



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

June 10, 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 April 29, 2021 minutes

**BUSINESS ITEMS**

4. Wellington Management (10901 Red Circle Dr)

*Recommendation: Review the request and provide a recommendation*

5. Staff Report

The next regularly scheduled EDAC meeting will be held on **July 8 at 6:00 p.m.**

6. 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

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

**April 29, 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, Melissa Johnston, Steven Tyacke, and Charlie Yunker were present. Jay Hromatka was 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 March 11, 2021 Meeting Minutes**

Tyacke motioned, Jacobsohn seconded the motion to approve the March 11, 2021 meeting minutes as submitted. Duginske Cibulka, Falk, Jacobsohn, Johnston, Tyacke, and Yunker voted yes. Hromatka was absent. Motion passed.

**4. Doran Development at 5959 Shady Oak Road**

Gray gave the staff report. She requested commissioners review the financing request and contract for private development and make a recommendation.

Tyacke asked why the number of units was reduced from 375 to 354. Mr. Tony Kuechle, of the applicator for Doran Development, explained that the number of units was reduced to allow a greater setback on the north side and to create 20 feet of right-of-way, which was requested by engineering staff to provide for a future turn lane if needed.

Tyacke asked for the rationale of having none of the one-bedroom-plus-den units being affordable. Mr. Kuechle explained that there would be affordable one-bedroom-plus-den units. Chair Yunker confirmed with Gray that the one-bedroom-plus-den units would be included in the one-bedroom unit category. Gray stated that the one-bedroom-plus-den units could be identified separately from the one-bedroom units.

Duginske Cibulka felt that the developer listened to commissioners' feedback. She was excited that there would be a mix of units and a variety of AML ranges. The assistance is

a small amount in exchange for the number of affordable housing units. The proposal would be a good return on the investment. The project location is great.

Johnston agrees with Duginske Cibulka.

Falk commended the applicant for utilizing the energy design assistance provided by utility companies. She likes the proposal's use of solar energy and rain gardens.

Tyacke thought the design is impressive. He likes the different heights near the entryway. It is an attractive building.

Chair Yunker concurred. The proposal would provide a great level of affordability for the amount of assistance. The design looks great.

Jacobsohn motioned, Duginske Cibulka seconded the motion to recommend that the city council approve the contract agreement included in the staff report for the Doran Development. Duginske Cibulka, Falk, Jacobsohn, Johnston, Tyacke, and Yunker voted yes. Hromatka was absent. Motion passed.

**5. Kraus-Anderson/Aeon Bren Road Development at 10701 Bren Road East**

This item was removed from the agenda.

**6. 2022–2026 EIP**

Gray gave the staff report. She recommended commissioners provide feedback for the draft 2022-2026 EIP.

Chair Yunker encouraged the use of multi-family rehabilitation loan programs to preserve naturally occurring affordable housing. Property owners could be given an option to help bring a building up to code and keep rents affordable.

Tyacke asked if a placeholder should be created to determine what to do with the federal dollars from the American Rescue Plan once the amount and allowed expenditures are known. Gray answered affirmatively. Gray and Wischnack anticipated creating a multi-year spend-down approach once the parameters for what the funds may be used are known.

Jacobsohn asked for more information on the naturally occurring affordable housing Legacy Education Program. Gray explained that the program encourages multi-family housing property owners to contact the city prior to the sale of the land to allow staff the opportunity to connect the seller with a buyer who could preserve the affordable units long term. It would be a low-cost program to the city that could have a big impact on the preservation of affordable units.

Duginske Cibulka asked if approval of the HRA Levy would be done at a separate meeting. Gray explained that the city council approved \$50,000 in 2020 for business assistance to be utilized in 2021. That money is there today and is not committed. The idea is to work with Hennepin County to receive a grant that would be used to find out what businesses need in order to best utilize the dollars. The EDAC will make a recommendation to the city council regarding the HRA Levy amount in July, and the amount would also be included in the budget in December.

Duginske Cibulka asked if staff saw a lot of developers using the predevelopment program. Gray explained that it is a catch-all fund to be able to have more in-depth community engagement conversations. The fund does pay for some of Ehlers' initial reviews, studies, and backup analysis. Once a developer is involved, those costs are shifted to the developer.

Chair Yunker asked if the amounts allocated for the Minnetonka Home Enhancement and Welcome to Minnetonka programs seem appropriate for the demand. Gray stated that it seems to depend on what other programs are being offered with a lower interest rate or higher income limit. She will provide an update on its status at the next meeting. There is continued interest. Hanson agreed that the demand for the programs fluctuates with economic conditions. A bulk of the funding has been used more for down-payment assistance.

Chair Yunker stated that the 2022-2026 EIP draft looks great. He appreciated all of the work on it.

## **7. Staff Report**

- In regard to the SWLRT, Red Circle and Yellow Circle Drives have been reconnected; retaining wall work is ongoing; Opus Station construction continues; Minnetonka-Hopkins LRT bridge pier construction is ongoing, and the bike trail near Bren Road and Red Circle will close the week of April 12<sup>th</sup> for construction of pedestrian tunnels.
- Staff continues to work with Metro Transit quarterly. The number of trips fell by 30 percent in 2020. There were 114,860 trips in 2018 and 69,676 trips in 2020 in Minnetonka.
- Development updates include The Pointe, Minnetonka Station, Doran, Shady Oak Crossing, Wellington Apartments, Glen Lake Apartments, Ridgedale Area Park, Minnetonka Police and Fire project, Dick's Sporting Goods, Toma Mojo, and Duke's.
- The deadline to apply for a small business administration program moved to May 31, 2021. Changes have been made to increase eligible entities.
- Food services may receive up to \$1 million in assistance. Acceptance of applications begins on May 3, 2021.

- The Elevate Business Hennepin County program offers pro-bono services to businesses in Hennepin County. It is a free service.
- Minnesota is making available \$375 million to be used for emergency rental assistance for renters with incomes up to 80 percent AMI.
- ICA continues to provide assistance for Minnetonka residents with up to 120 percent AMI. As of April 15, ICA has provided 109 emergency rental assistance grants totaling \$146,577.
- The eviction freeze has been extended until April 14, 2021.
- Homes Within Reach completed one project, has five projects in progress and has \$113,347 in uncommitted funds.
- In March, the city council approved \$140,000 for new CDBG rehabilitation projects; eight projects were completed in 2020; six are in progress; 75 residents are on the waitlist, and two projects have been completed so far in 2021.

#### **8. Other Business**

The next EDAC meeting is scheduled to be held on May 27, 2021.

#### **9. Adjournment**

The meeting was adjourned at 7:21 p.m.

**EDAC Agenda Item #4  
Meeting of June 10, 2021**

**Brief Description** Wellington Management (10901 Red Circle Drive)

**Recommendation** Provide feedback

**Site Overview**

Wellington Management is exploring a redevelopment of the site located at 10901 Red Circle Drive. Shady Oak Office Center currently occupies the 4.68-acre site which is owned and operated by Wellington Management. The developer intends to redevelop the site into multifamily housing as part of a two-phased approach. The developer has indicated the eastern portion of the site would be redeveloped first, followed by a second phase on the site's western portion.

**Current Proposal**



Concept Proposal - March 2021

Wellington Management is proposing a 223-unit multifamily building for phase 1 (the eastern portion of the site), with plans for a future phase 2 to include a 150-185 unit multifamily building on the western portion of the site. As proposed, phase 1 would consist of 225 units with a mix of studio, 1, 2, and 3-bedroom units. In phase 1, the developer proposes to include 10% of the units with rents restricted at or below 50% AMI and an additional 20% of the units with rents restricted at or below 80% AMI. The remaining units in phase 1 are anticipated to have rents at or below 80%-100% AMI (but will not be subject to the affordability covenant). The following unit mix is proposed:

**Phase I – Draft Unit Affordability Matrix**

Unit Type	Restricted - 50% AMI	Restricted - 80% AMI	Unrestricted 80% AMI & Market Rate	Total
Studio	8	20	9	37
1 BR	9	25	97	131
1 BR Den	3	0	6	9
2 BR	2	0	40	42
3 BR	1	0	3	4
<b>Total</b>	<b>23</b>	<b>45</b>	<b>155</b>	<b>223</b>

### Current Financing Request

In March, the developer requested that the city consider providing tax increment financing up to \$2.8 million to assist with providing 23 units affordable at 50% of the AMI and 45 units at 80% AMI for phase 1 of the project. The affordable rents (ranging from studio to three-bedroom) in the project are proposed to range between \$850 and \$1,270 per month for the 50% AMI units \$1,200 to \$2,900 for the 80% AMI units.

The city's financial consultant, Ehlers, reviewed the developer's proforma and provided the attached memo that reviewed the points of the developer's request for assistance for consideration at the March 11, 2021 EDAC meeting. The following deal points were considered at the March 11, 2021 EDAC meeting:

Ehlers concluded that the project would require \$2.4 million in financial assistance for the provision of affordable units.

- \$2.4 million for 23 units at 50% AMI and 45 units at 80% AMI
  - Ehlers recommended the following structure for the assistance.
    - \$2.4 million in assistance for Phase 1, structured as a Pay-As-You-Go (PAYGO) note, over a term of six years.
    - Minimum assessment agreement
    - Look back provision to review:
      - Total development cost after construction is completed
      - Return on investment following stabilization
      - Sale provisions

Following the March 11, 2021 EDAC meeting, the developer expressed the need for additional financing related to rising construction costs and compliance of affordable units.

- In the first request, the developer is seeking an additional half-year of tax increment assistance due to rising lumber costs and materials costs—the total request of \$2.78M (over the previously discussed \$2.4M).
  - Ehlers reviewed this request and agrees that it is reasonable.
  - The lookback provision would prevent the developer from being overcompensated if construction costs are lower than anticipated after the project is constructed.
- The second request is for an additional \$350,000 to offset the developer's costs for compliance related to income qualification on the 80% AMI units (past the six-year term of the TIF note).
  - The developer has agreed to restrict the 80% AMI units with 80% rent restrictions for six years (through 2029)
  - The developer is seeking \$350,000 to cover the depressed market value, risk, and reporting requirements to extend the 80% rents at 100% AMI for the remaining 24 years.
    - Staff and Ehlers have reviewed and do not support the additional \$350,000 request.

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

### **City Council Feedback**

On May 24, 2021, the city council reviewed the introduction of the project at the council meeting. The council voted to introduce the ordinance and refer it to the planning commission and EDAC, with the following questions to consider for feedback from the commissioners.

- How does the developer decide what the market is for each unit type and how many to include in each project?
- Why are there fewer 3-bedroom units in the building in comparison to the other unit types in the building?
- Is there a need for more 3-bedroom (both affordable and market-rate units) in general?
- How does the level of 3-bedroom units align with the city's Affordable Housing Policy?
- How much subsidy is needed to support more 3-bedroom units?

### **Affordable Housing Policy**

The city's affordable housing policy, adopted on July 8, 2019, provides guidance on the general procedures and requirements to govern the city's commitment to affordable housing. The policy includes guidance on the percentage of affordable units that are required based upon whether the developer is or is not seeking financing assistance. However, the policy does not govern how many of each unit type (i.e., studio, one-bedroom, two-bedroom, and three-bedrooms) should be included in a project. This consideration is primarily driven by market factors, including the current demographics, demand for the specific unit type, and rent by unit size. Staff encourages developers to conduct market studies to determine the appropriate unit mix in each project. The developer assumes the risk of having too many or too few of a unit type and losing income if the unit remains vacant.

The affordable housing policy does consider the location, standards, and integration of affordable units in each project. The policy specifically addresses the following points:



- **Distribution of affordable housing units:** Unless otherwise specifically authorized by this policy, the Affordable Dwelling Units (ADU's) 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.

### Marquette Housing Study

In 2017, the city hired Marquette Advisors to conduct a comprehensive housing needs assessment to assist staff with the development of the 2040 Comprehensive Plan. The assessment considered the overall housing stock in Minnetonka and provided data-focused analysis on rental and for-sale housing trends along with the need for new housing over the short-term and long-term by type and price level. Below is a summary of the key findings as it relates to the unit size discussion.

- The average household size is declining. In 2000, the average household in Minnetonka comprised 2.40 persons. This had declined to 2.27 persons per household in 2010, then held fairly steady through 2016. The average household size in Minnetonka is forecasted to decline to 2.18 persons in 2030 before leveling off. Factors include:
  - Declining birth rates
  - The aging of the current household base (i.e., Minnetonka residents "aging in place," with more becoming "empty nesters")
  - Smaller households (on average) moving to Minnetonka – especially one and two-person households.
- Metropolitan Council 2040 forecasts indicate significant increases in both the youngest and oldest cohorts in Minnetonka.
  - Young households choose to rent initially, delaying purchases of homes.
  - Middle-age households are more likely to choose homeownership in suburban markets.
  - Middle age singles or couples prefer a condo, townhome, or rental options. depending on many factors, including lifestyle and maintenance preferences.
  - Empty nesters and seniors prefer remaining in the home or seeking rental or condo ownership opportunities.
- Current renter profile (pre-pandemic):
  - Millennials choosing to rent rather than purchase homes
  - Empty nesters are renting, with many aging in place.

- Young couples and families (including immigrants and multi-generational families) are renting but prefer larger rental homes or townhomes rather than traditional apartments.
  - The cost of renting 2-3 bedroom units is high. Some three-bedroom unit rents are as much as a mortgage payment.
- Pre-2010 and 2010-today construction

**Apartments – what are we building?**

<b>"New Construction" Class "A" Apartments (Built 2010 to date)</b>				
Unit Type	Unit Mix	Avg. Size	Avg. Rent/g	Rent PSF
Studio	14.4%	540	\$1,186	\$2.16
1BR	42.8%	761	\$1,419	\$1.86
1BR+Den	7.2%	904	\$1,856	\$1.83
2BR	30.3%	1,131	\$1,984	\$1.75
2BR+Den/3BR	5.4%	1,304	\$2,440	\$1.87
<b>Total</b>	<b>100.0%</b>	<b>880</b>	<b>\$1,625</b>	<b>\$1.85</b>

<b>Everything else (Built pre-2010)</b>				
Unit Type	Unit Mix	Avg. Size	Avg. Rent/g	Rent PSF
Studio	4.8%	468	\$713	\$1.52
1BR	44.0%	730	\$848	\$1.16
1BR+Den	1.8%	984	\$1,186	\$1.19
2BR	43.0%	1,023	\$1,058	\$1.03
2BR+Den/3BR	6.4%	1,335	\$1,371	\$1.03
<b>Total</b>	<b>100.0%</b>	<b>886</b>	<b>\$971</b>	<b>\$1.10</b>

**Unit Mix (new construction)**

- 2/3 Studios & 1BRs vs 1/4 in past
- Far fewer 2BR & 3BR units
- Targets single renters
- Empty nesters seeking larger units – a few more developments targeting this group now

**Rent Premium**

- Note \$650 gap between new product & apartments built pre-2010.
- This is why developers are looking at "value-add" investment opportunities.

- New construction rents: \$2.30+ per square foot (urban); \$1.90 to \$2.10+ per square foot (suburban) – very “best in-market” suburban sites \$2.00+ per square foot.
- Dynamic, dense, mixed-use environments – well-connected and “walkable” locations are highly preferred (same principles apply in urban and suburban).
- High amenity building features, with emphasis on common areas—smaller individual apartments; more emphasis on amenities.
- Design for single renters. Fewer couples and very few roommates in the market.
- Small, efficient units. The increasing popularity of Studio & "Alcove" floorplans.
- Studio, Alcove, 1BR comprise 65% of the mix today vs. 40-50% in past.
- Far fewer 2BR and 3BR units (changing somewhat right now).

As indicated by the housing needs assessment, the focus of new rental housing development is on studio and one-bedroom units to accommodate single renters, young professionals, and some baby boomers that are choosing to rent with a high level of amenities provided. The [Marquette housing assessment](#) provides greater detail on these findings.

### **Rent vs. Purchase**

Economic factors also influence the market when it comes to renters seeking larger two and three-bedroom units. These units, in comparison to the smaller one-bedroom and studio apartments, can have rents that are higher than a mortgage for a single-family home. A three-bedroom unit in Wellington's project is anticipated to rent for \$2,761 for a 1,328 square foot unit. As an example, a buyer could potentially purchase a home for nearly \$450,000 with a monthly payment of \$2,083 (assuming a 20% down payment, 30-year term, and 3.2% interest rate). The median sales price of a home in Minnetonka in 2021 is \$434,000. Additionally, a household may choose to rent a three-bedroom home and pay less than \$3,000 per month for more space.

### **Housing in Opus (existing and proposed rental and ownership)**

Prior to 2010, the majority of units constructed were one, two, and three-bedroom units. There were only 12 studio apartments available from 1970-2010. Current proposals from 2010 to today include a mix of studio to three-bedroom units. The table below includes the total unit mix, including the three new housing proposals in Opus.

<b>Unit Type</b>	<b>Total unit count</b>	<b>Percent</b>
Studio	143	5%
1-bedroom	1251	41%
2-bedroom	1375	45%
3-bedroom	262	9%

In summary, with the information provided in the Marquette housing study and by reviewing the current market for units, the data supports the mix of smaller studio and one-bedroom units versus an emphasis on developing a higher percentage of two and three-bedroom units.

### **Discussion Questions**

Does the EDAC have feedback on the developer's proposed unit mix?

Does the EDAC support the increase of the TIF note to \$2.78 million?

Does the EDAC support the additional \$350,000 request for assistance to support compliance of affordable units?

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Alisha Gray, EDFP, Economic Development and Housing Manager

### **Additional Information**

Location Map

Letter from Wellington Management (March 3, 2021)

Memo from Keith Dahl and Stacie Kvilvang – Ehlers (March 2, 2021)

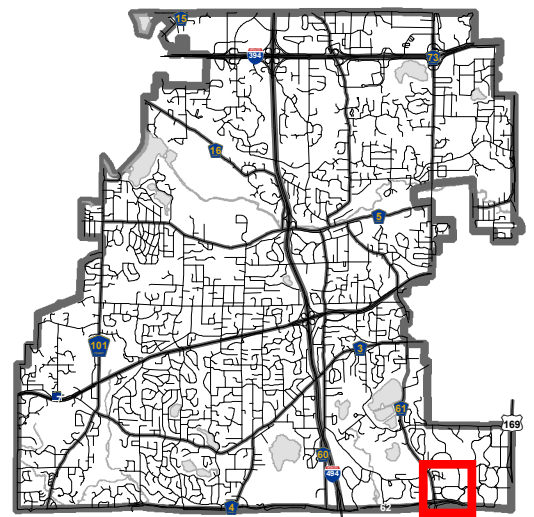
Draft Concept Plans  
Affordable Housing Policy  
TIF Policy  
2020 Income and Limits  
History of Affordable Housing Production and Assistance  
[Opus Public Realm Design Guidelines](#)  
[March 11, 2021 EDAC Meeting](#)  
[Feb. 25, 2021 EDAC Meeting](#)  
[Sept. 17, 2020 EDAC Meeting Minutes](#)  
[Marquette Housing Study](#) (Aug.18, 2017)





### Location Map

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





Julie Wischnack, Community Development Director  
Alisha Gray, Economic Development and Housing Manager  
City of Minnetonka  
14600 Minnetonka Boulevard  
Minnetonka, MN 55345

March 3, 2021

RE: Shady Oak TOD Redevelopment – 10901 Red Circle Dr., Minnetonka, MN

Dear Ms. Wischnack, Ms. Gray:

### **Project Background**

Wellington Management's redevelopment project at 10901 Red Circle Dr includes demolishing the existing office building and redeveloping the site with two multifamily, mixed-income buildings constructed in two phases. The 4.68-acre site is located immediately east of the commercial area along Shady Oak Road just north of Hwy 62. Wellington has owned and managed the office building since 2004. Based on the City's land use goals for Opus Park and the changing dynamics in how and where people choose to live, work and play, Wellington believes the site will better serve the community as a multifamily housing project. The site is well positioned between two Southwest LRT stops, directly adjacent to the bike trail and near a variety of retail amenities and significant employers. The project will help grow the Opus Park area from predominately office uses into a community where residents can live, work, and play all within a short walk, bike ride, or transit ride.

### **Affordability Mix**

In September 2020, members of Wellington's team met with the Minnetonka Planning Commission, Economic Development Advisory Committee (EDAC), and City Council to share plans and collect feedback for its Shady Oak office redevelopment. At that time Wellington planned to develop 335 units, including 20% of units affordable at 50% of area median income in a multi-phase development. The September 17, 2020 EDAC staff report concluded that the project required public assistance totaling \$5 million for the phase 1 building and \$3 million for the phase 2 building. Following the aforementioned public meetings, Wellington and City staff had several discussions related to the site plan, building massing and affordability mix in the context of other public infrastructure and development projects planned within Opus Park. As part of those discussions, Wellington was asked to consider including units affordable at both the 50% and 80% AMI levels. In response, Wellington is pleased to present an updated project summary and affordability details for phase one of the two-phase redevelopment.

In order to provide an additional buffer and greenspace between the bike trail and the building, Wellington has slightly reduced the building massing/density in phase 1 (eastern building) from 250 units to an estimated 223 units based on current floor plans and estimated units sizes. The western building (phase 2) will likely include 150 - 185 units. Both buildings will include a mixture of studio, 1-, 2-, and 3-bedroom units. As summarized below, within the phase 1 building 10% of the units will have rents restricted at/below 50% of area median income and 20% of the units will have rents restricted at/below 80% of area median income. The remaining units will be unrestricted at market rate rents. However, a majority of the market-rate units are anticipated to have rents between 80 - 100% of AMI thereby providing a wide range of workforce housing options within Opus Park.

**Phase I – Draft Unit Affordability Matrix**

Unit Type	Restricted - 50% AMI	Restricted - 80% AMI	Unrestricted 80% AMI & Market Rate	Total
<b>Studio</b>	8	20	9	37
<b>1 BR</b>	9	25	97	131
<b>1 BR Den</b>	3	0	6	9
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**Other Project Features**

Attached to this letter are updated renderings, site plan and floor plans highlighting the building materials, massing and greenspace amenities. These updates were made in direct response to the feedback received from the City Council, Planning Commission and staff over the past few months. As mentioned above, the building footprint has shifted south to provide additional setback from the bike trail and allow for more greenspace including a rain garden. A pocket park and pollinator garden will connect the phase I and phase II buildings adjacent the bike trail on the northern edge of the site. There will also be a sidewalk connecting the bike trail to the walk-up units, a bike repair station on the northeast corner of the phase 1 building and lighting, seating and other landscaping improvements throughout the site. The aforementioned enhancements will provide attractive and seamless connections for residents, bicyclists and pedestrians interacting with the site and adjacent path.

Our team looks forward to further engagement with the City and neighborhood as we move through the entitlement and financial review process in the coming weeks.

Sincerely,



Casey Dzieweczynski,  
Development Manager

Cc

Stephen B. Wellington, Jr., Chief Executive Officer  
David Wellington, Vice President  
Sam Case, Development Associate  
Pete Keely, Collage Architects





Julie Wischnack, Community Development Director  
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Sincerely,



Casey Dzieweczynski,  
Development Manager

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Pete Keely, Collage Architects

## MEMORANDUM

TO: Julie Wischnack – Community Development Director  
Alisha Gray – Economic Development and Housing Manager

FROM: Keith Dahl & Stacie Kvilvang - Ehlers

DATE: March 2, 2021

SUBJECT: Wellington Management – Analysis of Financial Request

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In the fall of 2020, the City received a financial assistance request from Wellington Management (the “Developer”) seeking financial assistance in the amount of \$9.5 million of Tax Increment Financing (TIF). The Developer had proposed to construct a 250-unit apartment in phase I and 185-unit apartment in phase II. The apartment buildings would consist of studio, 1, 2, and 3-bedroom units with 20% of the units affordable at 50% of the area median income (AMI).

Since that time and several iterations later, the Developer submitted an updated proposal to construct a 223-unit apartment in phase I with 10% of the units affordable at 50% AMI and 20% of the units affordable at 80% AMI. Phase II has not been formalized yet as the Developer continues to review market conditions and investor appetites, but discussions with staff have been around a 185-unit apartment. However, in regard to phase I, the Developer requested \$2.8 million of TIF assistance for inclusion of affordable units above the City’s affordable housing policy. The project is anticipated to commence construction this summer and cost approximately \$52.2 million.

We completed a proforma analysis specifically on phase I and reviewed the Developer’s return on investment (ROI) to ensure that any public assistance in the project would not result in a ROI greater than what is typical within the industry. There are a few common measures used to calculate ROI, however the Developer is using a Cash-on-Cost (COC) rate of return and we’d expect their annual return to be around 6%.

Based on our review, we concluded assistance in the amount of \$2.4 million in the form of a Pay-As-You-Go TIF Note from 85% of the available tax increment over an anticipated 6-year term is supported for this project. In addition, we’d recommend including a minimum assessment agreement and a three-part lookback provision, specifically to review 1) total development cost after construction completion, 2) return on investment upon project stabilization, and 3) a sale should the Developer sell the project during the term of TIF assistance. These lookback provisions will ensure the project was not over subsidized based on several assumptions made in today’s market conditions.

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

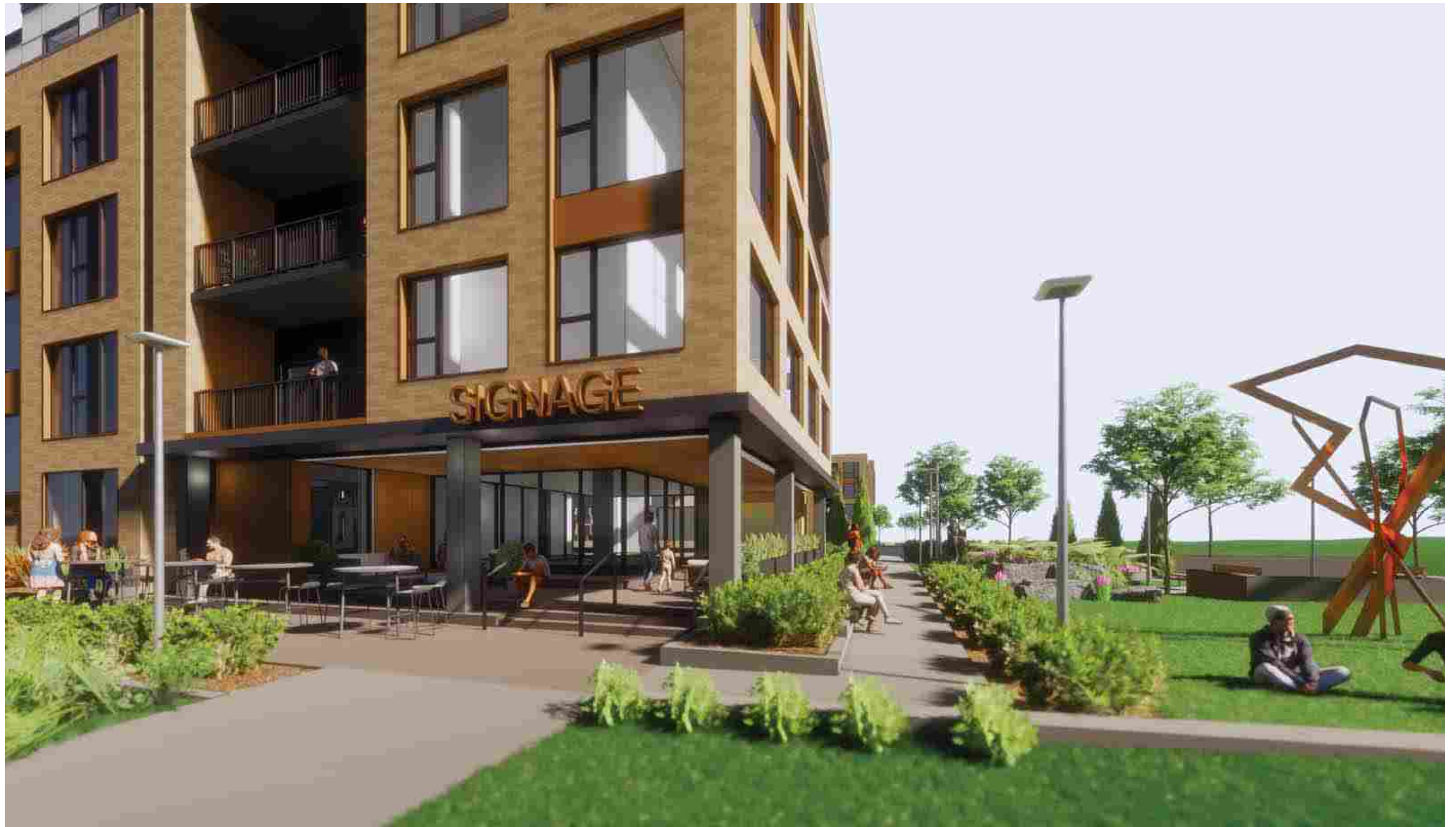


# Shady Oak

10901 Red Circle Drive  
Minnetonka, MN







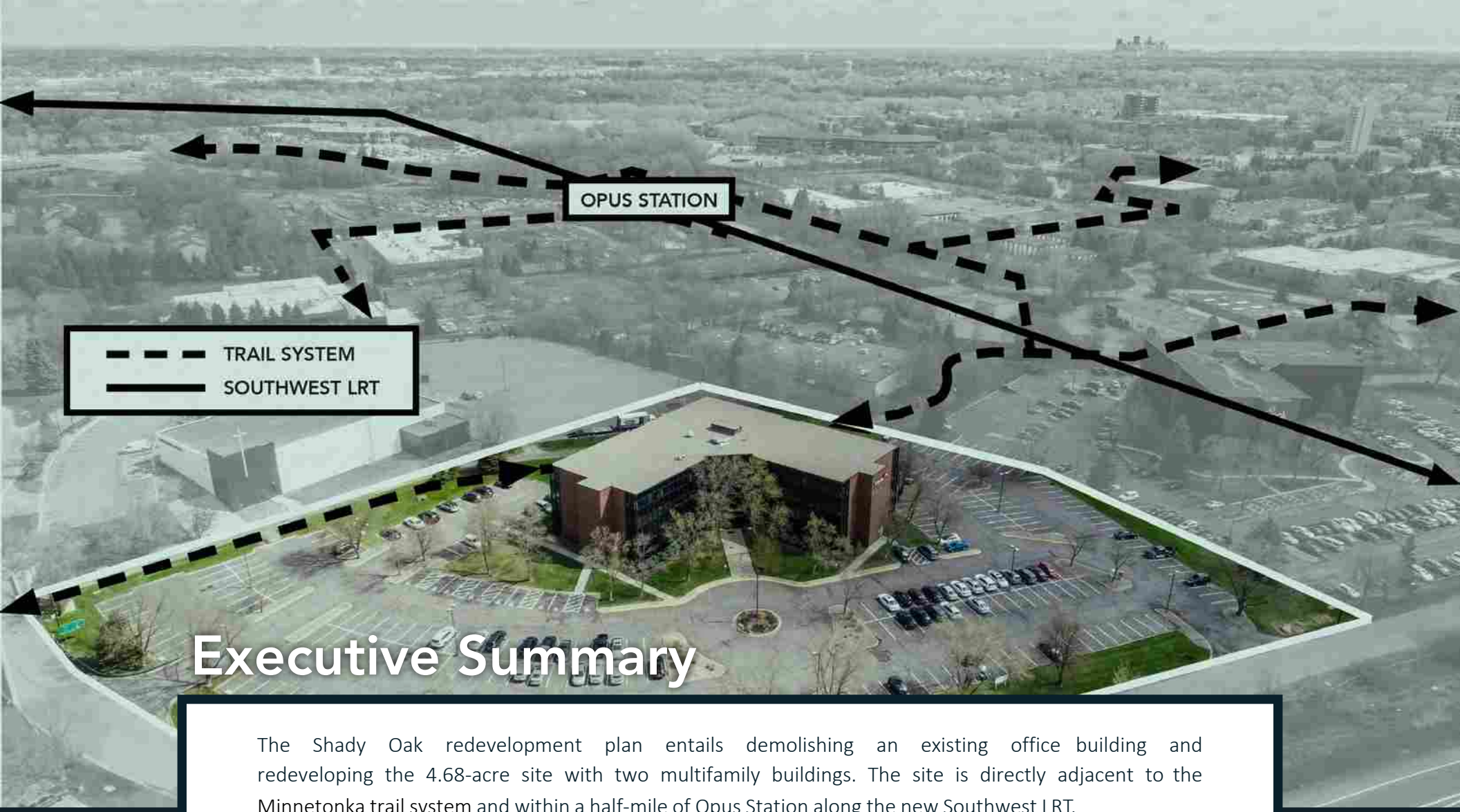
Collage | architects



SHADY OAK EAST

01.07.2021





## Executive Summary

The Shady Oak redevelopment plan entails demolishing an existing office building and redeveloping the 4.68-acre site with two multifamily buildings. The site is directly adjacent to the Minnetonka trail system and within a half-mile of Opus Station along the new Southwest LRT. The eastern building (Phase 1) will contain approximately 223 units, and the western building (Phase 2) will contain 150-185 units. Phase 1 will include a mixture of studio, 1-, 2- and 3-bedroom units. In Phase I, 10% of the units will be rent-restricted at/below 50% AMI and 20% at/below 80% AMI. The two buildings will be connected by a shared green space at the center of the site, and each building will include underground parking.

# Building Amenities



- > Outdoor plaza adjacent to bike trail and pocket park
- > Walk-up units
- > Rooftop deck and fire pit
- > Sauna
- > Pet wash & grooming area
- > Rain garden
- > Electric vehicle charging stations
- > Bike storage & repair station
- > Package room
- > Fitness room with virtual programming
- > Underground, heated garage





10901 RED CIRCLE DRIVE  
MINNETONKA, MN

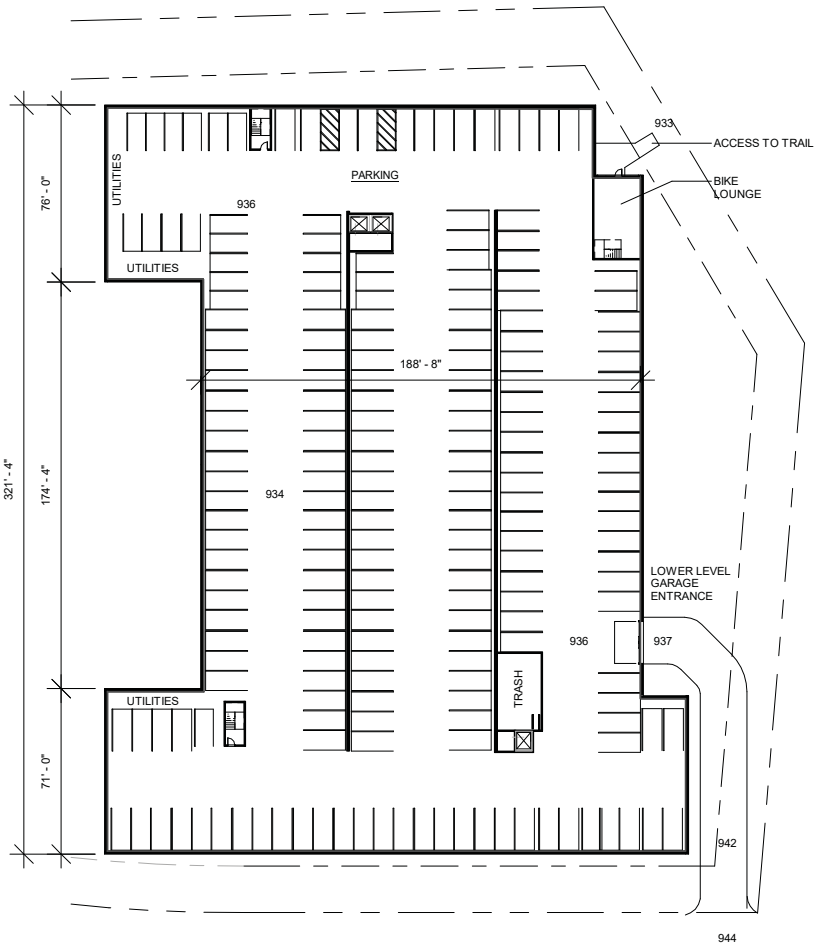
**Existing Site**

# Site Plan

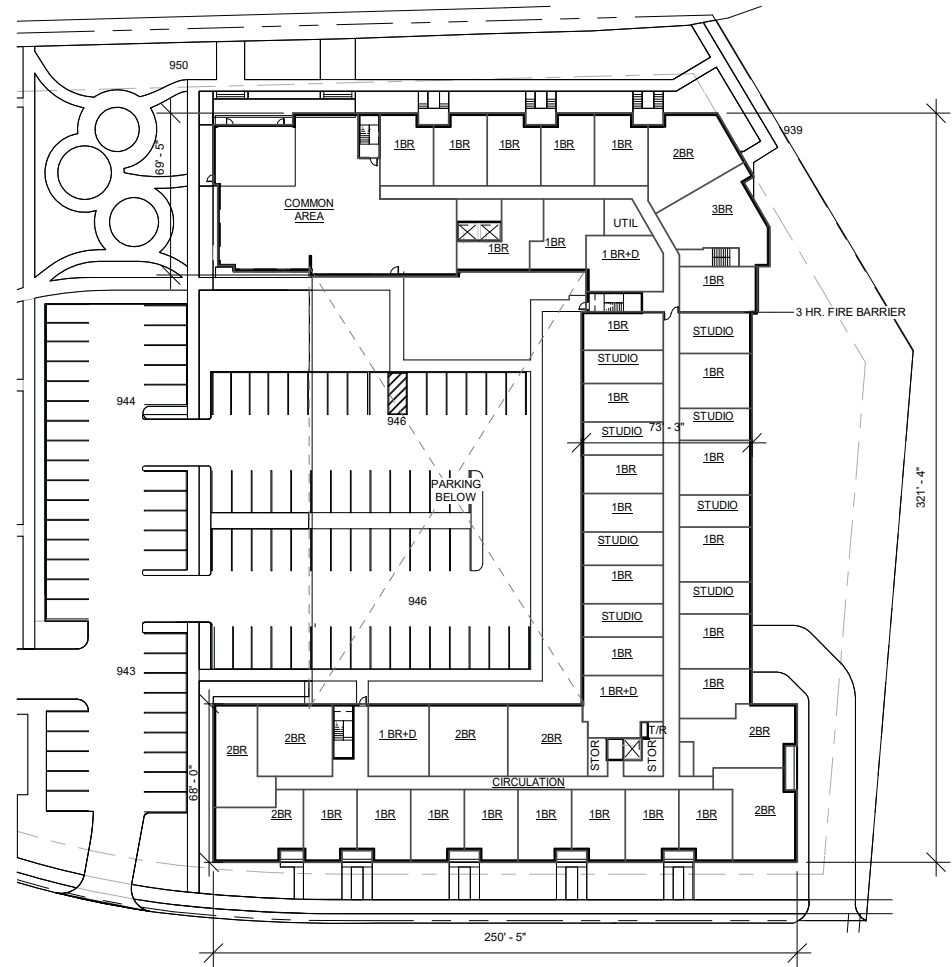




# Floor Plans

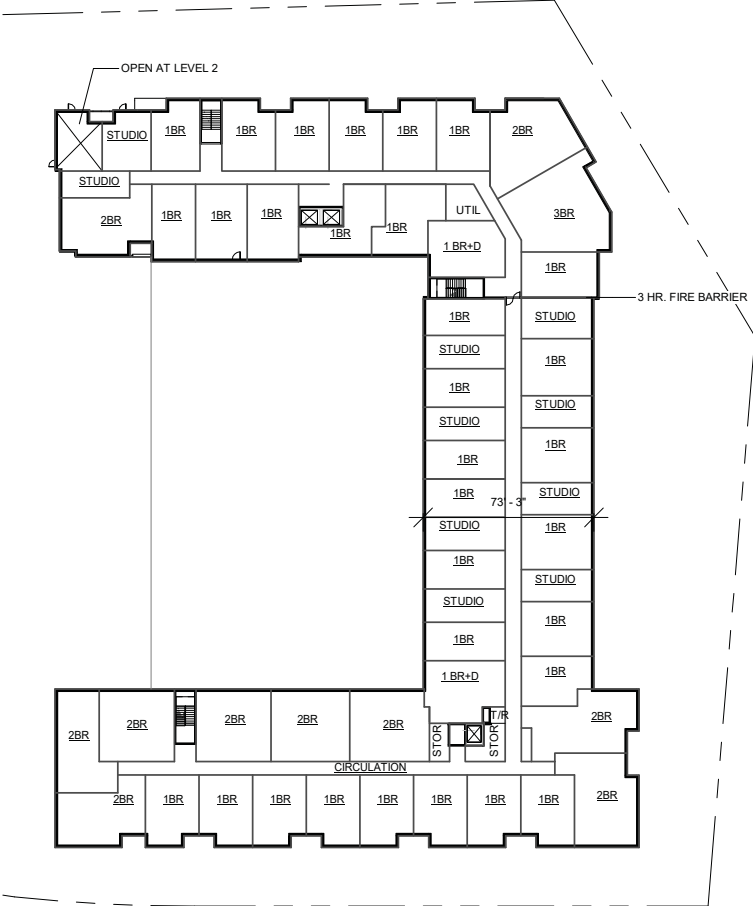


Lower Level

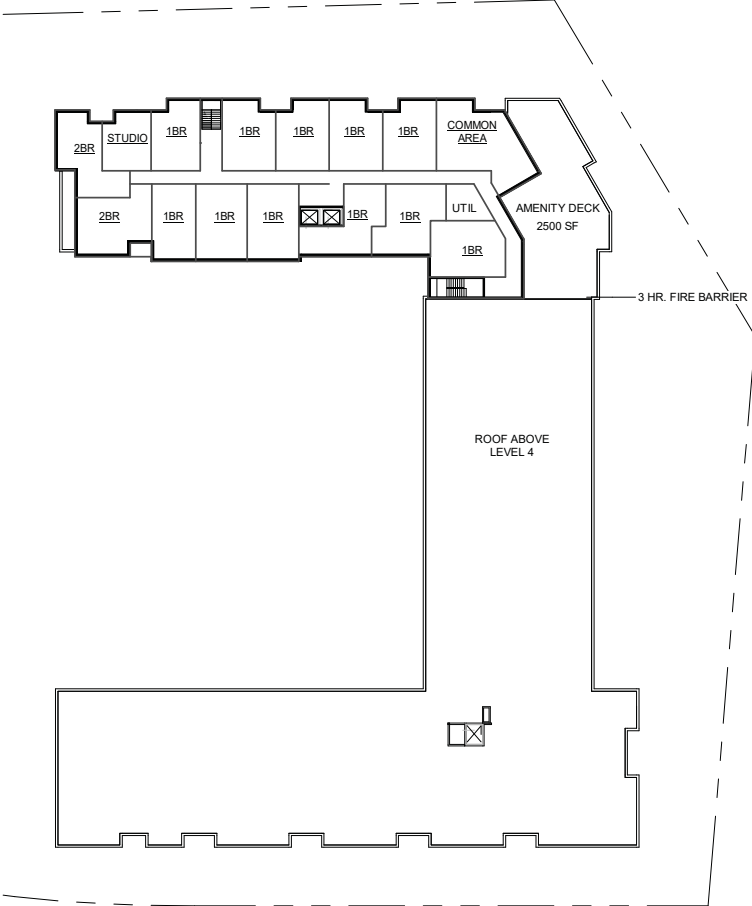


Level 1

# Floor Plans



Levels 2-4



Level 5

**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.

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**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.

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**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

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**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.

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### **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
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**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](http://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	<i>Crown Ridge—60% AMI Boulevard Gardens—60% AMI Gables—initially 80% AMI, now no income limit West Ridge—50% AMI</i>
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 #5  
Meeting of June 10, 2021**

**Brief Description**

Staff Report

**Transit Updates**

*Green Line Extension (Southwest LRT)*

**Overall Construction Update**

In June, Southwest LRT staff will be hosting walking tours in project construction areas along SWLRT. The tours will provide an opportunity to see some of the elements being built as part of the 14.5-mile corridor. The tours will last one hour and are limited to 15 people. Registration is required, and protective equipment will be provided. To view dates, tour locations, and to register, use this [link](#). Additional dates will be added if there is continued interest from the community.

**Minnetonka Update**

- The westbound lane on Green Circle Drive near the intersection with Bren Road West is closed through the 2021 construction season to complete work in the LRT corridor.
- Smetana Road from Feltl Road to Nolan Drive remains closed until July. A bypass is in place east of the intersection of Smetana and Feltl Roads to accommodate local traffic.
- Crews continue to work on the Minnetonka-Hopkins LRT bridge. Expect noise from piling as bridge piers are constructed. Piling will be ongoing through the construction season with a short pause to set bridge beams.

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](http://www.swlrt.org).

**Metro Transit**

Staff continues to meet with Metro Transit quarterly to discuss transit service within the city.

As commuting patterns continue to change as we progress out of the pandemic, Metro Transit will be evaluating changes to the system to restore service back to pre-pandemic levels.

Metro Transit is currently contemplating reinstating Route 673 sometime this August, which would provide express service from the 394 corridor to downtown Minneapolis.

**Development Updates**

<b>Projects</b>	<b>Location</b>	<b>Status</b>
<b><i>Housing</i></b>		
<a href="#">The Pointe</a>	801 Carlson	Plans have been submitted
<a href="#">Minnetonka Station</a>	Opus	Awaiting plan submission
<a href="#">Doran (Shady Oak)</a>	5959 Shady Oak Road	Under review
<a href="#">Shady Oak Crossing</a>	Shady Oak Road / Mainstreet	Building fully enclosed

<b>Misc. Projects</b>		
<a href="#">Ridgedale Area Park Project</a>	Ridgedale Drive	Reviewing bids
<a href="#">Minnetonka Police/Fire Project</a>	Minnetonka Civic Center Campus	October 2021 ribbon cutting
<b>Business Projects</b>		
El Travieso	Mtka Blvd / 101	Permits issued
<a href="#">Dick's Sporting Goods</a>	Ridgedale Mall	Under Construction
Duke's	Highway 7	Under Construction
Culver's	Hwy 101/7	Plans Submitted

## Business Updates

### *Elevate Business Technical Assistance*

Hennepin County has contracted with 25 professional advisors, consultants, and service providers to offer free expert support to local businesses in a wide range of areas. In addition to mentoring and general business advising, professional service and consulting in the following areas is included at no cost to businesses:

- Accounting
- Finance
- Legal
- Marketing
- Social Media
- Web Development
- Human Resources

Businesses can learn more at [hennepin.us/elevate](https://hennepin.us/elevate)

### *Business Survey*

In April, the Federal Government passed the American Rescue Plan Act, leading to additional local dollars available for business assistance. While final allocation amounts have yet to be announced, it is estimated that Minnetonka will receive about \$5,000,000 in relief. Staff will engage with businesses to identify areas of assistance and get a feel for the health of the local economy. Staff is currently working to hire a consultant to develop an extensive business climate survey, similar to the annual community survey, to gauge business community perceptions on:

- Critical issues facing the city
- Quality of city services
- City government and staff
- State of the local economy
- Strategically inform staff on the development of new programming.

Conducting the business survey follows the recommendation first outlined in the 2015-2019 EIP. In 2018, the EDAC was presented with the Business Development Strategy plan, which outlined tools, resources, and activities proposed to be undertaken to support Minnetonka's business community. As part of that strategy, it was recommended that staff conduct a business survey

for industry trends and business needs. HRA levy funds are available to support this effort, and a full report of survey results will be shared with the EDAC later this summer.

### *COVID Business Restrictions*

In early May, Gov. Walz issued guidance that COVID-related business restrictions would begin to be rolled back. As of May 28<sup>th</sup>, all state restrictions related to businesses will expire.

### *Resilient Communities Project Spring 2021 – Planning for Economic Development and Resilience Post Covid-19*

The City of Minnetonka partnered with a University of Minnesota graduate class to conduct research into planning for economic development and resilience post-pandemic. Specifically, we asked the students to identify the technological, infrastructural, and institutional barriers that have hindered businesses' ability to adapt during the pandemic.

The study provided a series of recommendations or strategies that the city should continue to pursue to encourage the recovery of businesses moving forward. Those strategies include financial assistance, ordinance changes, business protections, and collaboration with business support organizations.

A copy of the full report is included as an attachment to the staff report.

## **Housing Updates**

### *Federal Moratorium*

On March 28, 2021, the CDC extended the federal eviction moratorium until June 30, 2021. The moratorium protects renters from evictions due to non-payment of rent.

### *State Moratorium*

On May 15<sup>th</sup>, the Governor elected to extend the eviction moratorium an additional 30 days ending on June 15<sup>th</sup>.

Through RentHelpMN.org, assistance is available to assist renters at risk of displacement once the eviction moratorium ends. It is expected that additional dollars will be available to provide additional assistance through next year.

### *Homeownership Assistance Update*

On May 13, Minnesota Housing announced that the state is receiving an allocation of \$128 million from the federal government to help homeowners who are struggling with mortgages or other housing-related costs. An application period for the program has yet to be announced.

In addition, Hennepin County has elected to allocate \$2.5 million of its second round CDBG Covid Relief dollars to Minnesota Housing to provide mortgage assistance to homeowners within the county. Applications will begin being accepted sometime in the next month.

**Upcoming Events**

July 8, 2021 - EDAC Meeting

Through:

Julie Wischnack, AICP, Community Development Director

Alisha Gray, EDFP, Economic Development and Housing Manager

Originated by:

Rob Hanson, EDFP, Economic Development Coordinator

**Attachments:**

Planning for Economic Development and Resilience Post Covid-19 Full Report



# Planning for Economic Development and Resilience Post Covid-19



Resilient Communities Project

UNIVERSITY OF MINNESOTA



Submitted to:  
City of Minnetonka

Submitted by:  
Andre Ingram, Paul Daniels, Stephen Jensen Estevez, Yuanyuan Zhou

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## Executive Summary

As the Covid-19 pandemic was still sweeping across the nation, the City of Minnetonka took the proactive step to investigate strategies for promoting economic development and resilience post Covid-19. This involved researching the impacts to their economy and compiling a list of strategies to respond. The major economic impacts felt by the Covid-19 pandemic fall into four categories, impacts to businesses, workers, local governments, and consumers. Businesses experienced closures and supply chain issues while trying to accelerate plans to implement new technology. Workers experienced unemployment concerns unevenly with some industries employees being hit harder than others. Industries with workers that could not transition to remote work experienced the highest levels of unemployment. Local governments faced a significant loss in tax revenue and also needed to make adjustments to their workforce through furloughs, compensation reductions, and layoffs. Finally, consumers chose not to spend as much during the pandemic opting to save instead. There was also a reluctance or inability to dine or shop indoors which impacted some sectors of the economy.

In an attempt to lessen these economic impacts, federal, state, county, and local governments throughout the country enacted numerous strategies to provide relief. The four main categories of strategies we identified were financial assistance, ordinance changes, business

protections, and business support organizations. Financial assistance served as the major relief strategy among many levels of government. Loan and grant programs sprung up from the federal, state, county and even local government. Most financial assistance was targeted at specific industries (e.g. restaurants) or for a specific purpose (e.g. retaining employees). Ordinance changes popped up at the municipal level mainly to provide flexibility for businesses during a time in which the government issued numerous restrictions. Business protections are aimed at minimizing risk for businesses during this public health crisis and would shield businesses from many Covid-19 related lawsuits. Finally, business support organizations such as the Minnesota Chamber of Commerce provide a necessary service for businesses. These organizations provide valuable resources and expertise that can help promote resiliency among businesses.

To help the City of Minnetonka promote economic development and resilience, this report provides a series of recommendations with varying levels of urgency. Our most urgent recommendations include strategies for emerging from the pandemic smoothly. These focus on immediate concerns and promote continuing some existing strategies. Strategies include tracking financial assistance programs and utilizing business support organizations. The next series of recommendations focuses on long term success for the city. It includes changes and recommendations that promote flexibility and support for the business community including funding an incubator. Finally, our last set of recommendations were included to prepare for a future crisis with similar impacts to the Covid-19 pandemic. These recommendations are aimed at reducing the negative impacts from the start and helping city staff navigate the crisis more effectively. Strategies include the creation of a targeted grant fund and adapting city ordinances to meet the needs of businesses.



## Introduction

### Background

The Covid-19 pandemic has had a devastating impact on the business community and economies around the world. To protect public health, the state of Minnesota placed restrictions on businesses during the pandemic that resulted in business closures, unemployment, and mass layoffs. Some industries remained relatively unchanged while others were forced to adapt at breakneck speeds in order to stay afloat. The largest impacts have been felt by the leisure and hospitality industry. Other industries that require social interaction have been hurt as well. At this point, the long term impacts of the pandemic are still unknown.

The City of Minnetonka, located in Hennepin County in the suburbs just outside of the Twin Cities, is home to more than 53,000 residents. The City of Minnetonka is also home to several major employers and office parks including UnitedHealth Group, Cargill, Carlson Companies, Boston Scientific, Medica Health Plans, and Opus office park. In addition, Minnetonka hosts a regional shopping center, Ridgedale Mall. Prior to the pandemic, employment was around 50,000, with the unemployment rate at only 2.6%. By most conventional economic indicators, Minnetonka's economy was thriving.

## Purpose

The City of Minnetonka, in partnership with the Resilient Communities Project at the University of Minnesota, undertook this study to achieve their goals of recovering from the existing economic crisis, building resiliency into their economy, and preparing for a future crisis. Specifically, they sought to identify the technological, infrastructural, and institutional barriers that have hindered businesses' ability to adapt during the pandemic. Furthermore, they wanted to identify key economic development changes that have occurred throughout the City and the state of Minnesota to get an overall review of the economic impacts of the pandemic. Finally, this project compiled strategies that businesses and municipalities have undertaken to promote resiliency during and after the Covid-19 pandemic.

Given the size and scope of this study, prior work has been performed by a student led research group at the Humphrey School of Public Affairs. This group pursued one-on-one interviews with businesses throughout the City of Minnetonka and performed a literature review of relevant sources. This work provides a starting point for our continued analysis of this project.

## Methodology

We used three methods to inform our final project:

- Key Stakeholder Interviews
- Literature Review
- Primary and Secondary Data Analysis

## Approach

To accomplish the goals of this project, it was divided into two distinct phases. Phase one consisted of a literature review and a review of the data gathered through business interviews. Due to the difficulty in gathering information from local businesses, we utilized the previous group's work to build and grow our collection of business responses. In addition, we spoke with other key stakeholders.

Phase two featured an analysis of the data gathered through the literature review, stakeholder interviews and other forms of quantitative data collection. During this phase our team evaluated and categorized the strategies that businesses and local governments implemented to maintain economic resilience. Finally, the second phase featured the formulation of recommendations as to how the City of Minnetonka staff can better serve their community through economic development policy and organizational support during and following the Covid-19 pandemic.

## Interview Process

We prioritized interviewing business leaders and people working in business support organizations. Primarily, we attempted to speak with businesses located in the City of Minnetonka that have faced challenges during the pandemic. We interviewed a wide range of businesses in order to capture qualitative data from as many different business sectors as possible. Our short interview questionnaire was used as a starting point to gather consistent information from interviewees, but ultimately we used a more conversational approach to interviews. This approach proved more useful to gather information given the differences among businesses and the differences in the challenges they faced.

Using a list from the City of Minnetonka, our primary method for engaging with businesses involved calling or emailing them. We also conducted several impromptu in-person interviews; however, the response rate was low and we quickly realized we would need to bolster our research with information from other key stakeholders. To do this, we contacted numerous business support organizations and asked about the type of challenges they are seeing among businesses right now. In addition, this approach allowed us to compile a list of strategic responses among many businesses.

## Limitations

Due to the small sample size of our business interviews, we were only able to capture feedback of a small segment of the entire business community in Minnetonka. Challenges associated with managing a business during the pandemic resulted in many business owners not being able to accommodate enough time for interviews. To address this challenge, we interviewed expert and key informants as a way to gather additional opinions about the effects of the pandemic on the business community.





## The City of Minnetonka Economy and Business Landscape

The economic strengths and weaknesses of Minnetonka's economy will impact the well-being of its businesses, workers, and residents, both now and in the future. By evaluating the economic characteristics before the pandemic, we can more clearly analyze any of the positive or negative effects resulting from the economic downturn. The City of Minnetonka is home to over 50,000 employees. The single largest employment sector in the city is insurance with one in five employees working in this industry. Other major employment sectors include management of companies and food service (Table 1). When it comes to business establishments, the City of Minnetonka has an abundance of professional, scientific and technical businesses (Table 2). Naturally, the number of business establishments in the city and the levels of employment are proportional to each other in terms of the industries they represent.

Unemployment prior to the pandemic (2019) was very low in the city of Minnetonka, around 2.6% (Figure 1). Levels of employment were so high in fact, that many employers struggled to find workers. The Minnesota Department of Employment and Economic

Development reported that the state had more job vacancies than unemployed workers.<sup>1</sup> The job vacancy rate in the metro area, including Minnetonka, was 4.4% in 2019.<sup>2</sup> In terms of Minnetonka’s income characteristics, the median household income was \$95,630 and poverty was low around 4%.<sup>3</sup>

**Table 1: Ten Largest Sectors by Employment - Minnetonka - 2019**

<b>Ten Largest Sectors by Employment - Minnetonka - 2019</b>		
<b>NAICS</b>	<b>Industry</b>	<b>Employment (Annual)</b>
	Total, All Industries	50,016
524	Insurance Carriers and Related Activities	10,370
551	Management of Companies and Enterprises	4,080
722	Food Services and Drinking Places	2,372
541	Professional, Scientific, and Technical Services	2,357
611	Educational Services	2,156
624	Social Assistance	2,137
339	Miscellaneous Manufacturing	2,122
621	Ambulatory Health Care Services	1,523
531	Real Estate	1,512
452	General Merchandise Stores	1,082

Source: MN DEED QCEW (2019) Retrieved from <https://mn.gov/deed/data/data-tools/qcew/>

**Table 2: Five Largest Sectors by Number of Establishments - Minnetonka - 2019**

<b>Five Largest Sectors by Number of Establishments - Minnetonka - 2019</b>		
<b>NAICS</b>	<b>Industry</b>	<b>Establishments (Annual)</b>
541	Professional, Scientific, and Technical Services	344
423	Merchant Wholesalers, Durable Goods	101
621	Ambulatory Health Care Services	101
531	Real Estate	95
722	Food Services and Drinking Places	94

Source: MN DEED QCEW (2019) Retrieved from <https://mn.gov/deed/data/data-tools/qcew/>

<sup>1</sup> Casale, O. (2019, March). Workforce Shortages in Minnesota's Early Learning Industry, Minnesota DEED. Retrieved from

<https://mn.gov/deed/newscenter/publications/review/march-2019/early-learning.jsp#:~:text=Minnesota's%20unemployment%20rate%2C%20at%203.2,lowest%20it's%20been%20since%201981.>

<sup>2</sup> Minnesota DEED. (2019). Job Vacancy Survey, Labor Market Information. Retrieved from <https://mn.gov/deed/data/data-tools/job-vacancy/>

<sup>3</sup> U.S. Census Bureau (2019). American Community Survey 5-Year Estimates



**Figure 1: Minnetonka Unemployment Rate 1990 - 2020<sup>4</sup>**

<sup>4</sup> Minnesota DEED. (2020). Local Area Unemployment Statistics, Labor Market Information. Retrieved from <https://mn.gov/deed/data/data-tools/laus/>



## Economic Impacts of the Covid-19 Pandemic

The Covid-19 pandemic and the restrictions instituted to combat the public health concerns have taken a devastating toll on the economy. There is still ongoing research into the future economic impacts. In this section, we will quantify the current economic impacts as they pertain to businesses, workers, local governments, and consumers.

### Impacts to Businesses

One of the most widely used measures of economic growth or decline is the gross domestic product. In 2020, gross domestic product in the United States shrank by 3.5%, the largest drop in 74 years.<sup>5</sup> Additionally, over 100,000 small businesses have permanently closed their doors.<sup>6</sup> Economic decline erupted at the start of the pandemic as social distancing policies and stay at home orders were mandated. Recovery has been slow and uncertain as states begin to reopen, including Minnesota.

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<sup>5</sup> Torry, H. (2021, January). U.S. Economy Shrank in 2020 Despite Fourth-Quarter Growth, *Wall Street Journal*. <https://www.wsj.com/articles/us-gdp-economic-growth-fourth-quarter-2020-11611802382>

<sup>6</sup> Long, H. (2020, May). Small business used to define America's economy. The pandemic could change that forever, *Washington Post*. <https://www.washingtonpost.com/business/2020/05/12/small-business-used-define-americas-economy-pandemic-could-end-that-forever/>

Since the start of the pandemic, Minnesota has fared in a similar condition to the rest of the nation. Gross domestic product in Minnesota shrank by 3.7% in 2020, just slightly worse than the rest of the country.<sup>7</sup> When the pandemic first began, unemployment spiked as businesses closed. In the first two months of the pandemic (March and April 2020) alone, 10,492 establishments closed in Minnesota.<sup>8</sup> An additional 21,065 establishments reduced their number of employees.<sup>9</sup> Additional impacts include a falling share of businesses experiencing revenue gains and disruptions to global supply chains.<sup>10</sup> Two positive findings regarding Minnesota's business climate were high levels of innovation among businesses and steady capital investment planning.<sup>11</sup> This demonstrates the ability of Minnesota's businesses to adapt to the pandemic and their preparations to emerge just as strong as pre-Covid-19.

Despite a rough start, Minnesota and Minnetonka both increased the number of establishments within their boundaries during the pandemic. Over the course of 2020, the number of establishments in Minnesota rose from 178,249 to 186,368.<sup>12</sup> This figure in Minnetonka rose from 2,193 to 2,262.<sup>13</sup> This is not to say that no businesses were lost but rather the gains in new establishments outweighed the losses in others. Minnetonka in particular, added new establishments in some of their industry strengths such as insurance.

A survey of Minnesota manufacturers<sup>14</sup> conducted from November 2020 to January 2021 reported that Minnesota manufacturers expect impacts of Covid-19 to linger through 2021. When describing contracting conditions in 2020, 60% of respondents indicated a decline in the number of orders and 57% experienced a drop in profits. In general, the pandemic has had a particularly negative effect on businesses supply chains, revenues and employee productivity. Many business respondents commented that the Paycheck Protection Program (PPP) was critical to keep them afloat. Additionally, of the Minnetonka businesses we interviewed, all mentioned that they took advantage of some form of financial assistance available through the City of Minnetonka. A Yoga and Pilates studio in Minnetonka expressed gratitude for a \$5,000 grant which helped with rent payments and staff.

The effects of the pandemic have forced businesses to embrace a multitude of new technological adaptations. A recent McKinsey Global Survey of executives demonstrated the

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<sup>7</sup> U.S. Bureau of Economic Analysis (2020). Regional Data, GDP and Personal Income. Retrieved from <https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1&acrdn=1>

<sup>8</sup> Hammida, M. (2020, December). DEED LMI Research Assesses Initial Impact of COVID-19 on Minnesota Employment and Business Establishments, Minnesota Economic Trends. Retrieved from <https://mn.gov/deed/newscenter/publications/trends/december-2020/assessing-initial-impact.jsp>

<sup>9</sup> Ibid.

<sup>10</sup> Minnesota Chamber of Commerce (2021, January). 4 Key Economic Takeaways From Businesses In 2020 And What Might This Tell Us About Recovery, Minnesota Chamber of Commerce. Retrieved from <https://www.mnchamber.com/blog/4-key-economic-takeaways-businesses-2020-and-what-might-tell-us-about-recovery>

<sup>11</sup> Ibid.

<sup>12</sup> Minnesota DEED. (2020). QCEW, Labor Market Information. Retrieved from <https://mn.gov/deed/data/data-tools/qcew/>

<sup>13</sup> Ibid

<sup>14</sup> Minnesota DEED. (2021). Manufacturing Business Conditions Survey. Retrieved from <https://mn.gov/deed/data/research/biz-conditions-survey/>

acceleration of digital services and systems. Of 899 high-level executives and managers surveyed, nearly all said they have implemented at least temporary technological solutions to adjust to demand.<sup>15</sup> Furthermore, many companies have made considerable investments to ensure these technological changes will remain in place for years to come. Some of the types of technological changes taking place include installing Point Of Sale (POS) systems, creating new digital products, and converting live services into digital offerings.

The ability of a business to quickly adapt to these changes has been make or break for many establishments. Those with the resources and know-how have thrived while those without have failed. Something as simple as computer familiarity or internet bandwidth has caused once-steady small businesses to falter.

During an interview with Neighborhood Development Center (NDC), a non profit dedicated to supporting business start ups, its staff shared that many small businesses do not have a “tech presence.” First, many do not have a point of sales system set up for online customer transactions and were dependent on foot traffic. Another compounding issue for some businesses is that they had not utilized online bookkeeping and accounting, slowing their adoption online. Lastly, customers were reluctant to engage with some businesses online. A Minnetonka yoga and tai chi studio stated that its customers are resistant to or do not want to engage online due to the lost in-person interactions. A Minnetonka Dental Office shared a similar experience with its customers. Many customers were slow to come back even though COVID safety measures were taken.

One area of the economy that researchers have theorized may be struggling during the pandemic is business startups. Namely, “the COVID-19 crisis threatens potential for innovation that could have proven viable in normal times” (Kuckertz, 2020). Like established businesses, startups are experiencing a drop in revenue combined with a rise in operating costs. Unlike established businesses, startups are especially vulnerable to interrupted cash flow and lack of access to capital for recovery. However, this hasn’t stopped businesses from trying. Data from the US Census Bureau shows that business applications in Minnesota are up compared to before the pandemic.<sup>16</sup> Analyzing the first ten weeks of 2021 shows that more businesses are submitting applications every single week than they were in the first ten weeks of 2019 or 2020 (Figure 2). In the first week of 2021 alone, business applications were up over 214% in Minnesota compared to the first week of 2020.

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<sup>15</sup> McKinsey & Company (2020, October). How COVID-19 has pushed companies over the technology tipping point—and transformed business forever. Retrieved from <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever#>

<sup>16</sup> U.S. Census Bureau (n.d.). Business Formation Statistics. Retrieved from <https://uscensus.maps.arcgis.com/apps/opsdashboard/index.html#/0952d1fd435d4eb4ad4f54cde9b3cd41>

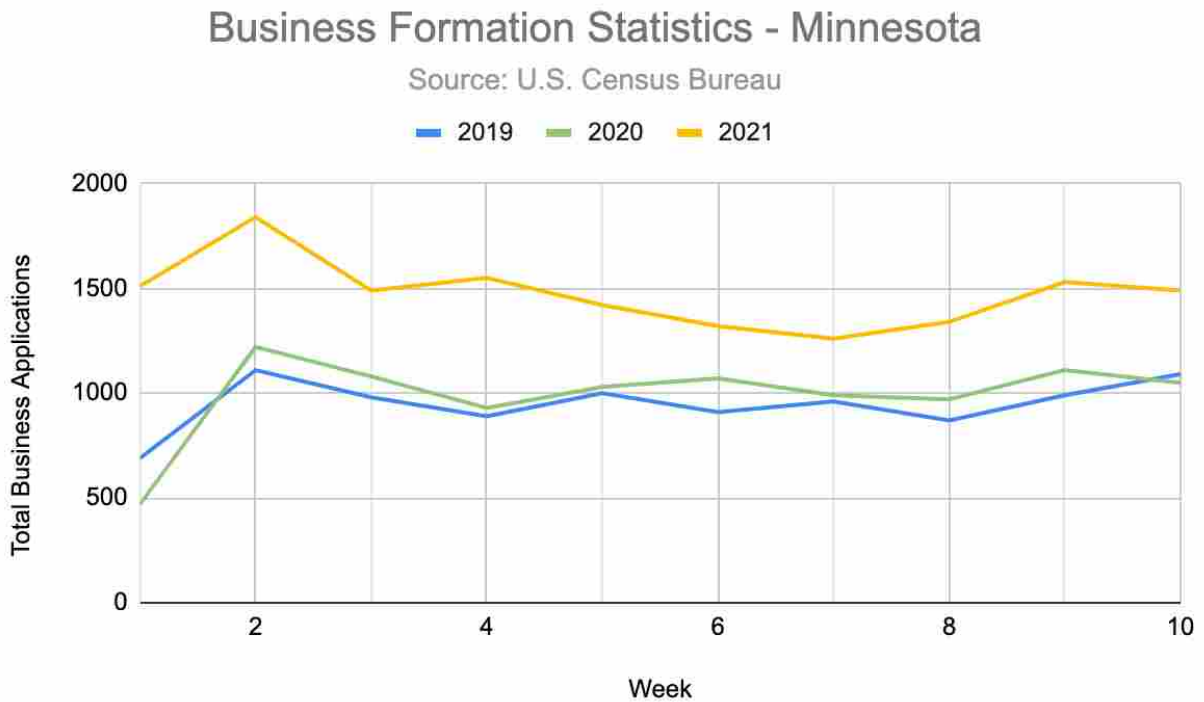


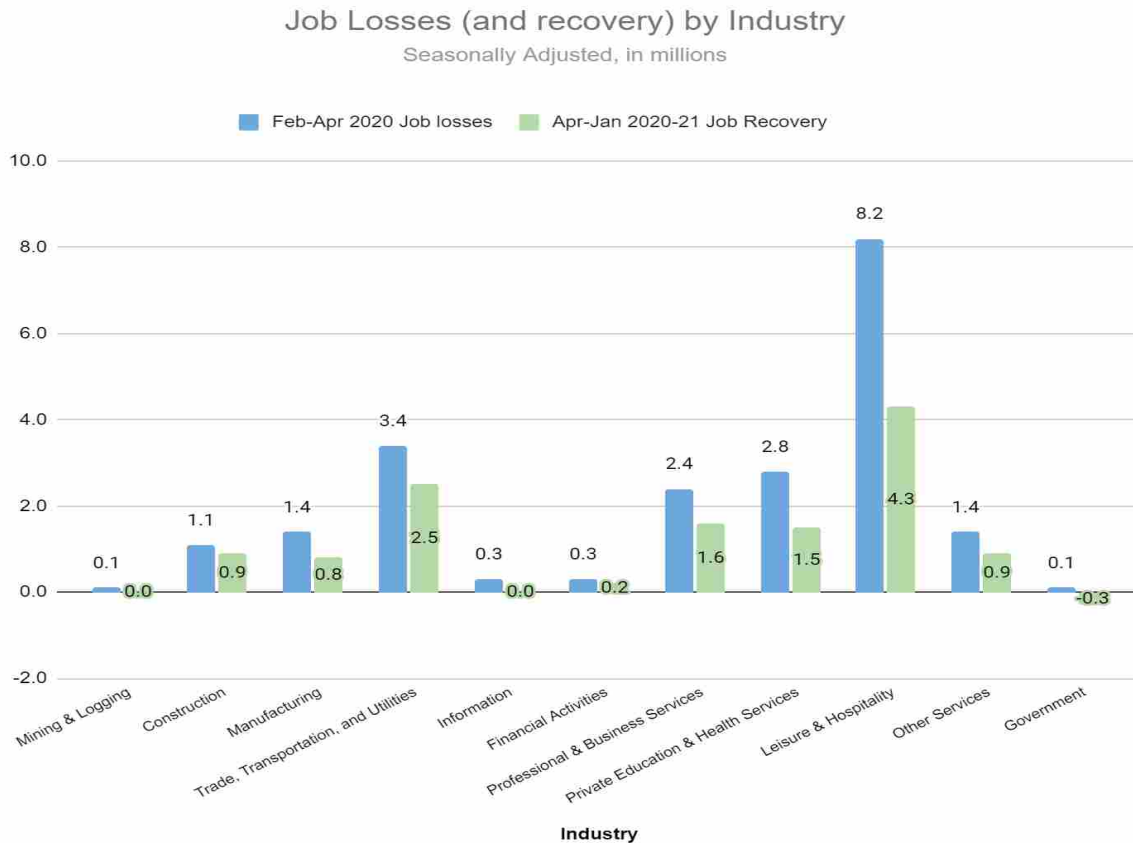
Figure 2: Business Formation Statistics - Minnesota

## Impacts to Workers

The national impacts of Covid-19 on workers vary by industry. Figure 3 shows employment changes by industry during the first three months of the pandemic and the recovery as of January 2021. The leisure and hospitality sector had very large job losses during the first few months of the pandemic. Additionally, transportation, trade, and utilities also had major losses to employment. The loss of jobs are reflected in the US unemployment rate. The unemployment rate surged through the first few months of the pandemic reaching 14.5% at its peak in April.<sup>17</sup> However, as many industries have begun to recover and restrictions are dialed back, many sectors are recovering. U.S. job recovery is reflected by the steady decline in unemployment which has descended down to 6% as of February 2021.<sup>18</sup>

<sup>17</sup> Bureau of Labor Statistics. (2021, March). Unemployment rate in the United States by industry and class of worker in February 2021 [Graph]. In *Statista*. Retrieved March 26, 2021, from <https://www-statista-com.ezp3.lib.umn.edu/statistics/217787/unemployment-rate-in-the-united-states-by-industry-and-class-of-worker/>

<sup>18</sup> Bureau Of Labor Statistics. (2021, March). The Employment Situation. Retrieved from <https://www.bls.gov/news.release/pdf/empsit.pdf>



**Figure 3: Employment changes by industry sector<sup>19</sup>**

In Minnetonka, workers in some industries were hit especially hard during the pandemic. Overall unemployment is shown for the city in Figure 4. There was a large spike in unemployment at the onset of the pandemic but it drops significantly towards the end of 2020. Table 3 shows the changes in employment over the course of 2020 in specific industries. While most of the hardest hit industries in Minnetonka had begun to bounce back significantly by Quarter 3, three industries continued to struggle. These industries include Accommodation; Amusement, Gambling and Recreation; and Social Assistance. Social assistance is the only one of these industries that also falls in the ten largest industries in the City of Minnetonka organized by employment level. This points to the fact that workers in the largest industries in Minnetonka were not significantly affected by the downturn in employment. Overall, Minnetonka’s workforce was down more than 8% between Quarter 1 and Quarter 4.

<sup>19</sup> Bureau of Labor Statistics. (2021, February). Current Employment Statistics Highlights. Retrieved from <https://www.bls.gov/ces/publications/highlights/2021/current-employment-statistics-highlights-01-2021.pdf>



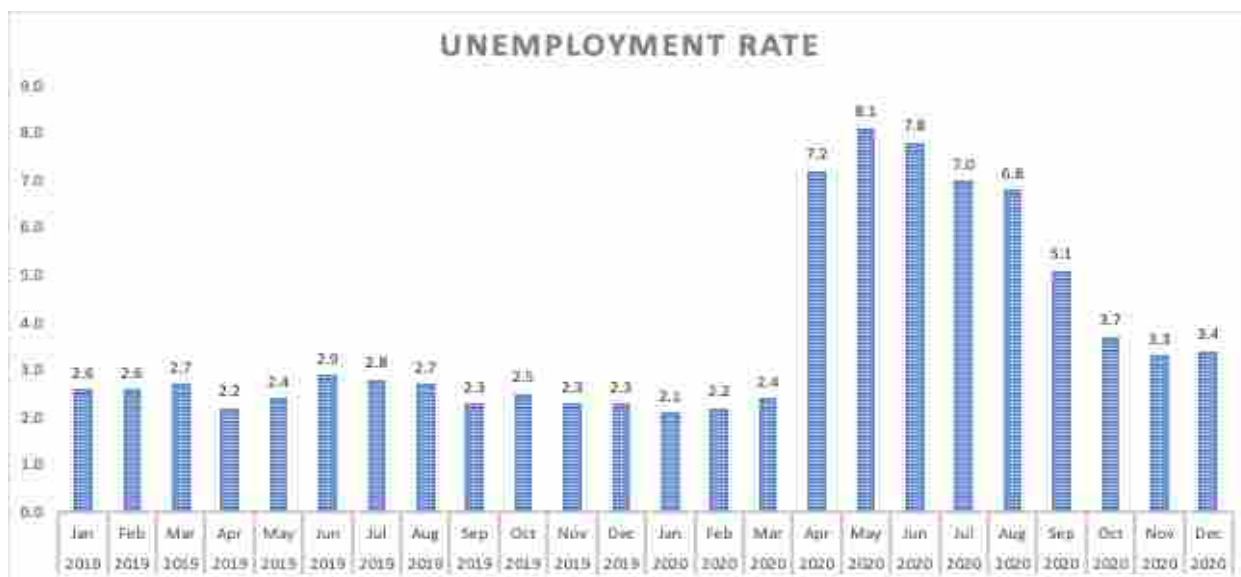


Figure 4: Unemployment Rate - Minnetonka<sup>20</sup>

Table 3: Changes in Industry Employment by Quarter - Minnetonka - 2020

Changes in Industry Employment by Quarter - Minnetonka - 2020							
Industry	# of Employees				%	%	%
	Q1	Q2	Q3	Q4	Change Q1 to Q2	Change Q1 to Q3	Change Q1 to Q4
Total, All Industries	49,563	43,691	45,044	45,425	-11.85%	-9.12%	-8.35%
Accommodation	238	70	98	93	-70.59%	-58.82%	-60.92%
Amusement, Gambling, and Recreation Industries	609	198	309	278	-67.49%	-49.26%	-54.35%
Clothing and Clothing Accessories Stores	695	255	503	552	-63.31%	-27.63%	-20.58%
Personal and Laundry Services	596	262	470	459	-56.04%	-21.14%	-22.99%
Religious, Grantmaking, Civic, Professional, and Similar Organizations	298	137	203	180	-54.03%	-31.88%	-39.60%
Furniture and Home Furnishings Stores	92	46	67	83	-50.00%	-27.17%	-9.78%
Food Services and Drinking Places	2,268	1,270	1,824	1,625	-44.00%	-19.58%	-28.35%
Social Assistance	2,146	1,344	1,410	1,436	-37.37%	-34.30%	-33.08%

Source: MN DEED QCEW (2020) Retrieved from <https://mn.gov/deed/data/data-tools/qcew/>

<sup>20</sup> U.S. Bureau of Labor Statistics (2020, December).

## Impacts to Local Governments

The economic impacts of the current pandemic are not just being felt by businesses and workers; state and local governments have also been hit hard. In particular, state and local governments have suffered as a result of dropping tax revenue. Based on past recessions, the Brookings Institution found that the Federal government's forms of tax revenue, namely income taxes, have remained relatively stable; however, at the state and local levels, sales and other taxes/fees declined significantly.<sup>21</sup> The researchers projected that state and local governments revenues would decline \$155 billion in 2020.

In addition to revenue losses, local governments are facing significant workforce issues.<sup>22</sup> Many municipalities have made the difficult decision to eliminate existing vacancies or reduce staffing. Many areas have used temporary furloughs as their form of staffing reductions but other areas have chosen to permanently layoff employees. Another major workforce issue has been reducing compensation among local government employees. This effort is aimed at cutting costs without cutting jobs in many municipalities. One of the few positive impacts local governments have experienced as a result of the pandemic has been widespread innovation and creativity.<sup>23</sup>

## Impacts to Consumers

The period of isolation and economic uncertainty brought upon by the pandemic is having profound effects on consumer behavior. As people have had to drastically alter their lifestyles and daily routines in order to adapt to new health mandates, they've also had to change the ways in which they shop and spend their money. These changes have important implications for businesses and the economy.

As a result of unemployment, people began spending less money on goods and services, other than food and essentials. On the other hand, those who were able to keep their jobs through the pandemic have greatly benefited from a reduction in costs associated with commuting to and from work. They have generally reduced their spending habits in preparation for the worsening economic conditions. Furthermore, they have received financial assistance from the government, and have increased their personal savings. While people who lost their jobs because of the pandemic have suffered way more. They have to reduce their consumption or change their consumer behaviors as a way to respond to the losses of earning associated with unemployment.

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<sup>21</sup> Sheiner, L., Campbell, S. (2020, September). How much is COVID-19 hurting state and local revenues?, The Brookings Institution. Retrieved from

<https://www.brookings.edu/blog/up-front/2020/09/24/how-much-is-covid-19-hurting-state-and-local-revenues/>

<sup>22</sup> Young, G. (2020, November). 10 Common Outcomes of Covid-19 on Local Government Budgets, ICMA. Retrieved from

<https://icma.org/blog-posts/10-common-outcomes-covid-19-local-government-budgets#:~:text=10%20Common%20Outcomes%20of%20COVID%2D19%20on%20Local%20Government%20Budgets,-Local%20jurisdictions%20must&text=Revenue%20declines%20%2D%20Some%20jurisdictions%20are,sources%20that%20have%20declined%20significantly.>

<sup>23</sup> Ibid.

Despite the reduction in stay-at-home orders, people are still weary of in-person retail shopping. Online retailers like Amazon have seen record-breaking sales, and the majority of consumers would prefer to shop online than in-person for durable as well as non-durable goods.<sup>24</sup>

Several of our interviewees from the food and beverage sector noted that a major issue within their industry was people's reluctance to visit establishments indoors citing safety concerns. As such, more people began cooking from home as opposed to eating out. This meant that those businesses unable to adapt to changes in consumer preferences such as curbside pick-up or outdoor seating were not as resilient. High-end establishments also suffered since people were less willing to purchase take-out or delivery of more expensive meals. Because of this, a specific niche within this sector - restaurants, bars, breweries or similar establishments with the capacity to offer outdoor or spaced-out indoor seating, curb-side pick-up or take-out - fared the best through the pandemic.

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<sup>24</sup> Donthu, N., & Gustafsson, A. (2020). Effects of covid-19 on business and research. *Journal of Business Research*, 117, 284-289. doi:10.1016/j.jbusres.2020.06.008



## Strategies for Responding to Covid-19

Many levels of government and numerous business support organizations have attempted to help businesses respond to the negative effects of the Covid-19 pandemic, but their response has been varied and inconsistent. In this section, we will present four categories of strategies for responding to the Covid-19 pandemic and more generally to economic downturns in the future. Table 4 below defines each category.

**Table 4: Strategies to Respond to the Covid-19 Pandemic**

<b>Strategies to Respond to the Covid-19 Pandemic</b>				
<b>Types of Strategies</b>	<b>Financial Assistance</b>	<b>Ordinance Changes</b>	<b>Business Protections</b>	<b>Business Support Organizations</b>
<b>What is it?</b>	Cash payments in the form of loans or grants, or the forgiveness of a businesses debt or tax burden	Changes municipalities make to their rules and regulations, either temporarily or permanently	Legal protections for businesses and policies to retain businesses from closing or leaving	Organizations that provide businesses with assistance and technical expertise
<b>What industries need this support most?</b>	Hospitality, food service, other services	Restaurants, retail, and hospitality industries.	Startups in various industries	All industries may benefit from assistance during the pandemic
<b>What characteristics do these businesses share?</b>	Helpful for small businesses with very little capital	Helpful for establishments whose ability to earn revenue is greatly affected by health mitigation efforts (i.e. indoor dining)	Small businesses with few employees, potentially pre-revenue	Small businesses with limited strategic support or limited internal resources

## **Financial Assistance**

### **1. State, County, and Local Assistance**

In Minnesota, the most significant relief strategies have come in the form of financial assistance. As part of the CARES Act, the federal government dispersed aid among various levels of government for business assistance. For example, Hennepin and Ramsey County each used CARES Act funding to establish Small Business Relief Funds to provide grants to local businesses who have been impacted by a Covid-19 related restrictions. Programs like these popped up in counties throughout the state. Each county's relief funds had various maximum amounts ranging from \$2,000 to \$45,000 and were available for traditional businesses as well as self-employed and sole proprietors. A full list of counties with these Small Business Relief

Funds is available from the Minnesota Chamber of Commerce.<sup>25</sup> It is worth noting that much of the county level covid funds has been depleted or is no longer available.

In addition to county government, many cities developed financial assistance programs for businesses during the pandemic. For example, the City of Burnsville implemented a similar relief fund. The Burnsville CARES Business Grant Program provided grants of up to \$20,000 available to businesses based on a lottery system.<sup>26</sup> The City of Minnetonka instituted a similar program but using loans as opposed to grants. The Minnetonka Small Business Emergency Loan Program offered one-time first come first served loans to approximately 30 businesses.<sup>27</sup> The loans were a maximum of \$7,500, interest free and fully forgivable.

Through research undertaken among small businesses, we found that a large barrier to applying for funding involved a lack of communication between government and businesses regarding the requirements of the assistance programs. Specifically, a large portion of respondents said that they didn't think they would qualify for the programs. Others claimed that they didn't trust that the government would forgive their debt. This suggests that governments at many levels should make an effort to ensure that they are actively establishing the criteria and expectations of the program to the public, which will ensure a higher take-up rate of those loans and grants.

One small, but potentially significant, financial policy enacted by the Minnesota Department of Revenue is penalty abatement for businesses.<sup>28</sup> Businesses who do not comply with state tax laws are subject to penalties and fees. Given the hardships of Covid-19, the Department of Revenue has decided to provide relief for businesses experiencing the negative effects of the pandemic. During this time, businesses are able to request cancellation or abatement of fees and penalties if they qualify under the policy. Businesses with significant losses in income or with interruptions to their ability to operate would qualify.

## **2. Federal Assistance**

The Federal Government created a number of new initiatives to help aid businesses during the Covid-19 pandemic. The list below (Table 5) is not all inclusive but does include the most popular and well funded programs currently available or soon to be available.

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<sup>25</sup> Local COVID-19 Resource Database. Retrieved from <https://www.mnchamber.com/blog/local-covid-19-resource-database>

<sup>26</sup> City of Burnsville. (n.d.) Burnsville CARES Business Grant Program. Retrieved from <https://burnsvillectares.burnsvillermn.gov/>

<sup>27</sup> City of Minnetonka. (n.d.) Minnetonka Small Business Emergency Loan Program. Retrieved from <https://www.minnetonkamn.gov/business/small-business-emergency-loan>

<sup>28</sup> Minnesota Department of Revenue (n.d.). Penalty Abatement for Businesses. Retrieved from <https://www.revenue.state.mn.us/penalty-abatement-businesses>

**Table 5: Major Federal Financial Assistance Programs**

Major Federal Financial Assistance Programs		What is it?	Who qualifies?	Where to access it?	Date funds are available
<b>Cares Act</b> (March 2020)	<b>Paycheck Protection Program</b>	Provides resources to maintain their payroll, hire back employees who may have been laid off, and cover applicable overhead	Small Businesses	Use SBA to find a lender	Offering loans until May 31, 2021
	<b>Economic Injury Disaster Loan</b>	Loan or advance of up to \$10,000. This will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Loans will need to be repaid, advances will not	Small Businesses (fewer than 500 employees with some exceptions) and nonprofit organizations	Apply to SBA directly	Currently accepting applications (as of 4/17/21)
	<b>Debt Relief</b>	Debt relief for existing SBA borrowers impacted by Covid-19	Existing SBA loan borrowers	SBA	Ongoing
<b>American Rescue Plan</b> (March 2021)	<b>Shuttered Venue Operators Grant</b>	Grants for eligible venues affected by Covid-19	Live venues, theatrical producers, live performing arts operators, museums, zoos and aquariums, motion picture theaters, talent reps	SBA	Currently accepting applications (as of 4/22/21)
	<b>Restaurant Revitalization Fund</b>	Funding to help businesses keep their doors open	Restaurants and other eligible businesses	SBA	Currently accepting applications (as of 4/22/21)
	<b>Community Navigator Pilot Program</b>	Grants to support outreach to businesses in underserved communities	SBA resource partners, states, tribes, local governments, and nonprofit orgs	SBA	Application opens by April 30, 2021

The Paycheck Protection Program (PPP) is one of the largest response strategies taking place in the country. This program provides loans, backed by the Small Business Administration, to businesses who keep their workforce employed during the Covid-19 pandemic. Eligible borrowers may qualify for full loan forgiveness if they meet three requirements over the course of the 8- to 24-week covered period following their loan disbursement. The requirements

include:

- Employee and compensation levels must be maintained
- The loan proceeds are spent only on payroll costs and other eligible expenses; and
- At least 60% of the proceeds are spent on payroll costs

A large portion of businesses in Minnesota (Table 6), including Minnetonka, took advantage of this loan program. Businesses in the City of Minnetonka received larger loans on average than businesses in the rest of the state. In addition, the average company size was slightly larger. In total, Minnetonka businesses received approximately 1% of the state's total PPP loan amount.

Table 7 shows that a large percentage of workers in Minnetonka have benefited from the Paycheck Protection Program. Among the 50,016 workers in the city, 14,429 or roughly 29%, benefited from this form of financial assistance. This could be an effective financial assistance strategy in future pandemics, especially for small businesses or companies with fewer employees on average.

**Table 6: Minnesota PPP Loan Dashboard**

<b>Minnesota PPP Loan Dashboard</b> April 2020 - March 2021	
Total PPP Loans Approved	157,860
Total Loan Amount	\$14,701,931,127
Total Employees	1,582,056
Average PPP Loan Amount	\$93,133
Average Company Size	10 employees
Source: U.S. Small Business Administration. Retrieved from <a href="https://data.sba.gov/dataset/ppp-foia">https://data.sba.gov/dataset/ppp-foia</a>	



**Table 7: Minnetonka PPP Loan Dashboard**

<b>Minnetonka PPP Loan Dashboard</b> April 2020 - March 2021	
Total PPP Loans Approved	1,302
Total Loan Amount	\$159,983,559
Total Jobs	14,429
Average PPP Loan Amount	\$122,875
Average Company Size	11 employees
Source: U.S. Small Business Administration. Retrieved from <a href="https://data.sba.gov/dataset/ppp-foia">https://data.sba.gov/dataset/ppp-foia</a>	

## Ordinance Changes

Ordinance changes as a response are primarily about flexibility and allowing businesses to continue operating by counteracting the burdensome rules necessary for public health. During the Covid-19 pandemic, as new rules were put into place to restrict businesses, other rules needed to be adjusted to allow businesses to continue with their operations in some aspects. In the future, public health or other public emergencies may place new restrictions on businesses and city ordinances may need to be adjusted to accommodate businesses ability to operate under the new restrictions.

One of the major issues the restaurant industry has faced during the Covid-19 pandemic has been the increased risk of transmission indoors. In a state as cold as Minnesota, eating outdoors is not an option year round and many restaurants elect not to pursue that type of setup. During the pandemic, however, many establishments decided they needed to capitalize on this type of dining in order to keep their business alive. Outdoor dining, or patio dining, requires a permit in most cities so local municipalities recognized early on that changes were needed to the process for acquiring one. The City of Minnetonka is one example of this change as they offered temporary outdoor dining permits with limited application requirements.<sup>29</sup> This sped up the application process and gave businesses the flexibility to expand their dining options quickly. Other municipalities have enacted similar processes. For example, the City of Minneapolis expanded and relaxed zoning and business regulations by waiving fees for outdoor dining permits and expediting the processing of applications.<sup>30</sup>

<sup>29</sup> City of Minnetonka (2020, May). Application for Temporary Outdoor Dining Notice. Retrieved from <https://www.minnetonkamn.gov/Home/Components/News/News/176/1228?arch=1&npage=2>

<sup>30</sup> City of Minneapolis (2020, May). Emergency Regulation 2020-13. Retrieved from <https://www.minneapolismn.gov/government/mayor/official-notices/emergency-regulation-2020-13/>

Sherburne County took outdoor dining accommodations one step further by establishing a relief fund to help cover business costs related to expanding capacity.<sup>31</sup> Eligible businesses may qualify for up to \$1,000 a month for reimbursement of outdoor dining expenses such as tents or patio furniture. The funds came from a partnership between Sherburne County and the Initiative Foundation and do not need to be paid back.

For businesses that rely primarily on liquor sales, the closures and difficulties of indoor dining have placed significant pressure on their ability to generate revenue. As a result, cocktails to-go is a trend that is sweeping across the country with many states enacting temporary or permanent measures. There has been much debate on the subject in Minnesota but so far only beer and wine sales to-go have been authorized.<sup>32</sup> The lack of flexibility for restaurants and bars to earn revenue through to-go liquor sales underpins the necessity of creating other means for these businesses to serve customers.

## Business Protection

Throughout the pandemic as businesses have begun to reopen, one of their key concerns has been around business liability protections. Their fear is that there will be an onslaught of civil lawsuits related to Covid-19 as the state continues to reopen. The current discussion on the topic is that businesses that pivoted to making masks or hand sanitizer should be protected from related legal action as well as establishments that stayed open during the pandemic for in-person business. Furthermore, business leaders are asking for protection from civil lawsuits if someone catches Covid-19 in their business. There are some exceptions to these protections to prevent negligence on the part of business owners. The Minnesota Senate has currently paused discussions and has set aside a bill aimed at establishing these protections.<sup>33</sup>

Many cities are encouraging the use of business incubators to support entrepreneurs and protect their businesses. Research has shown that business incubators have a positive impact on job growth in participating firms, and that firms in incubators receive more business than firms not associated with an incubator. Business incubators come in many forms, but typically offer a combination of affordable office space, shared administrative services, business advisory services and strong community partnerships to entrepreneurs at the early stages of the business cycle. These kinds of services are especially important to up-and-coming businesses during the economic uncertainties resulting from the Covid-19 pandemic; evidence shows that businesses that received support through business incubators have a higher survival rate, generate more

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<sup>31</sup> Boyle, J. (2020, May). Elk River Council makes it easier for businesses to expand outdoor dining; Sherburne County creates Outdoor Capacity Relief Fund, Star News. Retrieved from [https://www.hometownsource.com/elk\\_river\\_star\\_news/elk-river-council-makes-it-easier-for-businesses-to-expand-outdoor-dining-sherburne-county-creates/article\\_10a1cebe-a219-11ea-ab40-ffe8a28b845b.html](https://www.hometownsource.com/elk_river_star_news/elk-river-council-makes-it-easier-for-businesses-to-expand-outdoor-dining-sherburne-county-creates/article_10a1cebe-a219-11ea-ab40-ffe8a28b845b.html)

<sup>32</sup> Bierschbach, B. (2020, December). Struggling Minnesota Bars and Restaurants Want to Sell cocktails to go, StarTribune. Retrieved from <https://www.startribune.com/struggling-minnesota-bars-and-restaurants-want-to-sell-cocktails-to-go/573253901/>

<sup>33</sup> Limmer, W. (2021, March) S.F. No. 745 - Limited Liability for Claims Related to COVID-19. Retrieved from <https://www.senate.mn/departments/scr/billsumm/2021/SF745.pdf>

revenue, and create more jobs.<sup>34</sup> After the Covid-19 lockdown orders were instituted and business aid was released, businesses that had well-established networks with other businesses were already in a better position to hear about, apply to and receive funds, while those smaller, up-and-coming businesses did not have the resources or the connections to thrive. This demonstrates that business incubators are a viable option for small businesses to be resilient during the Covid-19 pandemic. This is also a vital resource for people seeking well-paying jobs in the aftermath of the Covid-19 pandemic.

## Business Support Organizations

Businesses in the City of Minnetonka benefit greatly from the plethora of economic development agencies in the region. While City staff play a huge role in ensuring businesses can succeed within the area, additional help is available for businesses in need of assistance. During the course of our research we identified a number of business support organizations with tools and resources to help businesses weather the current economic downturn (Table 8).

**Table 8: Business Support Organizations**

<b>Business Support Organizations</b>	<b>How they can help</b>
Small Business Administration <a href="https://www.sba.gov">https://www.sba.gov</a>	Help launching, managing, or growing a business, financial assistance programs
Minnesota DEED <a href="https://mn.gov/deed/">https://mn.gov/deed/</a>	Help starting a business, business financing options, site selection help, workforce training assistance, international trade connections
GreaterMSP <a href="https://www.greatersp.org/">https://www.greatersp.org/</a>	Provide connections to business assistance programs and incentives
Minnesota Chamber of Commerce <a href="https://www.mnchamber.com/">https://www.mnchamber.com/</a>	Financial assistance dashboard, policy updates, supplier match database, business advocacy
Minneapolis Regional Chamber of Commerce (Formerly Twinwest Chamber) <a href="https://www.mplschamber.com/">https://www.mplschamber.com/</a>	Provide technical assistance, peer-to-peer roundtables and webinars
Excelsior-Lake Minnetonka Chamber <a href="http://www.excelsior-lakeminnetonkachamber.com/">http://www.excelsior-lakeminnetonkachamber.com/</a>	Offer Lake Minnetonka business grants
Neighborhood Development Center <a href="http://www.ndc-mn.org/">http://www.ndc-mn.org/</a>	Offer entrepreneurship training, financing for businesses unable to access traditional sources of capital, access to business incubators

<sup>34</sup> Bruneel, J., Ratinho, T., Clarysse, B., & Groen, A. (2012). The evolution of Business Incubators: Comparing demand and supply of business Incubation services across different incubator generations. *Technovation*, 32(2), 110-121. doi:10.1016/j.technovation.2011.11.003

Small businesses in particular may not have the resources or manpower to explore the numerous programs and tools available to help businesses succeed. By reaching out to these organizations, a small business can get the help they need to start, maintain or expand their business. The major advantage to using these organizations is the level of expertise they can provide. Some of these groups both advised on and created many of the tools at their disposal. Depending on the type and level of assistance needed one or more of the organizations listed above may be able to help a businesses problem.

The Minneapolis Regional Chamber of Commerce (formerly the Twinwest Chamber) are policy advocates that support the business community and serve as a connector to build coalitions on business issues. As part of this effort, they built the “Elevate Business” platform, which is a technology and public-private partnership that offers pro bono services to businesses located in Hennepin County. This platform is built to provide resources to help rebuild, re-establish and re-ignite business not just during the pandemic but also continue providing support alongside business recovery.

Minnesota DEED is the state's principal economic development agency. DEED programs promote business recruitment, expansion, and retention; international trade; workforce development; and community development. DEED created and administers a number of Covid-19 Emergency Business Assistance programs such as Minnesota Convention Center Relief Grants; Small Business Emergency Loans; and Minnesota Cultural Mall Operator Grants, and more.<sup>35</sup>

The Neighborhood Development Center (NDC) supports businesses in a couple of unique ways. As businesses are starting or growing, NDC offers entrepreneurship training classes and workshops in addition to webinars. They also play a key role in supporting businesses struggling to secure traditional forms of capital by connecting them to government loans and grants. Finally, they help businesses explore and locate incubators to support their growth.

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<sup>35</sup> <https://mn.gov/deed/business/financing-business/deed-programs/>



## Recommendations

With the pandemic still looming over the economy, we have chosen to divide our recommendations into three phases. The First Phase will focus on recommendations for the City of Minnetonka as they emerge from the pandemic and will prioritize creating a smooth economic recovery. The Second Phase will focus on general recommendations for the City. This phase's recommendations emerged from the pandemic and will help prepare Minnetonka for resilience in future public health emergencies. The Third and final Phase will focus on recommendations for the City of Minnetonka to institute if a future crisis or public health emergency similar to the Covid-19 pandemic occurs. Table 9 outlines all three phases.

### **Phase 1: Recovery**

The City of Minnetonka should continue to direct affected businesses to existing financial assistance programs. Furthermore, the City must continue to document and monitor new financial assistance programs that businesses can utilize. Next, existing ordinance changes should be extended to see the pandemic through and flexibility should be continued to allow for more ordinance changes as needed. Business liability protection would greatly aid businesses ability to re-open confidently. While the issue is being debated at the state level, educating and advocating on behalf of businesses may help sway decision makers. Additionally, business support organizations play a key role in providing a positive business climate. The City should

maintain working relationships with these organizations and direct businesses to these organizations for support.

## **Phase 2: Resilience**

The City of Minnetonka should build resilience into their existing plans and policies. First, this will include the development of an ordinance alternatives plan for crises. Maintaining flexibility to act quickly is essential in a crisis. Additionally, the ability to swiftly change ordinances when needed provides direction for businesses to adjust quickly. Second, we recommend debriefing with businesses and key stakeholders throughout the Minnetonka community. It will be vital to hear from businesses directly. A more regular communication system must be established between the City of Minnetonka and businesses. Once businesses are out of the worst of the pandemic, there will be greater opportunity to hear from them and reflect on what relief strategies were most successful. Effective debriefing will prove to be a valuable learning experience for City of Minnetonka staff. Finally, business incubators are proven to help businesses survive. Providing funding to support business incubators within the city may help Minnetonka businesses prepare for resiliency during a crisis.

## **Phase 3: Preparedness**

The City of Minnetonka should explore the feasibility of implementing a small business grant program in case of future emergencies. One of the most successful and widely used strategies to weather the pandemic has been financial assistance. Speed is vital in a crisis and getting money out the door quickly is essential for many small businesses. Given a quick turnaround timeline, the grant program would ideally be tailored to help businesses heavily impacted by a future crisis. As previously mentioned, flexibility is crucial during a crisis and being able to listen and adapt as businesses identify municipal road blocks will be important. Additional flexibility and adaptability may be possible through the formation of a municipal task force. Bringing together members of the business community with public health and government officials may generate useful insights and plans during a crisis. Establishing a municipal task force targeted at crises in the future will allow the city to get all the key stakeholders together to help address problems. Finally, continue partnerships with business support organizations. These organizations bring additional resources and assistance to businesses in Minnetonka.

**Table 9: Recommendations**

<b>Recommendations</b>	<b>Financial Assistance</b>	<b>Ordinance Changes</b>	<b>Business Protections</b>	<b>Business Support Organizations</b>
<b>Phase 1: Recovery</b>	Utilize existing dashboards or toolkits to help businesses find financial assistance opportunities	Continue listening and adapting to what businesses need. Extend permitting changes	Advocate for and educate businesses about liability protections	Be aware of these organizations and the capacities in which they can help. Direct businesses to these organizations for assistance
<b>Phase 2: Resilience</b>	Track financial assistance availability	Maintain flexible regulations to adapt quickly in support of businesses	Explore helping to fund an incubator	Maintain connection with local business support organizations
<b>Phase 3: Preparedness</b>	Explore the creation of a grant program for small businesses heavily impacted by the crisis	Listen to businesses and adapt city ordinances to maintain a supportive business climate		Work with business support organizations to help increase the risk response ability of businesses

## Conclusion

The health and economic impacts of the pandemic on businesses and other areas of daily life have been tremendous and remind us to reflect on how cities and regions can craft more flexible and resilient responses to crises like the Covid-19 pandemic.

The impacts of the pandemic have ripple effects and influence each other. This report focused on the effects felt by businesses and workers. Businesses in industries such as leisure, hospitality, and airlines were hit the most, and workers in these industries also suffered from unemployment and temporary shutdowns. As part of the economy, state and local governments have also suffered from a drop in tax revenue and some government workers have faced staffing reductions and layoffs. Customers' behaviors have also been altered during the pandemic. Consumers began spending less money on any goods that weren't food and essentials, they changed their investments from non-durable goods to durable goods, and they increased personal savings tremendously.

We identified four categories of strategies - Financial Assistance, Ordinance Changes, Business Protections, and Business Support Organizations - that have been implemented over the last year.

Financial Assistance has been the most important resource during the pandemic. Financial support provides critical help for affected businesses and workers and was implemented at many levels of governments. The Paycheck Protection Program was one of the most effective financial assistance strategies that benefited many of Minnetonka's workers, and could be a vital financial assistance program in future crises. Financial Assistance is the most essential strategy for the Recovery phase (Phase 1) of our recommendations. In the Resilience Phase (Phase 2), financial assistance also serves a purpose as a strategy to keep tracking its availability. Finally, in the Preparedness Phase (Phase 3), we recommend exploring the creation of a grant program for businesses that are impacted by any potential future crisis.

Ordinance Changes are strategies that allowed businesses to adjust their operations and were crucial to businesses like restaurants and bars that relied on indoor services. Temporary ordinances allowing outdoor dining or expanding service areas increased the flexibility for the food service industry. Ordinance Changes can continue to be used during Recovery and Resilience Phases to adapt to businesses needs. In the Preparedness Phase, the city could maintain a supportive business environment by listening to the businesses and adapting city ordinances.

Business Protection involves the mechanisms to provide legal protections for companies (e.g. lawsuits that are related to Covid) and to support businesses in incubators. Businesses that receive support through business incubators usually have a higher survival rate and are more resilient. In the Recovery Phase, Business Protections serve as legal aid to help business re-open. These liability protections are worth exploring and helping to support or fund incubators during the Resilience Phase to achieve long-term economic resilience in the city.



The fourth and final strategy involves Business Support Organizations (e.g. SBA, DEED, Minneapolis Regional Chamber of Commerce) that could provide valuable resources or assistance to businesses in Minnetonka. These organizations support the business communities by providing a variety of tools and resources, and serving as a connector to businesses. Their main task as part of the Recovery Phase is to direct businesses to resources for assistance. In the Resilience Phase, the city should maintain the connection with local support organizations and bring together businesses and support organizations. In the Preparedness Phase, it is our recommendation that the city work with business support organizations to help increase the risk-response and crisis- management ability of local businesses.

## Appendix

### **A1: Interview questions for businesses**

Business history and current operations:

- When was your business founded?
- How many employees do you have? Has that number changed over the last year?
- Do you have other locations or facilities out of the Minnetonka area?
- How's the business changed over the last year? Did you relocate or think of relocating the business and why?
- How has your revenue changed over the past year? Increased, Decreased, Stable
- How have your expenses changed over the past year? Increased, Decreased, Stable
- Do any of the following characteristics apply to your business? Women-owned, minority-owned, veteran-owned, certified small business

Covid-19 related impacts and strategies implemented to reduce these impacts:

- How has the pandemic affected your business? Either short-term or long-term?
- What steps has your business taken to mitigate these effects?
- What specific actions could the City of Minnetonka take to help mitigate the economic impact felt by businesses?

Barriers:

- What are the barriers preventing your business from adapting to the pandemic better? (e.g. technological, infrastructural, etc...)

### **A2: Interview questions for business support organizations**

- What are the most frequent needs of the businesses you work with? How do you help them meet those needs?
- As you have worked with businesses during the pandemic, how has your assistance and support changed compared to pre-pandemic?
- What are the major barriers you see businesses struggling with during the pandemic?
- What are the major barriers you predict businesses will face as we emerge from the pandemic?
- Do you partner with neighboring communities in supporting businesses, if so how?
- What sort of assistance could local municipalities offer to better support businesses during and following the pandemic? Alternatively, are there any actions taken by local municipalities during the pandemic that you have seen that were particularly helpful?

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