



AGENDA
CITY OF MINNETONKA
ECONOMIC DEVELOPMENT ADVISORY COMMISSION
Nov. 4, 2021
6:00 p.m.

Council Chambers – Minnetonka Community Center

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 July 8, 2021 minutes

BUSINESS ITEMS

4. 2022 Preliminary Budget and HRA Levy

Recommendation: Review the 2022 Budget and HRA Levy and provide feedback.

5. Staff Report

The next regularly scheduled EDAC meeting will be held on Dec. 9, 2021.

6. Adjourn

If you have questions about any of the agenda items, please contact:

Alisha Gray, EDFP, Economic Development and Housing Manager, agray@minnetonkamn.gov
(952) 939-8285

Julie Wischnack, AICP, Community Development Director, jwischnack@minnetonkamn.gov
(952) 939-8282

Minnetonka Community Center
14600 Minnetonka Blvd.
Minnetonka, MN 55345

**Unapproved
Minnetonka Economic Development Advisory Commission
Minutes**

July 8, 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, Jay Hromatka, Lee Jacobsohn, and Charlie Yunker were present. Melissa Johnston and Steven Tyacke were absent.

Councilmember Kissy Coakley was present.

Staff present: Community Development Director Julie Wischnack, Economic Development and Housing Manager Alisha Gray, and Economic Development Coordinator Rob Hanson.

3. Approval of EDAC June 10, 2021 Meeting Minutes

Jacobsohn motioned, Falk seconded the motion to approve the June 10, 2021 meeting minutes as submitted. Duginske Cibulka, Falk, Jacobsohn, and Yunker voted yes. Hromatka abstained. Johnston and Tyacke were absent. Motion passed.

4. 2022-2026 EIP

Gray gave the staff report. She requested commissioners provide feedback to staff and recommend that the city council approve the proposed 2022-2026 EIP.

After reading the staff report, Jacobsohn supports utilizing WHAHLT. He asked if the program would still work with today's land values and how big the city's contribution would be to make it work. Jacobsohn thought it would be reasonable for the city to provide \$60,000 if another \$60,000 would be provided by another source to purchase a property for WHAHLT. He noted that purchasing the least expensive house may cause problems that may be more expensive in the long run than purchasing a property that costs a little more upfront.

In response to Hromatka's question, Wischnack explained how the affordable housing trust fund operates and how the diversity of the types of affordability may be utilized in proposed projects. Minnetonka and a couple of other cities are testing out the utilization of multiple levels of affordability. These funds will be able to cover additional income categories.

In response to Duginske Cibulka's request, Gray provided more information on the Transit Oriented Design (TOD) program, which selected the Wellington project in Minnetonka to receive some of its funds.

Duginske Cibulka asked what businesses would be helped by the Minnesota Investment Fund and Job Creation Fund. Gray stated that the funds are expected to be utilized once employers recover more fully from the impacts of the pandemic and businesses hire more employees.

Chair Yunker asked about the potential merge with Twin West. Wischnack answered that city staff met with Twin West staff and discussed the needs of Minnetonka.

Chair Yunker received acknowledgment from commissioners that they had no recommended changes to the business section.

Gray continued the staff report.

Falk asked if public transit routes within Minnetonka would be expanded once the impact of COVID-19 decreases and ridership increases. Wischnack stated that ridership levels for routes within Minnetonka have not previously been high enough to sustain a bus route. She predicts that once the SWLRT is operational, ridership patterns will change. Gray has noticed more of a focus on micro-transit options that include scooters and autonomous vehicles.

Hromatka asked what happened with the LISK study done for the site on County Road 101. Gray answered that a final report was presented to the city council before the pandemic, but further action was put on hold when the pandemic hit. The next step will be to complete a request for qualifications.

Gray continued the staff report.

Jacobsohn confirmed with Gray that the goal of the funds being invested in Homes Within Reach would be to provide maintenance of houses and purchase two houses with a mix of additional funding from other sources. There would be \$50,000 to be used for loans for both the Minnetonka Home Enhancement loan program and the Welcome to Minnetonka loan program. When the loans are paid back, those funds could be used for new loans. Jacobsohn noted that, eventually, it could become a sustainable program without the need for new funding 20 years from now. Gray agreed that is the goal.

Chair Yunker noted a consensus that commissioners like the EIP as presented.

Hromatka motioned, Jacobsohn seconded the motion to recommend that the city council approve the 2022-2026 EIP as submitted. Duginske Cibulka, Falk, Hromatka, Jacobsohn, and Yunker voted yes. Johnston and Tyacke were absent. Motion passed.

Chair Yunker appreciates the staff's hard work on the EIP.

Hromatka likes the layout of the EIP, which makes everything easy to see.

Jacobsohn likes the summary page at the beginning of the report.

5. Staff Report

- The Shady Oak Crossings apartment building is nearing completion.
- Preparation is being done to begin laying rail for the SWLRT. Many of the bridges and platforms have been completed. The westbound lane on Green Circle Drive near Bren Road is closed through the 2021 construction season. Smetana Road from Feltl Road to Nolan Drive is closed until late summer. Various trails within Opus are closed as crews work on various elements.
- Development updates include The Pointe, Minnetonka Station, Doran, Shady Oak Office Center (Wellington), Plymouth Road Subdivision, Ridgedale Area Park, the Minnetonka Police, and Fire project, Tavern Grill, Rush Bowls, and Culver's.
- Staff is currently in the process of hiring a consulting firm to conduct an extensive business climate survey within Minnetonka to help staff understand perceptions on various issues; inform staff on the need for new programming or expansion of existing programming; provide a better understanding of the economic and demographic makeup of the business community. The survey will be conducted over the summer, and the results will be shared with the EDAC.
- The summer 2021 issue of Thrive is now available in hard copy and online. It was sent to all Minnetonka business addresses. This issue includes information on the ongoing improvements at Ridgedale, an interview with Open to Business advisor John Endris and sustainability tips and resources for businesses.
- The federal moratorium on evictions extends through July 31, 2021, and is expected to be the final extension. Governor Walz ended the state peacetime emergency on July 1, 2021, which ended the statewide eviction moratorium. Minnesota has agreed to an off-ramp process to provide an orderly transition to pre-pandemic eviction law, which includes prohibiting eviction for non-payment until June 1, 2022, if a tenant has a pending application for assistance; 15-day notice to tenants of pending eviction filing; 75-day moratorium on evictions for tenants who do not qualify for financial assistance; and evictions and lease non-renewals return to pre-COVID-19 law after 105 days.
- HOMELine is a resource for questions regarding eviction off-ramp steps.
- FHFA has extended the block on foreclosures for federally-backed mortgages until July 31, 2021. MN Housing is developing a program to assist distressed homeowners with incomes up to 100 percent of AMI.

6. Other Business

There is a Housing Summit being held by the United Land Institute on July 15, 2021, from 10 a.m. to noon.

There is a presentation by the United Land Institute entitled Navigating Your Future scheduled for July 19, 2021, at 6:30 p.m.

There is a boards and commissions recognition dinner scheduled to be held on July 21, 2021, at 6:30 p.m. There will be a presenter speaking on diversity and inclusion.

The next EDAC meeting is scheduled to be held on Aug. 12, 2021.

7. Adjournment

The meeting was adjourned at 7 p.m.



**Economic Development Advisory Commission
Agenda Item #4
Meeting of Nov. 4, 2021**

Title: 2022 Preliminary Budget and HRA Levy
Report From: Alisha Gray, Economic Development and Housing Manager
Submitted through: Julie Wischnack, AICP, Community Development Director

Action Requested: Motion Informational Recommendation
Form of Action: Resolution Ordinance Contract/Agreement Other N/A
Votes needed: 4 votes 5 votes N/A Other

Summary Statement

2022 Preliminary budget.

Recommended Action

Review the 2022 preliminary budget and information and provide feedback.

Strategic Profile Relatability

Financial Strength & Operational Excellence Safe & Healthy Community
 Sustainability & Natural Resources Livable & Well-Planned Development
 Infrastructure & Asset Management Community Inclusiveness
 N/A

Financial Consideration

Is there a financial consideration? No Yes
Financing sources: Budgeted Budget Modification New Revenue Source
 Use of Reserves Other

Background

Overview

Each year the city is required to prepare a budget for the upcoming year. In addition to the general fund, which contains budgets for such things as public safety and general government activities, budgets are prepared for other accounts, such as development and other special purpose funds. It is the EDAC's responsibility to provide recommendations to the city council/EDA on:

- Development account—a fund for redevelopment and economic development activities
- Livable Communities account—a fund for affordable housing and directly-related public improvements
- Community Development Block Grant fund—federal funds the city receives for community development activities, which must meet national objectives
- HRA Levy—a mechanism to fund economic development and housing activities
- The [2021 adopted budget pages](#) provide detailed information for these accounts.
- Affordable Housing Trust Fund (AHTF) – in future budget pages

On [July 8, 2021](#), the EDAC provided recommendations for these accounts in the recommendations for the 2022-2026 Economic Improvement Program (EIP), and the city council adopted the 2022-2026 EIP on [Sept. 13, 2021](#). Additionally, the Minnetonka City Council and Economic Development Authority (EDA) approved the preliminary HRA levy on [Sept. 13, 2021](#).

During the city council budget discussions, the city council discussed the preliminary HRA levy. The council recommended postponing a funding decision for Homes Within Reach until the November budget study session to gain additional feedback from the EDAC. Currently, \$125,000 is allocated for Affordable Housing rather than directly to Homes Within Reach. Per the discussion, a 2022 preliminary HRA levy of \$325,000 and a 2022 HRA preliminary budget is illustrated below:

| (\$ thousands) | EIP | EDAC | Preliminary on 9/13/2021 |
|---|--------------|--------------|--------------------------|
| SW Light Rail | \$75 | \$75 | \$75 |
| Homes within Reach/ Affordable Housing | \$125 | \$125 | 0 \$125 |
| Housing Loans | \$100 | \$100 | \$100 |
| Business Outreach | \$25 | \$25 | \$25 |
| Total HRA Levy | \$325 | \$325 | \$325 |

EDAC Subcommittee Meeting

On Oct. 8, 2021, an EDAC subcommittee met to explore the idea of expanding the city's offerings for affordable homeownership opportunities. The city currently offers a down-payment assistance program; however, some cities have expanded this offering to promote wealth building for households who have not had generational opportunities to build wealth. The attached information from the October 8th subcommittee provides detailed information on the city's current down-payment assistance program and a new program that will be piloted in Saint Louis Park beginning in November. A summary comparing the programs is outlined below:

Down Payment Assistance Programs

| Minnetonka down-payment Assistance Program (existing) | Saint Louis Park - Proposed Wealth Building Program |
|---|---|
| Name: Welcome To Minnetonka | Name: Generational Wealth Building Program |

| | |
|--|---|
| Minnetonka down-payment Assistance Program (existing) | Saint Louis Park - Proposed Wealth Building Program |
| Source: HRA Levy (\$940,000 committed to down-payment and rehab loans) - \$438,000 balance remaining for programs. | Proposed Source: Pooled TIF (\$300,000 initial contribution) |
| Proposed Terms: Maximum Amount: \$15,000 Terms: <ul style="list-style-type: none"> • 1% interest, 30-year deferred loan (no payments) – due if refinanced or sold prior to 30 years. Forgiven if in the home for 30 years. • Prior to 2018 – 10 year loans with 3% interest (payments required) • Borrower must contribute 25% of total down-payment or closing costs • Assets cannot exceed \$25,000 | Proposed Terms: Maximum Amount: Up to \$75,000 based upon purchase price. Terms: <ul style="list-style-type: none"> • 0% interest, forgiven at 5% each year, remaining prorated balance must be repaid if sold or not owner-occupied before 20 years • Borrower must contribute \$1,000 in down- payment or closing costs • Assets cannot exceed \$15,000 |
| Eligibility: First Time Homebuyer, Up to 120% AMI | Eligibility: First Generation Buyer (buyer or parents cannot have previously owned property), <ul style="list-style-type: none"> • Up to 80% AMI, a minimum of 25% of income provided by the buyer • Must sign an affidavit indicating no past ownership by borrower and parents of borrower |
| Max. Home Price: MHFA First time buyer max \$352,300 | Max. Home Price: MHFA First time buyer max \$352,300 |
| Underwriting Costs: <ul style="list-style-type: none"> • \$750 per loan closed • \$2,500 annual fee | Underwriting Costs: <ul style="list-style-type: none"> • \$350 per loan application and \$700 per loan closed • One-time setup fee of \$1,000 • Annual admin fee to CEE |

Feedback from the EDAC subcommittee meeting on Oct. 8, 2021

Commissioners Lee Jacobson and Melissa Johnston provided feedback on the idea at the Oct. 8, 2021 subcommittee meeting. Summary of feedback from the meeting:

- The down-payment assistance program should be simple and create successful homeownership opportunities.
 - Make the parameters broad enough that it meets the current Minnetonka market
 - Sale prices up to \$400,000 or \$450,000
 - Open up to 120% AMI (Up to \$99,475 for a two-person household)
 - First time home buyer is defined as borrower(s) who haven't owned a home or real estate in the last five years
 - Loan amounts up to \$50,000 or \$60,000 or 20% of the sale price, whichever is lower.

- Require buyers to contribute at least 5% of the sales price for closing costs and down payment.
- Operational suggestions
 - Promote the product through real estate agents and lenders
 - A potential buyer, or their agent, should be able to figure if they qualify with a one-page questionnaire.
 - Homes sell quickly and close in 30 days, potential buyers need to have a document in hand that shows they qualify and funds in the program are available.
- Create successful homeownership
 - Require that the borrower has two months reserves for PITI after closing
 - Require that the homeowner take a financial literacy/homeownership class.
 - Require the down payment assistance loan to be paid off on the sale of the property like any normal second mortgage.
 - Require payoff if the first mortgage is refinanced to take equity out.
 - Keep borrowers aware of other maintenance and rehab loan programs in case they need help in the future.

Program options for consideration:

- Retain the existing down-payment assistance program without changes.
- Modify the existing down-payment assistance program.
 - Goal – Broaden the pool of eligible applicants by increasing the amount of assistance available to each applicant and by increasing eligible purchase price requirements to support current sales market data in Minnetonka.

And/or,

- Develop a new pilot program to address first generational homeownership and community wealth building.
 - Goal – Increase access to homeownership for first-generation homeowners and provide the opportunity to generate wealth.

Financing options

Historically, the down-payment assistance program received its funding through annual contributions from the HRA levy.

- There is a balance of \$438,000 in the HRA levy to support the Welcome to Minnetonka and Minnetonka Enhancement programs.
 - The existing balance supports both programs. However, there is currently more interest in the down-payment assistance program.
- On Sept. 13, 2021, the council voted to move approximately \$5 million of the existing balance of tax increment pooling funds to the affordable housing trust fund (AHTF). This action loosened the restrictions on that pool of funding which can now be utilized for a wider variety of affordable housing needs.
 - To date, the AHTF has provided assistance to provide affordable housing for Minnetonka Station in the amount of \$553,000 and for Doran Apartments in Opus in the amount of \$280,000.
 - The fund could be utilized to support the expansion of down-payment assistance

or to develop a new pilot program as the remainder of the funds are uncommitted at this time.

Discussion questions

- *Does the EDAC continue to support the \$125,000 for Homes Within Reach for the 2022 HRA levy?*
- *Should staff explore expanding the current down-payment assistance and/or creating a new program funded through the affordable housing trust fund?*
- *Does the EDAC have any additional feedback for the 2022 budget?*

The next steps for the 2022 budget are as follows:

- November 15 – City council study session on the final budget
- December 6 – Public hearing and adopt final 2021 budget and tax levy
- December 30 – Final 2021 levies certified to Hennepin County

Originated by:

Julie Wischnack, AICP, Community Development Director
Alisha Gray, EDFP, Economic Development and Housing Manager

Supplemental information:

[Information on community wealth building](#)

[EDAC Meeting – July 8, 2021 \(2022-2026 EIP\)](#)

- [Unofficial Minutes](#)

[City Council Study Session – June 21, 2021 \(2022-2026 EIP\)](#)

[City Council Study Session – Aug. 16, 2021 – Preliminary Budget and 2022-2026 EIP](#)

[Economic Development Authority Sept. 13, 2021 – 2022 Preliminary HRA Levy](#)

**EDAC Subcommittee Agenda Item #3
Meeting of Oct. 8, 2021**

Brief Description Affordable Housing Program Discussion

Recommendation Review and provide feedback

Background

During a previous budget study session held on [Aug. 16, 2021](#) and prior to the adoption of the Economic Improvement Program on [Sept. 13, 2021](#), council requested staff to review additional opportunities for owner occupied affordable housing programs. Specifically, the new First Generation Wealth Building Homeownership Program developed by Saint Louis Park.

The Saint Louis Park program operates similar to the Welcome to Minnetonka Program. The primary difference is the amount of assistance provided under the Saint Louis Park program and the forgiveness of the assistance, aimed at building wealth. The program details are summarized below.

Down Payment Assistance Programs

| Minnetonka down-payment Assistance Program | Saint Louis Park - Proposed Wealth Building Program |
|--|---|
| Name: Welcome To Minnetonka | Name: Generational Wealth Building Program |
| Source: HRA Levy (\$940,000 committed to down-payment and rehab loans) - \$438,000 balance remaining for programs. | Proposed Source: Pooled TIF (\$300,000 initial contribution) |
| Proposed Terms: Maximum Amount: \$15,000 Terms: <ul style="list-style-type: none"> • 1% interest, 30 year deferred loan (no payments) – due if refinanced or sold prior to 30 years. Forgiven if in home for 30 years. • Prior to 2018 – 10 year loans with 3% interest (payments required) • Borrower must contribute 25% of total down-payment or closing costs • Assets cannot exceed \$25,000 | Proposed Terms: Maximum Amount: Up to \$75,000 based upon purchase price. Terms: <ul style="list-style-type: none"> • 0% interest, forgiven at 5% each year, remaining prorated balance must be repaid if sold or not owner occupied before 20 years • Borrower must contribute \$1,000 in down- payment or closing costs • Assets cannot exceed \$15,000 |
| Eligibility: First Time Homebuyer, Up to 120% AMI | Eligibility: First Generation Buyer (buyer or parents cannot have previously owned property), <ul style="list-style-type: none"> • Up to 80% AMI, Minimum of 25% of income provided by buyer • Must sign affidavit |
| Max. Home Price: MHFA First time buyer max \$352,300 | Max. Home Price: MHFA First time buyer max \$352,300 |

| | |
|---|---|
| Underwriting Costs: <ul style="list-style-type: none">• \$750 per loan closed• \$2,500 annual fee | Underwriting Costs: <ul style="list-style-type: none">• \$350 per loan application and \$700 per loan closed• One-time setup fee of \$1,000• Annual admin fee to CEE |
|---|---|

Saint Louis Park Assistance Model

The Saint Louis Park Assistance model contemplates contributing a higher amount of assistance for lower income households supporting households at the 50% AMI, 60% AMI and 80% AMI income levels. The model requires the homeowner to contribute a minimum of 25% of their gross income to PITI, then the down-payment assistance is based upon the remaining amount required to ensure affordability.

- The maximum homebuyer deferred loan amount will be based on the household's income and the purchase price of the home up to the MHFA first time homebuyer purchase price regardless of household size. All homebuyers are required to spend a minimum of 25% of their gross income as defined below for principal, interest, taxes and insurance (PITI) and homeowner HOA fees if applicable. The maximum deferred loan provided will be as follows:
 - Households with incomes at or below 50% AMI: 25% of the purchase price up to the MHFA first time homebuyer limit regardless of household size, not to exceed \$75,000.
 - Households with incomes between 51% and 60% AMI: 20% of the purchase price up to the MHFA first time home buyer limit regardless of household size
 - Households with incomes between 61% and 80% AMI: 15% of the purchase price up to the MHFA first time homebuyer limit regardless of household size.

Assistance based on purchase price

| Purchase price | 15% assistance 80% AMI | Balance | 20% assistance 60% AMI | Balance | 25% assistance 50% AMI | Balance |
|----------------|---------------------------|-----------|---------------------------|-----------|---------------------------|-----------|
| \$200,000 | \$30,000 | \$170,000 | \$40,000 | \$160,000 | \$50,000 | \$150,000 |
| \$250,000 | \$37,500 | \$212,500 | \$50,000 | \$200,000 | \$62,500 | \$187,500 |
| \$285,000 | \$42,750 | \$242,250 | \$57,000 | \$228,000 | \$71,250 | \$213,750 |
| \$300,000 | \$45,000 | \$255,000 | \$60,000 | \$240,000 | \$75,000 | \$225,000 |
| \$340,000 | \$51,000 | \$289,000 | \$68,000 | \$272,000 | | |
| \$345,000 | \$51,750 | \$293,250 | \$69,000 | \$276,000 | | |
| \$352,300 | \$52,845 | \$299,455 | \$70,460 | \$281,840 | | |

MHFA First time home buyer purchase price maximum = \$352,300.

Met council affordable home price:

80% AMI \$293,500: purchase price, less city assistance at 15%, affordable up to \$345,000

60% AMI \$228,500: purchase price, less city assistance at 20%, affordable up to \$285,000

50% AMI \$187,500: purchase price, less city assistance at 25%, affordable up to \$250,000

Financing Considerations

Historically, the city has routinely funded both the Welcome to Minnetonka program and the Homes Within Reach Program through the HRA levy as opportunities to promote affordable home ownership. During budget discussions this year, the council expressed interest in exploring other opportunities, such as the St. Louis Park wealth building program. For 2022, the council approved a preliminary HRA levy of \$325,000. The portion of the levy set aside for Homes Within Reach or an alternative affordable housing priority was \$125,000 and the Welcome to Minnetonka and Minnetonka Programs are recommended to receive \$100,000. The city also received ARPA funds and set aside \$375,000 for affordable housing priorities. The city also has access to the pooled TIF that has been placed in the Affordable Housing Trust Fund.

Supporting Information:

Minnetonka

- Median home sale price in 2020 was \$399,000, 2021 projections are at \$450,000 for median sale price.
- Currently 24 properties in Minnetonka available under the first time homebuyer maximum purchase prices of \$352,300 established by MHFA. Two are single-family homes and the remaining are townhomes or condos.

Homes Within Reach

- Average purchase price of the last 5 properties purchased by Homes Within Reach was \$294,580
- Average city assistance provided on last 5 properties purchased by Homes Within Reach was \$93,787

- Average rehabilitation costs for each property is \$40,000.

Welcome to Minnetonka Program

- Average purchase price of the last 5 properties was \$167,326
 - 4 condo or townhomes properties/1 single family property
- Average assistance provided was \$9,591

General Observations

- The median sales price for homes in Minnetonka is significantly higher than St. Louis Park (\$450,000 vs. \$341,000).
 - Minnetonka could consider raising the income limit to 120% AMI with 10% down-payment assistance to expand the pool of eligible applicants.
 - A household of 4 could make up to \$124,344 under this scenario.
 - Minnetonka could adjust maximum purchase price to median home value to support single-family home ownership.
- The Homes Within Reach Program provides basic repairs and improvements to promote stable homeownership. The down-payment assistance programs do not have a mechanism to repair the homes (outside of applying for a separate loan for repairs).
- In 2019, the DPA program was modified to allow for assistance with purchasing a home within the HWR program.
- If the goal of the program is to support first generation BIPOC homeownership, staff would research opportunities to reach organizations that focus on this issue.
- Each program supports different goals and could be packaged as a portfolio of homeownership options:
 - Welcome to Minnetonka – supports homeownership for first time buyers.
 - Homes Within Reach – supports long-term homeownership (with 99 year covenant) and stabilizes housing stock. Can build wealth through retained equity on home.
 - Wealth Building Program – supports first generation homeowners that traditionally could not afford to purchase a home in Minnetonka. Includes a mechanism to forgive the balance of assistance over time.

Next Steps

- Oct. 21, 2021 – EDAC Meeting
- November 15– Second City Council Budget Discussion
- December 6 – Final City Council Budget Discussion

Discussion Questions

- ***Should the EDAC consider adding a new wealth building down-payment assistance program and/or modify the current down-payment program?***
- ***What additional information is needed to present to EDAC?***

Recommendation

Provided feedback.

Submitted through:
Julie Wischnack, AICP, Community Development Director

Originated by:
Alisha Gray, EDFP, Economic Development and Housing Manager

Additional Information

Welcome to Minnetonka Guidelines

Saint Louis Park Draft Guidelines

- [Link to Saint Louis Park city council study session](#)

[Sept. 13, 2021 City Council – EIP Adopted](#)

Minnetonka Down-Payment and Closing Cost Assistance Deferred Loan

Interest Rate: 1% fixed

Amortization Type: Principal and interest are deferred for the term of the loan

Loan Amount: Maximum of \$15,000. The homebuyer(s) must contribute at least 25% of the total down-payment and/or closing costs of the borrowers own funds. Borrower funds do not include seller credits or pre-paid property taxes.

Total Project Cost: It is the borrower's responsibility to obtain the amount of funds necessary to purchase the property in accordance with the first mortgage guidelines.

Loan term: Deferred for a period of 30 years or when the borrower sells, transfers title or if the home is no longer the primary residence of the original borrower the entire balance is due and payable. The loan may also become due and payable upon refinance. The loan principal and interest is 100% forgiven if the property has not been sold, transferred and has remained the primary residence of the borrower.

Eligible Properties: Single family owner-occupied properties located within the geographical boundaries of the City of Minnetonka. Townhomes and Condominiums are eligible. Property must have an Estimated Market Value at or below the current annually adjusted Minnesota Housing First Time Homebuyer limit, \$352,300 (2021), <http://www.mnhousing.gov/sites/homebuyers/startup> . The property must be homesteaded or in the process of being homesteaded. Properties within the West Hennepin Affordable Land Trust.

Ineligible Properties: Dwellings with more than one unit, cooperatives, manufactured homes, time shares. Properties held within a trust.

Eligible Borrowers: Borrower(s) must be a first-time homebuyer (a person or household that has not owned a home within the last three years). The homebuyer(s) **MUST** attend a Home Stretch workshop and provide evidence prior to closing. All borrowers must be legal residents of the United States, as evidenced by a social security number, Including: U.S. Citizens, Permanent Resident Aliens, and Non-Permanent Resident Aliens. TAX IDENTIFICATION NUMBERS (ITIN) ARE NOT ACCEPTABLE.

Ineligible Borrowers: Including but not limited to: - Foreign Nationals, and Non-Occupant Co-Borrowers.

Ownership/Occupancy: Owner-occupied only.

Loan to Value Ratio N/A

Income Limit: The total gross annual household income cannot exceed 120% of the area median income based on household size. The income limits shall be determined by the U.S. Department of

Housing and Urban Development (HUD), and is adjusted annually. Income shall be the projected gross income for the upcoming 12 months or the average of the prior two years tax returns if self-employed.

Documentation Requirements:

- Copy of purchase agreement
- Commitment letter/approval for first mortgage
- Copy of Title Commitment
- Copy of Initial Loan Estimate for first mortgage
- Value of home (property tax or appraisal)
- Certification of Home Stretch Homebuyers course completed

Asset Limit: Borrower may not own a second property. The maximum assets of the borrower, excluding the residential property to be improved and retirement accounts such as a 401k or IRA shall not exceed \$25,000. Assets will generally be defined as: cash on hand, checking and savings. Borrower will be required to fill out a Declaration of Assets form and provide recent bank statements.

Credit Requirements: Borrower needs to show mortgage approval for the purchase of the home. The purchase mortgage must be a fixed interest rate.

Loan Security: All loans will be secured with a mortgage in favor of the Minnetonka Economic Development Authority. Borrower will pay all applicable title and filing fees, which may be financed in the loan amount.

Borrower Fees: Borrower will be responsible for mortgage filing and service fees, flood certificate, credit report fees and any other applicable closing fees.

Underwriting Decision: Applicants must have acceptable credit history. CEE will approve or deny loans based on a credit report, income verification and other criteria as deemed necessary through CEE's underwriting guidelines. CEE's decision shall be final. Appeals can be made to the Authority.

Disbursement Process: Loan funds will be made payable and delivered to the title/closing agent. The down-payment and closing cost assistance deferred loan will be signed at closing of the purchase mortgage.

General Program Conditions for the Revolving and the Down-Payment & Closing Cost Assistance Loan Programs

Application Processing: Loans will be distributed on a first come first serve basis as borrowers qualify. Applicants must provide a completed application package including the following in order to be considered for funding.

- Completed and signed application form
- Proof of income and assets
- Proof of Identity (driver's license, passport, etc.)
- Bids or estimates for proposed projects (if applicable)
- Other miscellaneous documents that may be required.

Contractors/Permits: Contractors must be properly licensed. Permits must be obtained when required by city ordinance.

Program Costs: Loan set up and loan origination fees will be paid out of the Program Budget. Loan program marketing efforts will be billed directly to the Authority and is a separate expense should the city choose to commission CEE for marketing support. Borrowers will pay all mortgage filing fees and related closing costs.

Total Project Cost: It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. In the event the final cost exceeds the original loan amount, the borrower must obtain the additional funds and show verification of the additional funds in order to be approved for the loan.

Disbursement Process for the Revolving Loan Program: Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work. An inspection will be performed by a City Inspector and/or CEE to verify the completion of the work. The following items must be received prior to final disbursement of funds for the Revolving Loan Program:

- Final invoice or proposal from contractor (or materials list from supplier);
- Final inspection verification by a City Inspector;
- Completion certificate(s) signed by borrower and contractor;
- Lien waiver for entire cost of work;
- Evidence of city permit (if required)

Disbursement Process for the Down-Payment and Closing Cost Assistance Deferred Loan Program: Payment will be made to the title company and sent with the loan closing package to the place of closing.:

St. Louis Park

First Generation Wealth Building Homeownership Program

Program summary

Issue: It is recognized that historical and institutional racism has disproportionately created housing challenges and disparities for Black communities, as well as members of communities who did not identify as white, and other underserved low-income communities. Black/African American people and households have historically been prohibited from purchasing and owning a home due to redlining, block busting, racially restrictive covenants and decimation of Black neighborhoods for “public purposes” such as freeways. Additionally, the income and education gap between households of color and white households has resulted in difficulty for Black and African American people and households of color to obtain a mortgage and subsequent on-going housing stability issues. Due to this income gap and other social injustices, many households of color have poor credit or no credit, making it even harder to get a mortgage or to get a mortgage with a favorable interest rate. This program is designed to address these historic injustices and inequities, to facilitate affordable homeownership and to provide a means for wealth-building.

What: The city has designed a homeownership program designed to address these historic injustices and inequities, to facilitate affordable homeownership and to provide a means for wealth-building.

The goal is to address housing disparities; build power in communities most impacted by housing challenges and disparities; pilot an innovative program to address housing challenge for Black communities as well as members of communities who do not identify as white, and other low-income communities; and support inclusive and equitable communities.

2. Eligible Borrower:

First generation buyer – buyer(s) and parents of buyer(s) cannot have previously owned a home.

- Borrower does not currently own a home or has not previously owned a home
- Borrower parents and/or legal guardian does not currently own a home, nor have they previously owned a home
- Borrower spouse, if applicable, does not currently own a home and has not previously owned a home
- Borrower spouse’s parents and/or legal guardian does not currently own a home, nor have they previously owned a home
- Borrower(s) must sign the First Generation Homebuyer Affidavit
- Must occupy this property as their primary residence.
- Must be a legal resident.

- The borrower's maximum household income cannot exceed 80% of the area median income (AMI) based on a family size of four for households of 1-4. Income limits will be increased based on family size for families with more than four members. Income is calculated using paystubs W2's, if self-employed two years tax returns, and any other documentation needed to verify projected gross income. The income of the following persons must be verified and included when calculating income:
 - Anyone who will have title to the subject property and signs the Mortgage Deed.
 - The legal spouse of the mortgagor who will also reside in the subject property.
 - Multi-generational buyers are allowed. Income used for mortgage eligibility; would also be included to determining income eligibility for SLP program.
- Credit score of 620+ for all borrowers
- No outstanding liens and judgements.
- Maximum liquid assets \$15,000 following closing on home, does not include retirement assets or noncash assets (i.e. cars, jewelry, vehicles, etc.)

Eligible Properties:

A single family (including a townhome or condominium) or duplex property located within the city limits of St Louis Park

- Purchase price may not exceed the MN Housing 11 county home value limit for the down payment assistance program (2021 - \$352,300) a single-family home for households with 1 – 4 people. The purchase price limit for households with 5 or more people is 15% above the MN Housing home value limit. There is no maximum purchase price for duplexes.
- Owner occupied dwellings only. The homebuyer must homestead and occupy the home within 60 days following the home purchase closing.

Loan Terms:

- The loan has a zero percent interest rate (0% APR).
- There are no monthly payments.
- The loan is forgiven at a prorated rate (5% per year) over a twenty-year owner occupancy period. If the homeowner ceases to occupy the home as a primary residence during the twenty-year owner occupancy period, the remaining balance of the loan must be repaid.
- The mortgage may be subordinated as part of a refinance of the primary loan.
- Borrower must contribute at least \$1,000 to down payment or closing costs to purchase home

Loan Amount:

- The maximum homebuyer deferred loan amount will be based on the household's income and the purchase price of the home up to the MHFA first time homebuyer purchase price regardless of household size. All homebuyers are required to spend a minimum of 25% of their gross income as defined below for principal, interest, taxes and insurance (PITI) and homeowner HOA fees if applicable. The maximum deferred loan provided will be as follows:

- Households with incomes at or below 50% AMI: 25% of the purchase price up to the MHFA first time home buyer limit regardless of household size, not to exceed \$75,000.
- Households with incomes between 51% and 60% AMI: 20% of the purchase price up to the MHFA first time home buyer limit regardless of household size
- Households with incomes between 61% and 80% AMI: 15% of the purchase price up to the MHFA first time home buyer limit regardless of household size
- This program may not be layered with Down Payment Assistance Program for First Time Homebuyers from the City of St. Louis Park.

Use of Funds:

- Down payment costs and closing costs as needed per the restrictions listed above.

Required Homebuyer Financial and Homeownership Counseling and Education:

Homebuyers must complete homeownership HomeStretch™ (sponsored by the Minnesota Homeownership Center, 651-659-9336 or www.hocmn.org), Framework® (online homebuyer education available at www.hocmn.org), or the Minneapolis Urban League American Dream Program or another designated program approved by the city.

- Financial wellness counseling through a designated service provider approved by the city. Buyers must have completed a financial wellness counseling program that pre-dates the purchase agreement or have enrolled and attended at least one session. Buyers are required to complete the financial wellness counseling.
- Certificates for homeownership education or counseling older than two years will not be accepted.
- Must complete training before funds are reserved.
- The city will reimburse buyers for any approved educational program costs following the closing.

Eligible Primary Financing:

- This loan must be a fixed interest rate.

Loan Security:

- The loan funds will be separately secured by a Promissory Note and Mortgage.
- The loan may be secured in a subordinate lien position behind other lender resources.

Application and reservation of funds:

- Must complete homeownership counseling program before applying. Must complete financial counseling or have enrolled and attended at least one session before applying.
- Upon determination of approved eligibility applicant must submit confirmation of preapproval for a first mortgage at which time funds will be reserved.

- Funds will be reserved for 90 days and will be extended to accommodate a scheduled closing provided a purchase agreement is in place.
- One 60-day extension will be granted if applicant is actively searching for a home.
- Another extension will be considered if no other applicants have applied and are waiting for a loan reservation.
- If funds are not available due to prior reservations, eligible homebuyers may be placed on a waiting list. A maximum of 10 people will be placed on the waiting list. Applicants will be contacted in the order they are placed on the waiting list.

Home energy squad visit

- The city will pay for a Home Energy Squad Visit to be completed within the first year following purchase.

Disbursement of Funds

- Funds will be disbursed to the Closing Agent, for the benefit of the Borrower and in coordination with the purchase loan closing.

Borrower Fees

- All applicable mortgage filing fees, wire transfer fees, title work, credit report, flood and any other applicable closing costs associated with the loan

City Origination Fees

- \$350 per loan application received and \$700 per loan closed/executed
- One Time Set-Up Fee of \$1,000
- Annual Administration Fee shall be included as listed in Exhibit A-21

First generation homebuyer affidavit
St. Louis Park first generation wealth building homeownership program

The undersigned, as applicant for a home mortgage loan originated pursuant to the St. Louis Park first generation wealth building homeownership program (the "Loan Program"), being duly sworn, does hereby represent and warrant as follows:

1. I am submitting this affidavit as part of my application for a mortgage pursuant to the Loan Program.
2. The home to be financed with proceeds of the loan sought is located at the following street address:
_____, St. Louis Park, Minnesota.
3. I am a *First Generation Homebuyer*, as that term is defined below, meaning that each of the following statements are true:
 - a. I do not currently own a home, nor have I previously owned a home;
 - b. My parents and/or legal guardian do not currently own a home, nor have they previously owned a home;
 - c. My spouse, if applicable, does not currently own a home and has not previously owned a home; and
 - d. My spouse's parents and/or legal guardian do not own a home, nor have they previously owned a home.
4. I understand that under Minnesota law, it is considered **residential mortgage fraud** to knowingly make or cause to be made any deliberate and material misstatement, misrepresentation, or omission during the mortgage lending process with the intention that it be relied on by a mortgage lender, borrower, or any other party to the mortgage lending process. I also understand that committing **residential mortgage fraud** can result in a felony conviction, imprisonment for up to two years, and a monetary fine of up to \$20,000.00.

[Borrower's Name]

[Borrower's Signature]

On this ____ day of _____, 20__, before me, the undersigned notary public, personally appeared _____, proved to me through satisfactory evidence of identification, which was _____, to be the person whose name is signed on this document, and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of his/her knowledge and belief, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

Notary Public



**Economic Development Advisory Commission
Agenda Item #5
Meeting of Nov. 4, 2021**

Title: Staff Report

Report From: Rob Hanson, EDFP, Economic Development Coordinator

Submitted through: Julie Wischnack, AICP, Community Development Director

Action Requested: Motion Informational Recommendation

Form of Action: Resolution Ordinance Contract/Agreement Other N/A

Votes needed: 4 votes 5 votes N/A Other

Summary Statement

Staff update on community transit, economic development, and housing matters.

Recommended Action

Receive the report; no formal action is required.

Strategic Profile Relatability

Financial Strength & Operational Excellence Safe & Healthy Community
 Sustainability & Natural Resources Livable & Well-Planned Development
 Infrastructure & Asset Management Community Inclusiveness
 N/A

Statement: This report provides an overview of transit, economic development, and housing activities.

Transit Updates

Green Line Extension (Southwest LRT)

Upcoming or Recently Completed

- Smetana Road was reopened to traffic on Tuesday, October 19. Feltl Road is closed through Summer 2022. [See Minnetonka detour maps.](#)

Ongoing:

- Red Circle Drive remains closed to westbound traffic near the Yellow Brick Road Preschool as the second phase of the nearby pedestrian underpass construction continues. Drivers exiting Opus Park along Bren Road East will still be able to access Red Circle Drive and Shady Oak Road. Yellow Circle Drive is configured as a two-way road during this construction phase to accommodate through traffic and local businesses. [See Minnetonka detour maps.](#)
- The westbound lane on Green Circle Drive near the intersection with Bren Road West is closed until spring 2022.
- The City of Minnetonka has closed Blue Circle Drive to reconstruct a bridge. This work is anticipated to continue through November. [See Minnetonka detour maps.](#)
- Crews continue to work on the Minnetonka-Hopkins LRT bridge.

Minnetonka Update

Metro Transit

Staff continues to engage with Metro Transit staff quarterly and as needed to discuss transit service in the city.

Weekday rides are up by nearly 50%, 389 trips in the summer of 2021 vs. 260 in the winter of 2021. Saturday rides are up by 45%, and Sunday rides are up 29%. The number of Saturday and Sunday scheduled trips remains at 154 for Saturday and 96 for Sunday. Weekday trips are up by 4%, 190 as compared to 186.

Route changes will continue to be reviewed as commuting patterns change throughout the year.

Development Updates

| Projects | Location | Status |
|--|--------------------------------|----------------------------|
| <i>Housing</i> | | |
| The Pointe | 801 Carlson | Plans Under Review |
| Minnetonka Station | Opus | Permit Under Review |
| Doran (Shady Oak) | 5959 Shady Oak Road | Plans Under Review |
| Shady Oak Crossing | Shady Oak Road / Mainstreet | Project Nearing Completion |
| Shady Oak Office Center (Wellington) | 10901 Red Circle Drive | Under Review |
| <i>Misc. Projects</i> | | |
| Ridgedale Area Park Project | Ridgedale Drive | Under Construction |
| Minnetonka Police/Fire Project | Minnetonka Civic Center Campus | Complete |
| <i>Business Projects</i> | | |
| The Tavern Grill | 12653 Wayzata Blvd | Under Construction |
| Culver's | Hwy 101/7 | Under Construction |

Business Updates

Business Survey

In late September, the city partnered with Cobalt Community Research to distribute surveys to all Minnetonka businesses. The business survey was developed as a way for the city's economic development team to better understand how businesses have been affected by the pandemic and get a sense of the health of the local economy and business climate. The survey concluded at the end of October.

Staff expects the results of the survey to be available in the middle of November. The full results, along with a detailed summary, will be shared with the EDAC and city council at an upcoming meeting.

Staff plans to use the results to gauge the business community's perceptions on:

- Critical issues facing the city of Minnetonka
- Quality of city services
- City government and staff
- State of the local economy.

The results will also strategically inform city staff about potential new economic development initiatives or programs.

Visitor 360 Supplemental Data

Included in the package for the business survey is an analysis that provides anonymous data on visitors and movements within the city. This data is valuable because it provides information on who visits the city, their characteristics, where they come from, and where they are going. It can be used specifically to enhance local planning efforts, enhance marketing efforts for new and existing businesses, and be a valuable tool to see today's patterns of who the city attracts.

Staff specifically asked for an analysis of the city as a whole and a more detailed look at movements to-and-from Opus and Ridgedale. The time period for the study was January 2018 through June 2021.

Thrive

The fall 2021 issue of Thrive was distributed in late October. The issue was sent to over 1,000 online subscribers and over 1,700 business physical addresses. The issue features articles on the following:

- An update on the city police and fire buildings
- A feature story on local company Fireaway Inc.
- Information on state and federal business resources

COVID-19 Business Assistance Update

Over the last year and a half, federal, state, and local resources have been made available to support businesses affected by the pandemic. The staff has been in touch with local agencies

regarding available funding and has been diligent in getting the word out about various resources through Thrive, the website, social media, and more.

As of October, there have been 1,922 applications for COVID assistance totaling \$180,601,409 in loans and grants going to Minnetonka businesses. In September, the State of Minnesota made an additional \$64,200,000 available to state businesses through the Main Street COVID relief grant program. Minnetonka recipients of those funds have not yet been disclosed.

Housing Updates

Federal Eviction Moratorium

The federal eviction moratorium ended on July 31, 2021.

State Moratorium

In June, the state announced an eviction moratorium phase-out plan. This plan implemented a timeline in which you could be evicted under specific scenarios. On October 12th, the protections have largely passed, and all lease termination and eviction protections are lifted unless the renter has a pending assistance application. This last phase of the eviction moratorium will run through June 1, 2022.

Additional information regarding the eviction off-ramp is available through [HOMEline](#).

Mortgage Assistance

The State of Minnesota is working out details and selecting service providers for HomeHelpMN.

- \$103 million is being made available
- Income eligibility will be up to 100% AMI and may be eligible for up to \$35,000
- The program will be open to owners of single-family homes, land trust homes, condominiums, townhomes, and contracts for deed.

Assistance can be used for Mortgage Reinstatement Assistance, Mortgage Modification, and other homeownership assistance such as tax payments, insurance fees, HOA fees, etc.

Hennepin Homeownership Preservation Program

The county has partnered with the Minnesota Homeownership Center to provide support to homeowners in Hennepin County who are past due on their mortgage or other housing expenses. This program offers foreclosure prevention advising and limited financial assistance.

Minnetonka Loan Programs

Minnetonka Home Enhancement / Down Payment Assistance

In 2021, there was one Home Rehabilitation Loan closed through the HRA program for \$15,000. There are nine loans currently in process.

CDBG Rehabilitation Loan

Year to date, Hennepin County has completed three projects in Minnetonka through our CDBG rehab program and approved four more projects. There are currently seven more applications currently in process. There is \$62,124 in funding remaining available for new loans.

Homes Within Reach Rehab Grant Program

Since the city council approved \$207,500 in prior year surplus CDBG funds in late 2020, staff has worked with nine Homes Within Reach homeowners to complete rehab projects to their homes. There are two additional projects in process. A balance of \$125,832 in funds is available for new grants.

Homes Within Reach Housing Program

In 2021, Homes Within Reach purchased one home. The total number of homes within Minnetonka is 60.