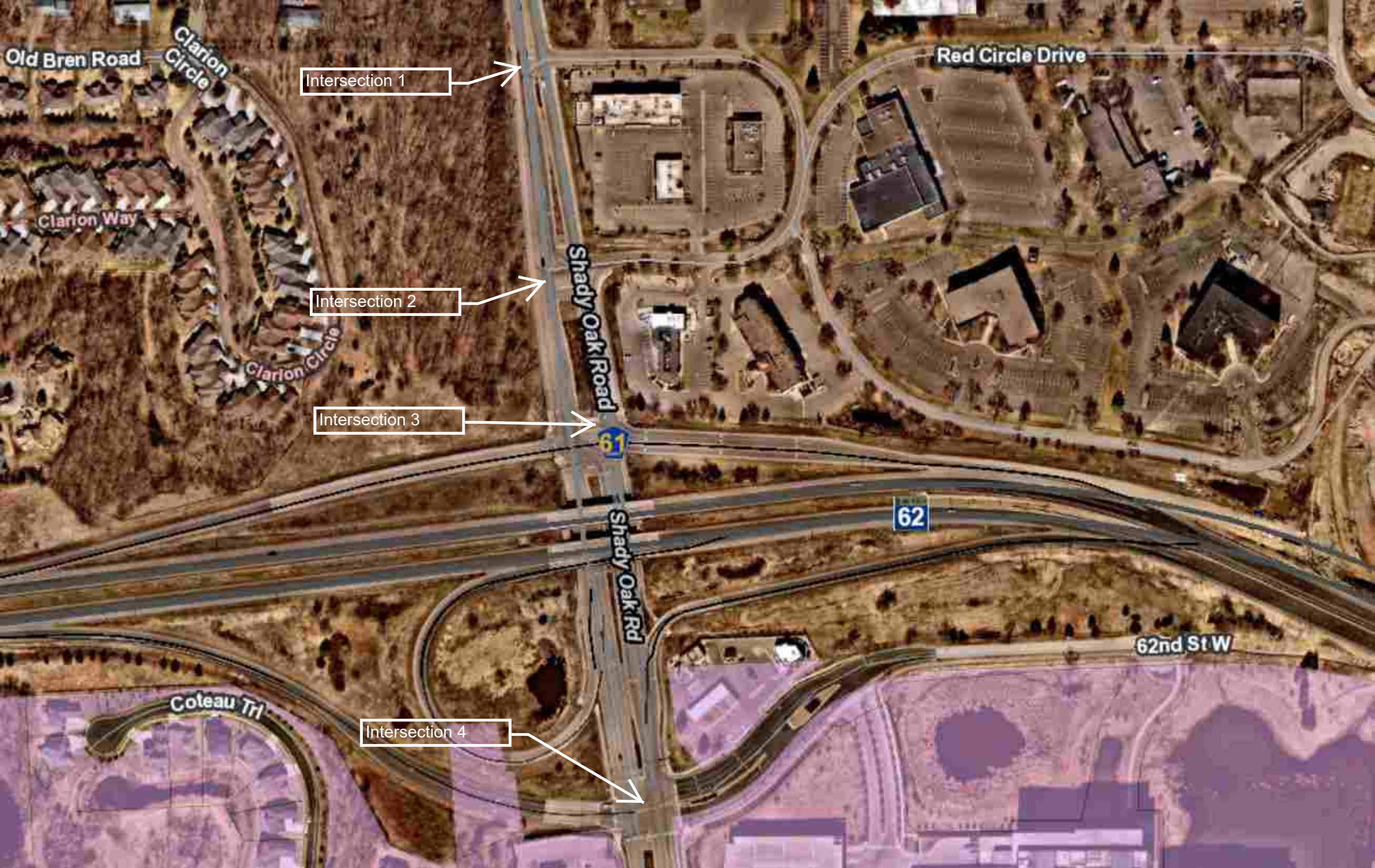
- Add second left turn lane on Southbound Shady Oak Road at Bren Road with a minimum storage of 300 feet. Need protected left turn movements on east/west approaches to intersection. (Intersection 5) – *This project would be impacted by current proposals but may be completed at a later date.*

Bren Road / Smetana Drive

- Add right turn lane on southbound Smetana at Bren Road with a storage of 300 feet and convert the existing shared left and right turn lane to left turn only, thus providing two left turn only lanes. (Currently two lanes and would need to add a lane) (Intersection 6)

Bren Road / US 169

- Add a second right turn lane on southbound US 169 exit ramp to Bren Road with a minimum storage of 300 feet (Intersection 7)



Old Bren Road

Clarion Circle

Intersection 1

Red Circle Drive

Clarion Way

Intersection 2

Shady Oak Road

Intersection 3

62

Shady Oak Rd

62nd St W

Coteau Trl

Intersection 4



Sanibel Drive

Shady Oak Road

Bren Road East

Intersection 5

Abbott Lane

Abbott Court

Abbott place

Carter Lane

Old Bren

Camel C. Road

61



Green Circle Drive

Drive

Smetana Drive

Intersection 6

Bren Road West

Bren Road East

Intersection 7

169

Londonderry

Lincoln Dr

Boons Parkway

Schedule of Events

Minnetonka Economic Development Authority Hennepin County, Minnesota

For the proposed Modification to the Redevelopment Plan for Development District No. 1 & the proposed establishment of Opus Business Park (a renewal and renovation district)

February 18, 2021

- | | |
|-------------------|---|
| February 25, 2021 | EDAC reviews financial request. |
| February 26, 2021 | Project information, property identification numbers, fiscal impacts and maps sent to Ehlers for drafting documentation.

Ehlers confirms whether building permits have been issued on the property to be included in the TIF District. |
| February 26, 2021 | Letter received by County Commissioner giving notice of potential housing TIF district (at least 45 days prior to publication of public hearing notice). [Ehlers will distribute.] |
| By March 8, 2021 | Ehlers conducts internal review of Plans. |
| March 11, 2021 | Fiscal/economic implications received by School Board Clerk and County Auditor (at least 45 days prior to public hearing) and County receives information for review of county road impacts. [Ehlers will distribute.] |

*The County Board, by law, has 45 days to review the TIF Plan to determine if any county roads will be impacted by the development. Because City staff believes that the proposed TIF district will not require unplanned county road improvements, the TIF Plan was not forwarded to the County Board 45 days prior to the public hearing. Please be aware the County Board could claim that tax increment should be used for county roads, even after the public hearing.

April 15, 2021 Publication of hearing notice and map in the Hopkins Minnetonka Sun Sailor (at least 10 days but not more than 30 days prior to hearing). [Ehlers will submit notice, map and instructions. Publication deadline: April 8, 2021.]

April 26, 2021 City Council holds public hearing at 6:30 PM on the modification to the Redevelopment Plan for Development District No. 1 and the proposed Establishment of Opus Business Park and considers a resolution approving the Plans. [Ehlers and attorney provide packet information April 19, 2021.]

EDA considers the Plans, resolution adopting the Plans and an interfund loan in connection with the TIF District. [Attorney provides resolution by April 19, 2021.]

April 27, 2021 City may issue building permits.

Before June 30, 2021 Ehlers files the Plans with the MN Department of Revenue, Office of the State Auditor, and requests certification of the TIF District with the County.

An action under subdivision 1, paragraph (a), contesting the validity of a determination by an authority under section 469.175, subdivision 3, must be commenced within the later of:

- (1) 180 days after the municipality's approval under section 469.175, subdivision 3; or
- (2) 90 days after the request for certification of the district is filed with the county auditor under section 469.177, subdivision 1.

**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

**EDAC Agenda Item #5
Meeting of Feb 25, 2021**

Brief Description Minnetonka Station (10400, 10500, and 10550 Bren Road East)


Recommendation Review the request and provide a recommendation

Site Overview

Linden Street Partners is exploring redevelopment and conversion of the properties at 10400, 10500 and 10550 Bren Road East. The properties currently contain two-story office buildings and associated surface parking. The sites were previously owned by Newport Midwest and had an approved master development plan and final site and building plans for a 249-unit apartment building. The developer was unable to secure financing to move the project forward.

Concept Proposal

Linden Street Partners is considering a similar redevelopment of the three properties. As contemplated, an approximately 275-unit, seven story apartment building would be constructed. In addition to the private units, the conceptual plan includes a resident clubroom, fitness center, bike lounge, and several outdoor amenity areas.

 EXTERIOR VISION + DESIGN



MINNETONKA MULTIFAMILY 1, LLC 

Bren Road, E Minnetonka, MN 2354-01 09/11/2020



Concept Image

Previous Financing Request

At the Oct. 29, 2020 EDAC meeting, staff presented the following request for assistance. The developer had requested the city consider providing tax increment financing up to \$9 million to assist with providing 55 units affordable at 50% of the area median income for a term of 30 years. The affordable rents (ranging from studio to two-bedroom) in the project were proposed to range between \$905 and \$1,163 per month and market rate apartments would range from \$1,103 to \$2,718 per month. The per-unit/per year cost of providing the affordable units was \$5,357 (assuming the project received the requested \$9 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, conducted an initial review of the developer's proforma and provided a memo that reviewed 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 \$1.85 million in financial assistance for provision of affordable units.
- A Housing TIF District or TIF Pooling was recommended as the financing source for the project.
 - If structured as a Pay-As-You-Go Note, the proposed term would have been 4 years of TIF with an interest rate at lesser of 4.5% or the developers actual financing rate, and would be repayable from 90% of the available tax increment financing; or
 - The assistance could have been provided from the city's pooled TIF in the form of an up-front grant, since the project would qualify for the use of TIF pooling.

Following the EDAC meeting, staff continued to have discussions with the developer on the level of affordability and assistance for the project. The developer did not agree that the \$1.85 million in assistance was feasible for the project for the number of affordable units.

Current Financing Request

Following the Oct. 29, 2020 meeting, staff continued to negotiate with Linden Street partners. The developer indicated that it would work with the city to meet the city's affordable housing goals, by providing 5% at of the units at 50% AMI and 5% of the units at 60% AMI. The city communicated to the developer its goal of trying to increase the amount of 50% AMI units in Opus. The developer has agreed to provide 10% of the units affordable at 50% with financial assistance.

Ehlers has reviewed the request, and provided a memo with the key points of the recommendation. Below is a summary of that request:

- Provide assistance up to \$553,000, structured as an up-front payment to the developer
 - The \$553,000 would be paid up front through the city's development fund.
 - Establish an inter-fund loan to repay the city's contribution through increment generated by the proposed TIF renewal and renovation district
 - This assistance represents the annual difference in income by increase 5% of the units to 50% AMI (removing 5% at 60% AMI).
 - Require a 30-year term of affordability to align with the city's policy.

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 2040 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 10% of the units affordable at 50% AMI and has requested assistance to provide the additional 5% at 50% AMI that is above and beyond the policy requirement.
 - This mix of affordability diversifies the overall affordable housing mix in Opus.
 - 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 10% of the units at 50% of the area median income.
 - The policy requires 10% at 50% AMI and 10% at 60% AMI as a minimum.
- 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 developer applied for funding through the Hennepin County Transit Oriented Design Program in Feb. 2021.

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.

Contract for Private Development

Staff is in the process of drafting a contract for private development to present to the council on March 8, 2021. Given the short time-frame between the EDAC and council meetings, staff will not be able to review a draft contract with the EDAC prior to the March 8 meeting.

Construction Commencement and Completion

- Project abatement and demolition is anticipated to commence in Spring of 2021.
- Construction timeline will follow and will be included in the Contract of Private Development.

Declaration of Restrictive Covenants

- The developer will make 28 units affordable to households earning 50% AMI or less.
 - The city's policy requires a minimum of 30 years of affordability.
- Rents are anticipated to be between \$905 and \$1,163 per month (depending on the size of the unit) and based on 2020 income limits. Utilities and parking will be included in the maximum allowable rent for each unit, which is established by the Minnesota Housing Finance Agency's rent and income limits for housing tax credit projects (updated annually).
- Include language prohibiting practices that discriminate against Section 8 voucher holders.

Assistance

Staff is recommending up to \$553,000 to assist with financing of the affordable units. The funding source is city's development fund. Keith Dahl, from Ehlers, reviewed this request and prepared the attached memo that includes analysis of the request and a recommendation.

The following is a summary of Ehlers' recommendation that is included in the memo:

- Provide up to \$553,000 in up-front assistance through the city's development fund.
- Require a 30-year term of affordability.

The assistance requested from the developer would result in a per-unit cost of approximately \$658 per year over a 30-year affordability period based on total assistance of \$553,000. The per-unit assistance on previously approved housing redevelopment projects ranges from \$500 per unit/per year to \$4,571 per unit/per year.

Project Schedule

- Feb 18, 2021 - Planning Commission (public hearing, feedback and provided recommendation to city council)

- Feb 25, 2021 - EDAC (review financing request and provide recommendation to city council)
- March 8, 2021 City Council Meeting (review proposal and planning commission recommendation, vote to approve or deny)

Recommendation

Staff recommends the EDAC review the request and provide a recommendation. The EDAC feedback will be shared at the March 08, 2021 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

Memo from Keith Dahl and Stacie Kvilvang – Ehlers

Draft Concept Plans

Affordable Housing Policy

TIF Policy

2020 Income and Limits

History of Affordable Housing Production and Assistance

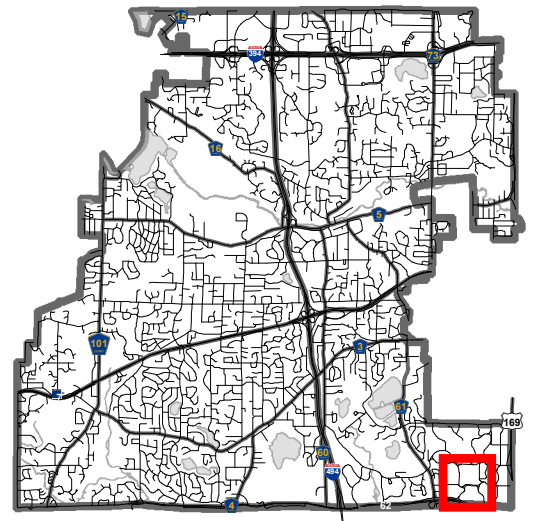
[Oct. 29, 2020 EDAC Meeting](#)

[Opus Public Realm Design Guidelines](#)



Location Map

Project: Minnetonka Station
Address: 10400, 10500 & 10550 Bren



MEMORANDUM

TO: Julie Wischnack – Community Development Director
Alisha Gray – Economic Development and Housing Manager
FROM: Stacie Kvilvang & Keith Dahl - Ehlers
DATE: February 18, 2020
SUBJECT: Linden Street Partners – Analysis of Financial Request

In the fall of 2020, the City received a financial assistance request from Linden Street Partners (the “Developer”) seeking financial assistance in the amount of \$9 million of Tax Increment Financing (TIF). The Developer had proposed to construct a 273-unit apartment with studio, 1, and 2-bedroom units with 20% of the units affordable at 50% of the area median income (AMI).

Based on our review, the Developer’s financial request was more than what was necessary for the project to be “financially feasible”. **We concluded that the project would only require \$1.85 million in financial assistance.** The Developer concluded they could not proceed with that amount of TIF assistance for the project as proposed. They worked with staff to review providing a reduced amount of affordability that would still be in excess of the City’s inclusionary housing policy. Based upon this, the Developer submitted an updated project consisting of a 275-unit (2 more units than prior submittal) with 10% of the units affordable at 50% of the AMI and requested \$800,000 in up front assistance. The project is anticipated to commence construction this spring and cost approximately \$68.4 million.

Pursuant to the City’s inclusionary housing policy, at least 5% of the units have to be affordable at 50% of AMI and 5% have to be affordable at 60% of AMI. The annual difference in income by increasing the affordability to 10% at 50% AMI (removing the 5% at 60% AMI) is approximately \$33,500/year. We completed a present value calculation of this amount over a 30-year term (required term of affordability) at 4.5% which is the Developers proposed financing rate. **Based upon this, we conclude assistance in the amount of \$553,000 is up front assistance is supported for this project.**

Please contact either of us at 651-697-8500 with any questions.



10400 BREN ROAD

MINNETONKA, MN

09/08/2020

CONCEPT PLAN SUBMISSION

BKV
GROUP

10400 BREN ROAD EAST

Visioning / Design Concept

Located in the Opus Park in Minnetonka Minnesota, the project's vision and design concept is intended to align with the goals of the Opus Area Placemaking + Urban Design Master Plan.

The Opus area is currently characterized by a one way road network, several miles of off road trails, mid-century design elements, and natural open spaces. The Opus Area Placemaking + Urban Design guides the transformation of the Opus area into a cohesive mixed-use community meeting for future needs while reflecting the history of the area.

The project's intent is to create visual, physical and experiential connections to the Opus LRT Station and bus transit systems, while engaging public realm opportunities on the "Yellow Trail". This project engages the Minnetonka Trail System and creates outdoor spaces for the neighborhood and residents to enjoy. The design approach is based on community needs embracing creative placemaking, environmental awareness, sustainability, quality of life, safety and comfort.

The materials selected for this project seek to refine the mid-century aesthetic of the neighborhood that caters to professionals and people seeking an active lifestyle. Large windows, private and shared outdoor spaces, bicycle and pedestrian paths, pollinator and bird friendly landscaping work together to create healthy and inspiring connections to the outdoors.

The building is oriented to maximize solar exposure, connections to Bren Road East, the Opus LRT Station, trail system and views.

Project Description/Approach

The site currently consists of an existing surface parking lot and group of office buildings on Bren Road East. The proposed project consists of approximately 280 units with approximately 309 structured parking stalls and 8 surface stalls.

The project has been designed to include amenities that are important to today's renters: amenities that will provide opportunities for a live-work-play environment. Amenities will include a lobby at ground level, a second level clubroom that faces Bren Road East and fitness room. The project proposes two outdoor amenity plazas that will include areas for recreation and games, grilling stations, outdoor seating and gathering areas, fire pits, and an outdoor swimming pool. Additional outdoor amenities include green spaces, walkways to sidewalks linking to the Opus light rail stop and the Yellow Trail. A "tertiary node" and trail signs are planned on the north east corner of the site along the Yellow Trail. On the south east corner of the site a bike lounge is planned.

Dependent on final pricing and funding/grant support, the project is considering storm water management elements including a storm water reuse system, pervious pavers and storm water landscape elements. Also under consideration dependent on final pricing and funding/grant support are resident rooftop gardens, roof top solar array and public art.

This project proposes 10% of the units as affordable units.

This project is considering the use of metal, cement board, masonry and stucco pending final pricing.

OPUS AREA PLACEMAKING + URBAN DESIGN

Introduction:

The Opus area is currently characterized by a circuitous road network, 6 miles of off road trails, mid-century design elements, and natural open spaces. This plan guides the transformation of the Opus area into a cohesive mixed-use community positioned for future needs while reflecting the history of the area.

Aspects of the work include:

Working with developers and businesses to create publicly-accessible privately-owned spaces. Successfully connecting the light rail station to the rest of the surrounding community.

Creating a set of public realm design guidelines for the aesthetics within the public right of way.

The study also recommends a series of placemaking efforts within Opus that reflect the area's agriculture and business park history and serve as a catalyst for building community and creating an environment supportive of development opportunities.

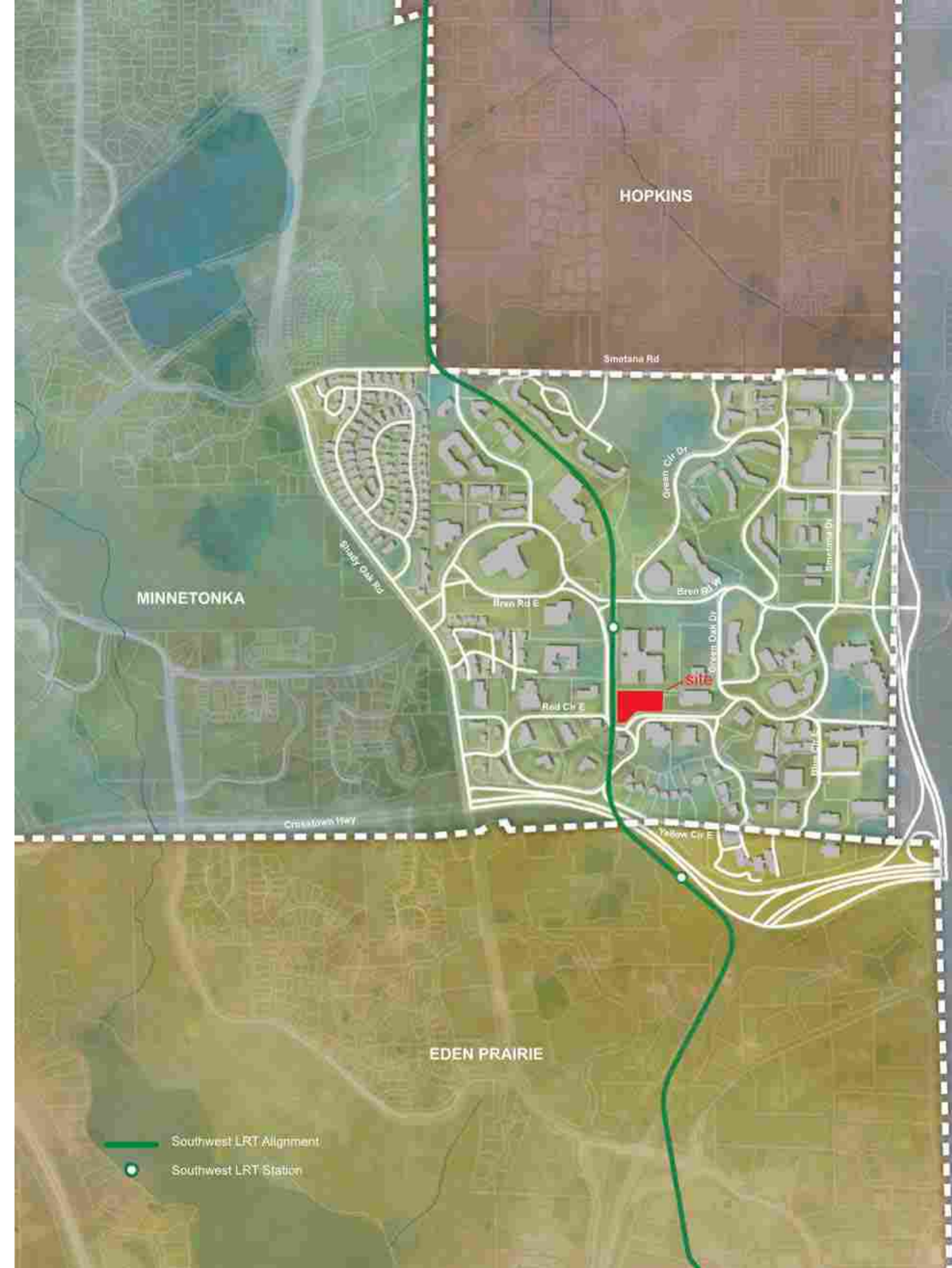
Specifically, the placemaking effort:

Examines the potential to establish permaculture based edible landscaping along the trail network and throughout the area to connect parks and open space to planned and future developments.

Project Goals

Key elements that guide the transformation of this area into a cohesive 'opus' of complementary built forms and development projects include:

- Establishing a mixed-use community.
- Integrating light rail investment into the broader community.
- Enhancing the existing trail network to help create a sense of place.
- Enhancing the district's natural features & functions.
- Developing a scope and program elements for a signature new community level park/plaza space.
- Complementing the area's existing businesses



YELLOW TRAIL: SCENIC LOOP

Yellow Loop (0.9 mile)

This scenic loop cuts between corporate campuses and small businesses. Due to a stormwater pond and a steep wooded slope, the trail environment feels more natural than others in the southern half of Opus. Approximately one-third mile of new trail will be added.

Trail Recommendations

- A** Connect existing trail from Minneapolis Mart site south to cross Bren Road East at-grade and continue east and south to connect with the Blue Circle Drive underpass.
- B** Widen existing trail from Opus Station south to connect with the Red Loop at the METRO Green Line underpass to 16' for separate pedestrian and bicycle trails.
- C** Widen existing trail to 16'.

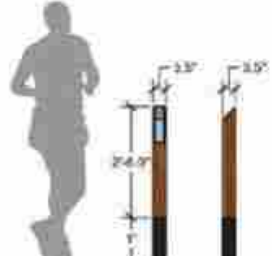
-  Yellow Loop
-  Southwest LRT Alignment
-  Southwest LRT Station
-  Trail Underpass
-  Existing Trail
-  Proposed Off-Street
-  Proposed On-Street
-  Red Loop
-  Bren Loop
-  Green Loop
-  Blue Loop



YELLOW TRAIL: PLACEMAKING + WAYFINDING

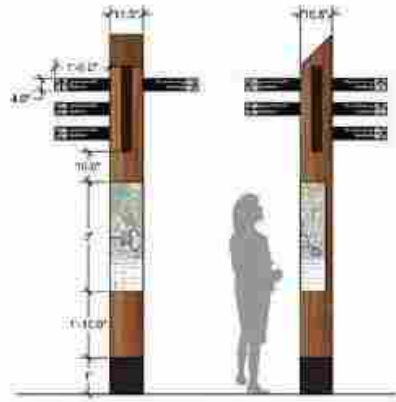
Mile Marker/Trail ID

A small sign indicating the loop color and the number of miles traveled. These are placed approximately every 0.25 miles along a colored loop.



Trail Loop + Directional Map

Provides a map of the specific colored loop in which it is located, and directional arrows pointing to key destinations within the area. These are located in areas within a colored loop where there are two or more directions a user could travel. If a campus map is located within close proximity, a Trail Loop and Directional Map is omitted.



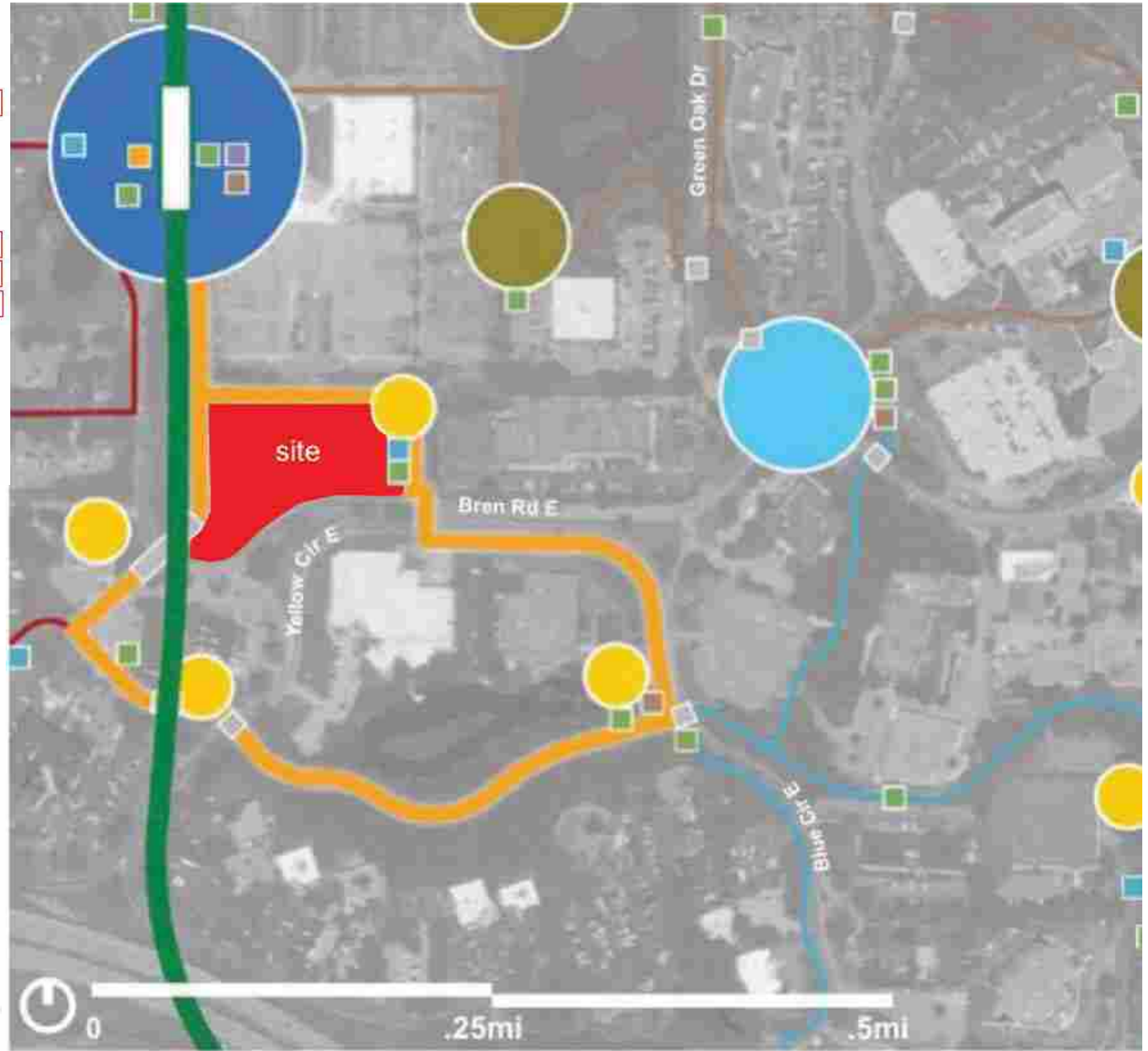
- Opus Node
- Primary Node
- Secondary Node
- Tertiary Node
- Campus Map
- Monument Sign
- Pavement Compass
- Trail ID/Road Name Signs*
- Trail Loop + Directional Map
- Mile Marker/Trail ID
- Yellow Loop
- Southwest LRT Alignment
- Southwest LRT Station
- Red Loop
- Bren Loop
- Green Loop
- Blue Loop

Tertiary Node

The tertiary node off the Opus trail consists of a modified Opus monument sign with lighting. A small shaded seating area within existing vegetation includes a bench, a bike fix-it station, and a drinking fountain. This is a visual node with a place to rest for bicyclists and pedestrians, with a campus map, for wayfinding.



- A** Bench
- B** Interpretive Sign
- C** Retaining Wall
- D** Bike Fix-It Station
- E** Drinking Fountain
- F** Special Pavement
- G** Campus Map
- H** Pedestrian Light
- I** Native Planting
- J** Loop Pavement Marking
- K** Manicured Planting
- L** Modified Existing Monument Sign
- M** Trash Receptacle



YELLOW TRAIL: PLANTING ZONES

Planting Zones by Vegetation Type

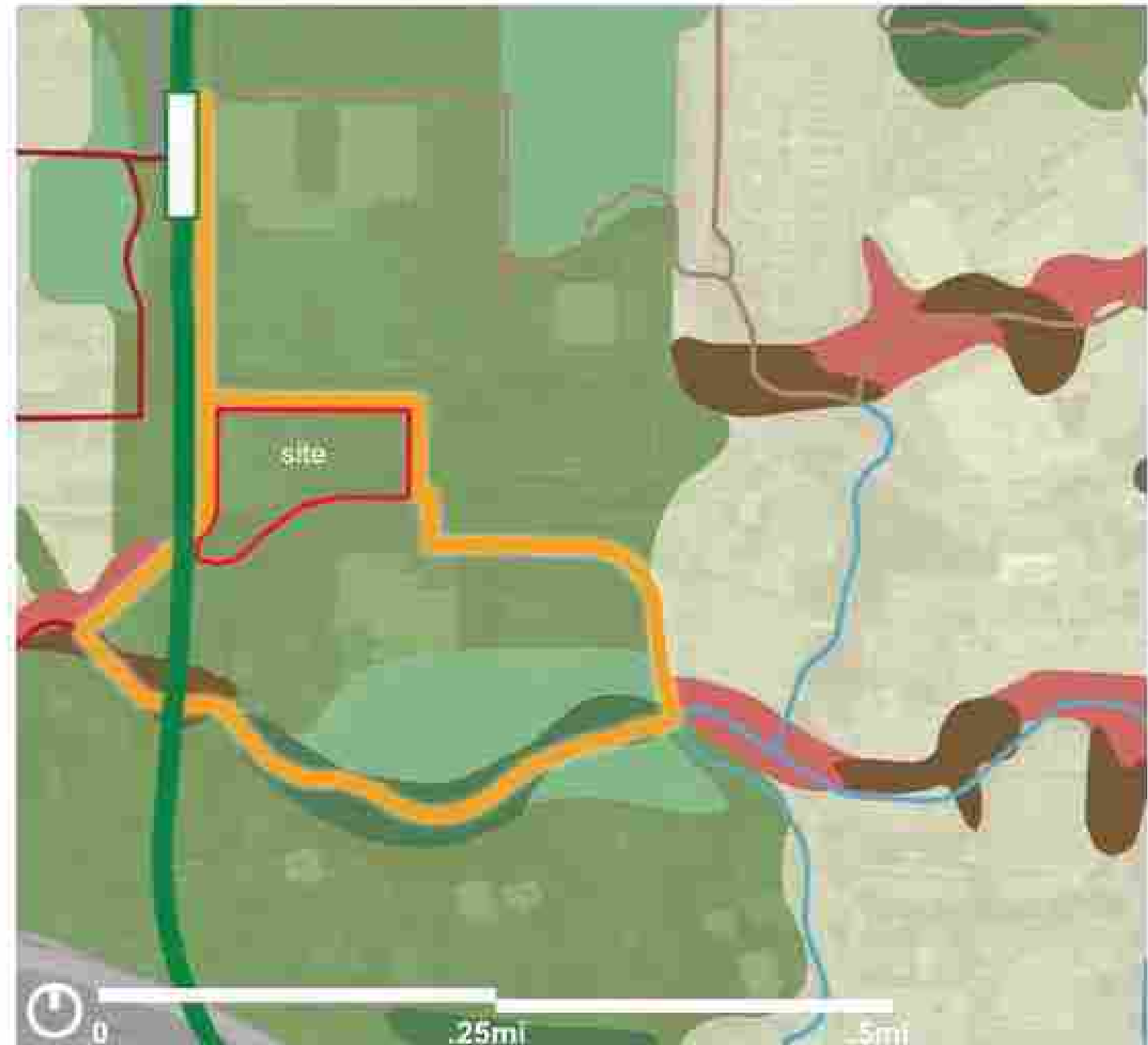
-  Manicured Vegetation
-  Native Wooded Vegetation
-  **Native Upland Vegetation**
-  Native Wetland Vegetation
-  Early Harvest Edible Vegetation
-  Late Harvest Edible Vegetation
-  Yellow Loop
-  Southwest LRT Alignment
-  Southwest LRT Station
-  Red Loop
-  Bren Loop
-  Green Loop
-  Blue Loop

Upland



Upland landscape species include perennials (grasses and wildflowers), shrubs and trees best suited for drier, sunnier sites. These include species such as Bluestem Grass, Coreflower, Chokeberry shrubs and Oak trees.

*One vehicular trail ID sign will be placed at-grade with the roadway and two road name signs will be placed per underpass for trail users traveling in both directions along the trail system.



SITE VISION



STORMWATER LANDSCAPE ELEMENT



NATIVE UPLAND VEGETATION



TERTIARY NODE WITH BENCH SEATING AND TRAIL/NEIGHBORHOOD WAYFINDING



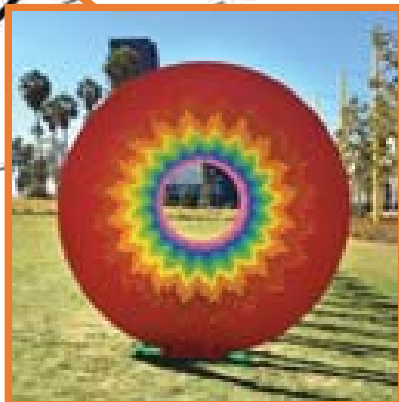
CREATIVE TREATMENT OF SOUTH AND EAST FACADES WHERE PROJECT MEETS NEIGHBORHOOD



CURBLESS DRIVABLE ENTRY PLAZA



TREATMENT OF GROUND PLANE WITHIN EASEMENT



PUBLIC ART

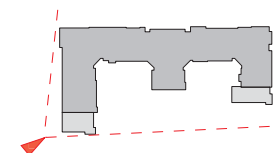


EXTERIOR VISION + DESIGN



BKV
GROUP

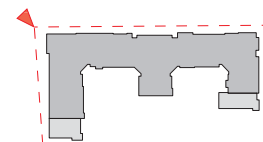
EXTERIOR VISION + DESIGN



 EXTERIOR VISION + DESIGN



EXTERIOR VISION + DESIGN



**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

2020 AFFORDABLE HOUSING INCOME LIMITS

FY 2020 Income Limits Summary					
Household Size	30%	50%	60%	80%	120%
1	\$ 21,700.00	\$ 36,190.00	\$ 43,428.00	\$ 54,950.00	\$ 87,040.00
2	\$ 24,800.00	\$ 41,360.00	\$ 49,632.00	\$ 62,800.00	\$ 99,475.00
3	\$ 27,900.00	\$ 46,530.00	\$ 55,836.00	\$ 70,650.00	\$ 111,909.00
4	\$ 31,000.00	\$ 51,700.00	\$ 62,040.00	\$ 78,500.00	\$ 124,344.00
5	\$ 33,480.00	\$ 55,836.00	\$ 67,003.00	\$ 84,780.00	\$ 134,291.00
6	\$ 35,960.00	\$ 59,972.00	\$ 71,966.00	\$ 91,060.00	\$ 144,239.00
7	\$ 39,010.00	\$ 64,108.00	\$ 76,929.00	\$ 97,340.00	\$ 154,186.00
8	\$ 43,430.00	\$ 68,244.00	\$ 81,892.00	\$ 103,620.00	\$ 164,134.00
Median Family Income 2020 = \$103,400					

*Income limits are published on the US Department of Housing and Urban Development user portal:
<https://www.huduser.gov/portal/datasets/il.html>*

How much do people pay for affordable housing?

Affordability based on a family of four

Monthly Rent	AMI	Annual Income
\$775	30%	up to \$31,000
\$775 - \$1,290	30%-50%	\$31,000 - \$51,700
\$1,290 - \$1,550	50%-60%	\$51,700 - \$62,040
\$1,550 - \$1,960	60%-80%	\$62,040 - \$78,500
\$1,960 - \$2,585	80%-100%	\$78,500 - \$103,400

Affordable rents, based on sample occupations and their average salaries

Salary information obtained from glassdoor.com

Occupation	Average Salary	Affordable Rent
Home Health Aide	\$33,000	\$825
Nurse	\$67,873	\$1,696
High School Teacher	\$44,435	\$1,110
Line Cook	\$25,043	\$626

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
Linden Street (10400 Bren Rd)	28	247	\$553,000	30	\$658	10 @ 50% AMI
Doran (5959 Shady Oak)	38	337	No assistance requested	30	N/A	5@50% , 5@60% AMI
Wellington Management	67	223	Under discussion	30	TBD	10%@50% , 20%@80%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 (2004-2020 grant years)	59	0	\$2,981,435	99	\$510	80% AMI
The Ridge	52	0	\$1,050,000	30	\$673	60% AMI
Shady Oak Crossing	52	23	\$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 - 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 02/22/2021

**EDAC Agenda Item #6
Meeting of Feb. 25, 2021**

Brief Description

Staff Report

Transit Updates

Green Line Extension (Southwest LRT)

Overall Construction Update

Southwest LRT construction made significant progress in 2020. At one point every mile of the project was under construction, 23 of the 29 bridges are under construction, private utility work is nearly complete and some of the new light rail vehicles are already being tested.

Unfortunately, the project did encounter some unforeseen soil conditions in the Minneapolis segment of the alignment near Kenilworth area that will take longer to mitigate. Additionally, there is a longer than anticipated construction timeline for the freight rail protection wall outside of Minneapolis. Additional engineering, design plans, and construction methods will have to be drawn up. This means that the projected 2023 opening day will move to sometime in 2024.

Minnetonka Update

- Smetana Road from Feltl Road to Nolan Drive remains closed. A temporary bypass in place west of the intersection of Smetana and Feltl Roads to accommodate local traffic.
- Bridge work at Smetana/Feltl roadways is advancing with foundation and wall construction.
- Work in the Opus area continues with retaining wall work north of Bren Road West, near Smetana Road
- Tunnel construction under Hwy 62 is ongoing and will continue throughout 2021
- Red Circle and Yellow Circle Drives have been reconnected, Yellow Circle has reverted back to one-way traffic
- Opus Station construction and Shady Oak Station construction continues.

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

Metro Transit Service Update

Metro Transit service continues to increase in Minnetonka recovering from lows in spring 2020 due to COVID. Final numbers in fall 2020 have seen modest increases from summer numbers. Weekday service has seen an increase of trips from 175 to 186 carrying 310 passengers per day. This is still a 37% decrease in the number of trips from the same period in 2019. Much of this ridership decline can be attributed to the cuts of express buses going into downtown Minneapolis with many commuters continuing to work at home. Local bus routes have remained close to pre-pandemic levels of service. Weekend service has only seen a 3% decrease in number of trips from the same point in 2019.

Development Updates

Projects	Location	Status
<i>Housing</i>		
The Pointe	801 Carlson	Waiting for site development applications
Minnetonka Station	Opus (Mariner Site)	Financing under review
Doran (Shady Oak)	5959 Shady Oak Road	Under review
Shady Oak Crossing	Shady Oak Road / Mainstreet	Under construction
Legends (Dominium)	Bren Road	Seeking final certificate of occupancy in March.
KA Development	10701 Bren Road	Apartment concept under review.
Wellington Apartment Concept	10901 Red Circle Drive	Financing under review
<i>Misc. Projects</i>		
Ridgedale Area Park Project	Ridgedale Drive	Permit Applications Park Structures – project being bid
Minnetonka Police/Fire Project	Minnetonka Civic Center Campus	October 2021 ribbon cutting
Opus AUAR Study	Opus	Council Approved, Feb 8 2021
<i>Business Projects</i>		
Dukes (Craft and Crew)	15600 Hwy 7	New restaurant space taking over Christos, seeking CUP for patio space.
Dicks Sporting Goods	Ridgedale Mall	Dicks Sporting Goods to move from current space into former Sears Space.

Opus AUAR Study

On Feb 8, 2021 the city council passed a resolution adopting the Opus Alternative Urban Areawide Review study and Mitigation Plan. This study is important because it allows governments to understand the cumulative environmental and infrastructure implications of projected development scenarios within Opus. With the various pending projects and continued developer interest within Opus, this plan will be invaluable for long term planning of the area.

The study bases its findings on two development scenarios within Opus. Scenario 1, which serves as a baseline, is projected development within Opus, as outlined in the 2040 Comprehensive Plan. The second, more “intensive” scenario anticipates development within Opus that exceeds the 2040 Comprehensive Plan projections.

Scenario 1 assumes that development occurs within the framework in the 2040 Comprehensive Plan, using employment, housing, and other land-use data. The analysis found that if future development occurs within the projections of the 2040 Comp Plan, major infrastructure improvements will not be needed. This finding was further verified by the other governing agencies through the received comments in Appendix B of the AUAR Report. Scenario 1 accommodates a future population of approximately 3,550 people and about 16,500 jobs.

Scenario 2 builds on the baseline of Scenario 1. To take advantage of transit orientated designs afforded by the construction of the Opus Station, Scenario 2 increases the office and high density residential land uses’ acreages and intensities. The additional office and high-density residential land uses increases generally result in reductions in the industrial land uses. Additional demands on infrastructure systems would be generated. Existing water and sanitary

sewer systems can currently accommodate anticipated flows. However, roadway system improvements would be required for development exceeding Scenario 1. These mitigation improvements are identified along Shady Oak Road and along Bren Road near TH 169, as shown in the AUAR. Additional study would occur as development arises to plan accordingly for the timing of identified roadway improvements. Scenario 2 accommodates a future population of approximately 7,350 people (about 3,800 more people than Scenario 1) and about 22,200 jobs (about 5,700 more jobs than Scenario 1).

Business Updates

Hennepin County COVID Response

In November Hennepin County held another round of grant solicitation for businesses affected by required shutdowns.

Businesses who have not previously received Hennepin County relief could apply for grants of \$15,000 and those that have previously applied could apply for additional grants of up to \$10,000.

During this round, HC received 1,700 applications seeking \$23 million in funding.

Hennepin County has reported that all eligible Minnetonka businesses that applied for funding through their relief program received funds. This works out to 157 businesses receiving more than \$1.49 million in assistance.

Program wide, the Small Business Relief fund was able to distribute 44% of all the grants to BIPOC business owners.

Data is available on which businesses in Minnetonka had received assistance on the [Small Business Relief Fund](#) page.

Greater MSP Regional Recovery HUB

Greater MSP has developed a [tracking dashboard](#) to display the progress of the region's economic recovery with details on specific industries, demographics, and health indicators.

Overall, State restrictions enacted in late November led to immediate impacts on the MSP regional economy, particularly the food and beverage industry. Between late November and the end of 2020 region experienced backtrack of progress across several metrics, including employment, jobless claims, hotel occupancy, restaurant bookings, and small business employment.

As vaccinations increase, and the average number of new weekly COVID cases continues to fall, there are starting to be signs of recovery. At the end of January, the number of Jobless claims fell by 8.1% from the week prior.

Thrive Minnetonka

The winter 2021 issue of Thrive Minnetonka – the city's business newsletter was published on Feb. 16. The issue includes:

- COVID-19 resources and information
- Free technical assistance from MnTAP
- Helpful services from Elevate Business HC
- Southwest LRT construction update
- A spotlight on the Business Association of Glen Lake

The digital version was sent out to 797 subscribers and over 1,300 addresses.

Staff is planning on expanding the number of issues to three times per year, up from the current two issues per year.

Housing Updates

Homes Within Reach Grant Program

In late 2020, staff proposed the creation of a grant program to assist homeowners within the Homes Within Reach Land Trust to make critical repairs to their homes. This program allows for a maximum of \$7,500 per home. These grants are being funded through a surplus balance of past CDBG grants of about \$220,000. The hope is to offer grants to around half (30) of the HWR homes in Minnetonka.

Eligible repairs include:

- Siding
- Roofing
- Windows
- HVAC
- Energy Efficiency Upgrades
- Lead Paint Abatement
- Accessibility Conversions

Announcements of the program were sent out to all of the HWR addresses within Minnetonka and the response was robust. There are currently 11 homeowners at some step in the application process.

2021 CDBG Allocations

Every year, Hennepin County notifies the City of Minnetonka what its Urban County CDBG Program allocation will be. This money can be used for various CDBG programming, and in prior years has been used to fund the city's low income home rehabilitation forgivable loan program.

For program year 2021-2022, the City is expected to receive about \$150,000. This is projected to be a 19% increase in funds from the prior year. Budget numbers are finalized sometime in early summer.

In 2020, Hennepin County staff completed 8 rehab projects within Minnetonka, There are an additional 6 approved loans with projects currently underway. There continues to be huge demand for the CDBG program with 76 residents currently on the waitlist.



Emergency Rental Assistance Program

On April 20, 2020 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 January, 2021, ICA spent \$111,214 of the Minnetonka money on assistance for residents. This equates to:

- 84 households assisted
- Average assistance is \$1,323 for rent/utilities
- In January, the council approved an additional \$25,000 in rental assistance and will add those funds to the available balance this month.

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

Federal Eviction / Foreclosure Moratorium

The current administration had extended the ban on evictions until March 31. It has also extended a ban on mortgage foreclosures until the end of June.

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. The Governor has extended the peacetime emergency until March 15, 2021.

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.

City Council Activities

Community diversity and inclusion (DE&I) conversations continue at the city. Funding was allocated for a range of DE&I initiatives. One of those initiatives led to the city to hire a DE&I Consultant to help the city drive equitable change within city systems.

In late 2020, the city updated Minnetonka's [strategic priorities](#). The main priorities outlined in the strategic plan are:

- Financial Strength and Operational Excellence
- Safe and Healthy Community
- Sustainable and Natural Environment
- Livable and Well-Planned Development
- Infrastructure and Asset Management
- Community Inclusiveness.

Upcoming Events

March 11, 2021 - EDAC Meeting

Through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Alisha Gray, EDFP, Economic Development and Housing Manager

Rob Hanson, EDFP, Economic Development Coordinator

Attachments:

- Thrive



We're here for you

Throughout 2020, the COVID-19 pandemic dealt endless challenges to businesses of all kinds, in Minnetonka and beyond. Though we all hope for a better 2021, uncertainty and issues persist and you - our valued businesses - need our help and support more than ever.

The City of Minnetonka is here for you. Our economic development team is ready with resources and expertise to assist local businesses. We can help with COVID-19-related resources, financial assistance programs, workforce development and more, and we can connect you with state, county and federal programs and assistance.



The city also has planners, inspectors and engineers available to help with technical needs.

Visit minnetonkamn.gov/business to learn more and find resources, and our staff's contact information is on Page 4. Please don't hesitate to reach out to us. We're here to help!



COVID-19 RESOURCES

Visit minnetonkamn.gov/our-city/covid-19-resources to find information and resources to assist businesses during the COVID-19 pandemic.

Hennepin County regularly offers small business relief funds and offers other resources and toolkits. Visit hennepin.us/economic-development to learn more.

The Minnesota Department of Employment and Economic Development (DEED) has relief programs for specific businesses and a loan guarantee program to help small businesses. Visit mn.gov/deed to learn more.

The U.S. Small Business Administration has economic injury disaster loans, bridge loans, debt relief and other COVID-19 relief available. Visit sba.gov to learn more and apply.

Greater MSP has developed the MSP Regional Recovery hub, which tracks economic recovery throughout the region and highlights areas that need the most help. Visit greatermsp.org to find and explore the hub.

MnTAP offers free technical assistance

A free resource that helps businesses reduce energy use and costs, prevent pollution and maximize their resources sounds too good to be true. But that's exactly what the Minnesota Technical Assistance Program (MnTAP) offers Minnesota businesses.



This University of Minnesota outreach program provides no-cost, confidential, industry-tailored technical assistance that can help your business improve efficiency and save money through energy, water and waste reduction.

Visit mntap.umn.edu to learn more about this valuable resource.



Southwest LRT construction update

Southwest LRT construction made significant progress in 2020. At one point, every mile of the project was under construction in all five cities. Half of the 16 stations are under construction, 23 of the 29 bridges are under construction, private utility work is nearly complete and some of the new light rail vehicles are already being tested.



Hwy 62 tunnel construction

Minnetonka construction highlights include:

- Tunnel construction under Hwy 62 is ongoing and will continue throughout the 2021.
- Red Circle and Yellow Circle Drives have been reconnected. Yellow Circle has reverted back to one-way traffic.
- Opus Station construction continues, and Shady Oak Station construction will resume in the spring.
- Multi-year construction on the Minnetonka-Hopkins LRT Bridge will continue in 2021.

Visit SWLRT.org to learn more and sign up to receive weekly updates.



Shady Oak Station construction

Navigate COVID-19 challenges with Elevate Business HC

COVID-19 has impacted businesses in immeasurable ways, and a new local resource is here to help. Elevate Business HC is a new public/private initiative that offers no-cost services to Hennepin County businesses, thanks to a partnership between Hennepin County and the Minneapolis Regional Chamber.

The program's goal is to provide resources to help businesses re-build, re-establish and re-ignite by offering expertise in these areas:

- **Technical assistance** - One-on-one consultations with professionals in financing, human resources, technology and more
- **Peer-to-peer roundtables** - Regular, facilitated, small-group discussions focused on problem solving and best practices
- **Topic-driven webinars** - Experts discuss issues facing employers with a focus on workforce needs during the COVID-19 pandemic

Visit elevatebusinesshc.com to learn more and register.



BUSINESS SPOTLIGHT:

Business Association of Glen Lake

The Glen Lake area, a section of Minnetonka surrounding a small lake of the same name, is one of the city's oldest established districts. It's vibrant, diverse businesses line Excelsior Boulevard and its surrounding streets, offering can't-miss retail, dining, service and entertainment options.

Since 2011, Glen Lake's businesses and organizations have been more than neighbors - they've banded together in a coordinated effort to ensure shared and sustained success. The Business Association of Glen Lake (BAGL) - originally formed as the Glen Lake Business Community Association - promotes the Glen Lake area, with a focus on its 34 businesses and inviting amenities.



"It is truly a community group made up of businesses that have retail fronts at Glen Lake, but also neighborhood schools, churches, senior living facilities and neighbors whose businesses serve the area," said BAGL President Mike Strand. "We all try to support one another and work together to introduce people to the special neighborhood of Glen Lake."



The BAGL also enhances the community through special events and other initiatives. Each summer, Glen Lake Day brings large crowds to enjoy family-friendly activities and discover all the area has to offer, and since 2015 the association's winter lights display at Glen Lake Station has attracted visitors and provided ample holiday cheer.

Strand highlights Glen Lake's closeness and accessibility as yet another reason to visit. "Glen Lake has become one of the few walkable communities in the western suburbs, and it's very welcoming for people of all ages," he said. "Ease of access is similar to downtown Hopkins."

"We'd invite everyone to come visit," said Strand. "Stop at Glen Lake Station Park, enjoy the lake from newly renovated Kinsel Park and grab a bite or a beer at the many restaurants and brewery that anchor the area. It's got a great community feel."

Learn more

Visit minnetonkamn.gov/business to learn more and find resources to help start, improve, relocate or expand your business.

If you'd like a spotlight on your business, email Rob Hanson at rhanson@minnetonkamn.gov and include basic information, why you chose Minnetonka and how your business positively impacts our community.

Ensure fire hydrants are ready when you need them

Did you know property owners - including businesses - are responsible for annual maintenance and inspections of privately-owned fire hydrants? It's a common assumption that the fire department maintains all hydrants, but the city is only responsible for those on public property.

We hope we'll never have to use the hydrants near your business. But if we do, they need to be in perfect working condition. Please ensure they're inspected and maintained in 2021; annual inspections must be completed between May 15 and July 15.

Visit minnetonkamn.gov/hydrants to learn more, view our hydrant locator map, download the inspection form and find a list of contractors that perform inspections and repairs.



Winter 2021

A business publication from the City of Minnetonka to help businesses start, grow and thrive.

City Council

Brad Wiersum
Mayor

Deb Calvert
At-Large

Susan Carter
At-Large

Brian Kirk
Ward 1

Rebecca Schack
Ward 2

Bradley Schaeppi
Ward 3

Kissy Coakley
Ward 4

**Economic Development
Advisory Commission**

Charlie Yunker, *Chair*

Melissa Johnston, *Vice Chair*

Ann Duginske Cibulka

Maram Falk

Jay Hromatka

Lee Jacobsohn

Steven Tyacke

Alisha Gray
Staff Liaison

Deb Calvert
Council Liaison

Kissy Coakley
Alternate Council Liaison

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**COVID-19
Minnetonka response and impact**

Forgivable small business loans



38 businesses helped



\$225,000 total, up to \$7,500 per business

Local relief efforts and resources



Loosened outdoor dining restrictions to help restaurants adapt



City website provided COVID-19 news, updates and resources for residents and businesses



Provided thousands of masks to residents and businesses

City financial impact



\$170,000 for COVID-19 supplies

Sanitizer, gloves, masks, barriers, etc.

CARES funding

\$4,046,751 used to help cover these expenses



\$300,000 for mobile technology equipment



More than \$8 million on safety

Staff response, staff schedule reductions to slow spread and HVAC improvements to enhance air filtration