

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

March 11, 2021

1. Call to Order

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

2. Roll Call

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

Councilmember Deb Calvert was present.

Staff present: Community Development Director Julie Wischnack, Economic Development and Housing Manager Alisha Gray, Economic Development Coordinator Rob Hanson, Financial Consultant Keith Dahl of Ehlers and Associates, and IT Assistants Gary Wicks and Joona Sundstrom.

3. Approval of EDAC Feb. 25, 2021 Meeting Minutes

Tyacke motioned, Jacobsohn seconded the motion to approve the Oct. 29, 2020 meeting minutes as submitted. Duginske Cibulka, Falk, Jacobsohn, Tyacke, and Yunker voted yes. Hromatka and Johnston were absent. Motion passed.

4. Doran Development at 5959 Shady Oak Road

Gray gave the staff report. She requested commissioners review the staff report and provide comments.

Tyacke confirmed with Gray and Wischnack that without assistance, five percent of the units at 50 percent AMI and five percent of the units at 60 percent AMI would meet the affordable housing policy to rezone the property. The renewal and renovation district allows a little more flexibility with the level of affordability.

Jacobsohn felt that all three of the proposals are good and meet the criteria. He likes proposal two the most, with five percent of the units affordable at 50 percent AMI, five percent of the units affordable at 60 percent AMI, and five percent of the units affordable at 80 percent AMI. It would provide more income diversity and be a little more bang for the buck for the city. Proposal three might give more income diversity to all of Opus. He likes having more income diversity within a particular property.

In response to Duginske Cibulka's question, Gray explained how the renewal and renovation district allows more flexibility in options two and three. Wischnack clarified that the proposal would meet the affordable housing policy. Staff is asking for more diversity of affordable housing and unit types.

Duginske Cibulka asked if there is any research available to determine what types of affordable housing are most in demand. Gray answered that from working on the comprehensive guide plan, it had been determined that there is a shortage of affordable housing below 50 percent AMI across the city and in Opus. Affordable units between 30 percent and 50 percent AMI are very difficult to get. Wischnack added that Dominion is doing quite well leasing its 482 units which are at 60 percent AMI. The affordable units at The Burke and The Rize were also leased very quickly. The market is still strong for affordable units.

In response to Tyacke's question, Gray explained that once the commission provides its recommendation and the city council reviews the proposal at its meeting, then staff will work with the developer to refine the level of assistance based on the feedback and a more thorough analysis of the request would be completed.

Wischnack identified the first issue for commissioners to consider is whether Minnetonka should desire more affordable housing than what the policy requires. If that answer is yes, then the next step would be to consider the three options.

Duginske Cibulka would like to hear from the applicant.

Tony Kuechle, with Doran Companies, stated that the initial concept included 375 units to 400 units. After receiving feedback from residents in the neighborhood, planning commissioners, and councilmembers, the number was scaled back and the current application includes 354 units of affordable housing. The proposal would be happy to meet the affordable housing policy. To do scenario two or three, there would need to be an additional subsidy to get to the original return on cost. The Burke opened 175 units in December and 55 percent of the units are leased. The majority of the affordable units are leased.

Falk asked if he thought that if The Burke had additional affordable housing units, then would those also be leased. Mr. Kuechle answered in the affirmative. He stated that especially units in the 50 percent AMI level and 80 percent AMI level. He said that many applicants could not quite qualify for the 80 percent AMI level.

Tyacke asked what prompted a change from the original proposal of 10 percent of units at 80 percent AMI with no assistance. Mr. Kuechle said that, after watching previous EDAC meetings, he learned of the need for three-bedroom affordable units for families. He tried to get creative to be able to provide large affordable units with 10 percent of the units at 80 percent AMI. The three options would meet the existing return on cost.

Duginske Cibulka felt the discussion was organized well. The affordable housing policy sets a baseline and anything above or beyond is good. It is good to have a discussion with the developer about the possibilities. She appreciates the willingness of the developer to have this discussion. She understands that the structure of the proposal could change. She felt that the policy needs to be enforced and supported. The understanding of the distribution of the different percentages has been helpful. There is a demand at the 60 percent AMI level. She appreciates knowing what types of units are most in demand. She hopes to promote projects that would be successful. The most likely need seems to be 60 percent AMI or an option to provide diversity might be the best option.

Jacobsohn agrees with Duginske Cibulka's comments. He supports providing financial assistance in exchange for additional affordable units.

Chair Yunker agreed. He acknowledged a consensus among commissioners that Minnetonka should take advantage of an opportunity to increase the number of affordable units in the proposal in exchange for financial assistance. He asked commissioners if they favor option two or option three.

Tyacke prefers option two because it would provide a greater range of affordability options.

Falk agrees with Tyacke. Having more options would be helpful.

Duginske Cibulka agrees that option two would provide more flexibility and be able to meet a wider range of market demand by providing a variety of different affordability options. She would be interested in learning which affordability options and unit types would be most in demand.

Jacobsohn and Chair Yunker concurred with commissioners. The second scenario makes the most sense.

Calvert noted that councilmembers have conflicted feelings with concentrating affordable units in one square mile of the city, but, on the other hand, locating affordable housing near transit makes a great deal of sense. Councilmembers support real diversity in AMI throughout Minnetonka. She is happy that the proposed developments integrate affordable units with market-rate units.

5. Wellington Management at 10901 Red Circle Drive

Gray gave the staff report.

In response to Tyacke's question, Dahl explained that within a TIF district, items might be financed by up-front grants, pay-as-you-go notes over time, or city-issued bonds that are either repaid or the assistance would be provided through tax income revenues that are generated within the district over time. Linden Street Partners favored an up-front grant. Wellington found that a pay-as-you-go structure would be more beneficial to them.

In response to Tyacke's question, Wischnack clarified that the building would have mixed uses and be considered its own project. Phase two would be structured separately when and if it would be completed.

Casey Dziejewczynski, the applicant, explained that the initial intent was to do two buildings and develop both sides, but the decision was made to wait until the east side would be completed to gain an understanding of the product mix and market demand before starting the building on the west side.

Tyacke appreciated that approach. He suggested having a condition of approval be included to require the developer to meet certain milestones to complete phase two within certain time limits. Wischnack explained why that would not be the best option for this project. Dahl explained that to get the infrastructure necessary for this development, the city would be able to utilize the increment from other projects including Linden Street Partners and Doran.

Steve Wellington, the applicant, explained that completing phase two is the only way to make the land a reasonable investment. He wants to get started on phase two as soon as possible. His market research shows that there is a demand for multi-family residential senior and non-age restricted housing in the area. The community is attractive, has a lot of wonderful amenities, and is located close to retail. He is looking forward to getting the project underway this year.

Duginske Cibulka asked if Wellington Management would keep ownership of the land. Mr. Wellington answered in the affirmative. He would be a major investor in the apartment building and plans to hold onto that for a long time as well. Duginske Cibulka did not feel that it would be reasonable to require phase two to be completed within a certain time period. She favors responding to current market research. She was happy to hear that Wellington Management would keep ownership of the land. It would be in the property owner's best interest to maximize the use of the land. She was excited that the applicant is willing to go above and beyond the affordability policy guidelines. The analysis done by Ehlers helps one understand the benefits of pay as you go. She asked Dahl to explain the necessity of the minimum assessment agreement and the look-back provision.

Dahl explained that Ehlers Financial Group usually requires a minimum assessment agreement with every pay-as-you-go structure because it is the base floor that the assumptions are made on. The hypothetical market values are based on the current

market. The base floor sets the amount projected for the increments that would be generated to pay for the TIF note over time. The look-back provision is standard for most agreements in Minnetonka and St. Louis Park to make sure that a project is not being over subsidized based on the assumptions used today when projections are made for future development. There would be look-back provisions done for total development cost, return on investment, and purchase price if sold.

Duginske Cibulka appreciated the overview. She found it very helpful. She asked for the expected timeline for occupancy. Mr. Wellington hoped to begin construction this summer in August. It should be completed and open in the spring of 2023. Lease up should take 12 to 15 months.

Tyacke liked the building, the electric vehicle charging stations, and amenities. The project makes a lot of sense and meets the affordable housing policy. It would fit in the TIF renewal and renovation district. He supports the proposal with Ehlers' recommendation of \$2.4 million in assistance, a pay-as-you-go note with a six-year term, minimum assistance agreement, and look-back provisions.

Tyacke motioned, Duginske Cibulka seconded the motion to recommend that the city council approve items for Wellington Management at 10901 Red Circle Drive as recommended by Ehlers' to provide \$2.4 million in assistance, a pay-as-you-go note with a six-year term, a minimum-assistance agreement, look-back provisions, and a developer's agreement acceptable to city staff. Duginske Cibulka, Falk, Jacobsohn, Tyacke, and Yunker voted yes. Hromatka and Johnston were absent. Motion passed.

6. 2020 Annual Report

Wischnack briefed the commission on the Minnetonka Community Development 2020 Annual Report. She stated that Minnetonka Community Development staff:

- Increased business outreach efforts to ensure all businesses were informed of COVID-19 related assistance and resources. This resulted in 916 Minnetonka businesses receiving approximately \$27 million in COVID relief from all funding sources at various levels of government.
- Deployed \$225,000 in emergency assistance grants to 37 Minnetonka businesses impacted by COVID-19.
- Partnered with Hennepin County and hired a marketing consultant to develop nearly \$10,000 worth of marketing materials to encourage customers to visit the Glen Lake area over the holiday season.
- Began participating in Hennepin County's deconstruction grant program.
- Created many programs to assist residents with rent and mortgage payments. \$1,300 was the average amount of assistance.
- Continue to encourage the public to contact city staff or the ICMA food shelf staff if rent or mortgage assistance is needed.

- Dealt with 110 land-use applications in 2020 that included some very complex cases.
- Completed an energy action plan and created a sustainability commission.
- Completed the 2040 Minnetonka Comprehensive Guide Plan.
- Processed a significantly higher number of building permits in 2020.
- Utilized on-line building permitting and virtual inspections when possible.
- Researched health-related complaints and food-borne illnesses.
- Dealt with 500 nuisance complaints often relating to tall grass and garbage containers being left outside. She encouraged neighbors to check on neighbors who may need assistance.
- Issued 610 licenses, including those for alcohol, restaurants, massage, tobacco, and garbage haulers.
- Produced 62 agenda packets for the planning commission, economic development authority commission, and city council meetings.
- Created a business newsletter that was mailed to 1,100 businesses and sent electronically to 846 subscribers.
- Worked on numerous major redevelopments that occurred in 2020.
- Hosted 18 neighborhood meetings in 2020.
- The EDAC has close to 600 subscribers to its meeting agenda packets. The planning commission has 760 subscribers to its meeting agenda packets.
- Developments in progress include The Pointe, Minnetonka Station, Doran (The Birke), Shady Oak Crossing, Legends (Dominium), KA Development, Wellington Apartment concept, Ridgedale Park project, the Minnetonka Police and Fire project, Opus AUAR Study, Dukes, and Dick's Sporting Goods.
- New commercial building permits totaled \$39 million.

Jacobsohn appreciated the report and thanked all of the people behind the scenes who do the work to keep the city running efficiently.

Duginske Cibulka agreed and commended staff on how well they pivoted and adjusted to deal with 2020. The long hours resulted in phenomenal results which allowed the city to continue to grow. The creative financing tools are awesome.

Chair Yunker agreed and offered compliments on behalf of the EDAC commissioners to staff and everyone who kept projects going including administering the CARES money.

Calvert appreciated the work done to this point and the work yet to come.

7. Other Business

The next EDAC meeting is scheduled to be held on April 15, 2021.

8. Adjournment

The meeting was adjourned at 7:36 p.m.