

**STAFF SUMMARY
CITY OF MINNETONKA
CITY COUNCIL STUDY SESSION
MONDAY, MARCH 17, 2008
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Council Present: Dick Allendorf, Bob Ellingson, James Hiller, Terry Schneider, Brad Wiersum, and Mayor Jan Callison. Tony Wagner was excused.

EDA Present: Dan Duffy, Ellen Weishar Cousins, Bill Yaeger

Staff: John Gunyou, Geralyn Barone, Ron Rankin, Julie Wischnack, Elise Durbin, Stephanie Scott-Sims, Desyl Peterson, Merrill King, David Maeda

1. Nonprofit funding policy

Gunyou said council had asked at a recent meeting for a more systematic approach for evaluating CDGB funding requests. In recent years the city has continued funding organizations that received CDBG funds in the past. The city currently has a council nonprofit funding policy and staff is recommending amending that policy to simplify and clarify its application.

Gunyou said one of the staff's recommendations is to refer arts-related applications to the Community Commission. The commission would then make funding recommendations to the council. Similarly, the Economic Development Authority would review the housing and support services applications and make funding recommendations to the council. Staff also has suggested three potential criteria that could be used to evaluate the applications.

Gunyou said the council needs to take action at the next meeting on the final CDBG allocations for 2008. Because of the new application process, staff is recommending that council lay over the carry forward funds for next year, rather than fund new programs this year. The council has already approved the allocation of all funds except for the \$15,000 carry forward amount from past years, and the \$3,300 remaining allocation for this year. The \$15,000 carry forward amount does not need to be allocated this year and the \$3,300 current allocation can be put in the single family rehabilitation account to reserve the ability to allocate that amount next year.

Allendorf said he has always felt uncomfortable making funding decisions without evaluation criteria and would like to see more objective measures developed. He said had the proposed criteria been in place when the CDBG allocation was discussed at the recent council meeting, he would not have had any better information to make a decision because the criteria are not objective enough.

Schneider said he agreed that the city needs a better measure to determine funding priorities for the nonprofits. He said there needs to be council consensus on what the priority will be for a given year. The priorities could shift over time.

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He agreed it doesn't make sense to just prorate the \$18,300 to the organizations currently receiving CDBG funds.

Hiller said if the funding is spread to too many organizations there may not be value because the individual amounts are small. The funds will just be a minor assistance to the organizations. He said he also would like the criteria to address expectations about ongoing funding. Currently many of the organizations have received funding for a number of years so there is an expectation that funding will continue. There could be value in giving the funding to an organization to do a new project. This might be a more beneficial use of the funds rather than small ongoing support.

Wiersum said he likes the idea of objective criteria to evaluate the applications but often that means asking for numbers and many of the services can't be effectively measured that way. He supports developing criteria and having the organizations lay out how they meet the criteria but there has to be flexibility because basing decisions purely on numbers can also be subjective.

Gunyou suggested leaving the recommended criteria in place as general guidelines but having the council provide direction each year on funding priorities. This discussion could take place in August as part of the initial budget discussion.

Callison said she supports the process suggested in the staff recommendation and also laying over the \$18,300 until next year. She said she was concerned with creating a lot of work for a relatively small amount of available funding. A possible approach would be to discuss the city's overall strategic objectives. She said while it would be nice to fund projects, the organizations need some certainty whether the funds will be available because many use the money to fund their overhead costs.

Schneider said some of the organizations look at the funding as part of their budgets. He said the city needs to let the organizations know about the shift in focus to allocating the funds to meet current community needs. He agreed it might be a better use of the money to fund a new program or project that might be able to sustain itself after receiving start up funds.

Duffy cited the example of Crowne Ridge as a group that has asked for assistance on a regular basis for after school programs. Crowne Ridge was asked to look for alternative funding sources in the community and other funding sources were found. Duffy said it's important that the organizations not be solely dependent on the city for funding.

Yaeger said he supported the idea of the EDA making recommendations to the council.

Wiersum said over the years the organizations have come to expect the same level

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of funding from the city. He said it might make sense to set a percentage of the funds aside for the existing programs the city has traditionally supported and use the rest of the funds for a new project or program.

Weishar Cousins said that if the funding changes, the organizations need to know right away because they have included the funding in their annual budgets.

Allendorf suggested staff contact each of the organizations that have received funds in the past and notify them of the change in concept of how the funding will be allocated in the future. This will help the organizations plan for the change.

Schneider said it was important to keep in mind that there are organizations that use the funds they receive to leverage more funds from other sources.

2. Development-related funds

Gunyou noted that this issue was brought forward by the EDA for council consideration. The fundamental issue the EDA is struggling with is the lack of ongoing funding to support affordable housing efforts.

Most communities of similar size have an HRA levy of some amount, and use the levies for various housing and economic development purposes. The tax is levied by the EDA and is not technically considered a city levy, even though it is paid by city taxpayers.

Hiller said the city is currently at 86 percent level of its goal for affordable housing under the 15 year plan. Given that it is the 13th year of the plan the city is exactly at where it should be. He asked why there is a need to expand funding if the goals are being met. He also inquired if the WHAHLT funding is the most cost effective way to provide affordable housing in the city. Rankin said that in the case of affordable rental housing, all of the projects took place in 1996-1997. The city has not added much affordable rental housing in quite some time. Rankin said based on the recent production rate, it is unlikely the city will be able to meet the affordable housing goal. Callison said under the new 2030 Met Council goals there will need to be around 400 more affordable housing units.

Allendorf said he was trying to figure out how he would justify to residents increasing taxes without specifying where the money will go.

Schneider said he read the staff report as not adding more funds for WHALHT but ensuring an ongoing source of revenue. He said there is merit to that idea. In the 1990's the city did allocate funds for affordable housing to buy down the costs of the units. But it was found that there was no long term benefit. This triggered the creation of WHAHLT. The mechanism was developed to take the same amount of money and make it perpetual. Schneider said WHAHLT has

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been able to leverage the city funds to obtain \$6 million from other sources. He said that he shared Allendorf's concern about overtaxing residents.

Allendorf asked if the HRA levy would be used to create a stable funding source for WHALHT by funding the existing \$250,000 city allocation from fund balances. Rankin confirmed the current funding comes from drawing down the balance in the livable communities account.

Wiersum said he shared Allendorf's concern about increasing taxes because tax increases tend to be permanent. He said the city should establish realistic affordable housing objectives. This will help determine the costs and help in the discussion of where the funding will come from. For specific goals that are in the best interests of the community, a reasonable HRA levy makes sense.

Callison said her sense is that the idea for an HRA levy is a year or two early. If the guide plan was completed and the housing goals were set, then the case could be made for why the levy may be needed. She said the ideas in the staff report that have the most merit at this point are the land trust, the neighborhood connections program and the senior transitions program.

Duffy said the market conditions today are quite different than in past years. WHAHLT might have more opportunities for affordable housing than in the past. He said senior housing and attracting younger families are important for the city's sustainability. Families face the choice of a similar priced older house in Minnetonka and a newer house in a neighboring community. Duffy said other factors that might attract younger families are the city's lower taxes, quality of schools, and proximity to downtown Minneapolis. He said the city needs to start looking at the issue of its aging housing stock and how to keep seniors from moving out of the city.

Ellingson said he supports the HRA levy. He doesn't agree with the city's policy of requiring developers to subsidize affordable housing units. This distorts the price of the market rate units. He said the whole community should contribute to meet the affordable housing goals.

Schneider said he agreed with Ellingson's point about strong arming developers but the city provides good density tradeoffs that are beneficial to the developers. To Duffy's point about the aging housing stock, Schneider said many of the newer homes in other communities are not built as well as the older homes. For the most part the homes in Minnetonka are modest sized and are built much better. To attract younger families the city may need to look at creating a revolving loan fund that could be used to update homes.

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Schneider suggested looking at other areas of the country to find a method to create sustainable funding that is not a tax on residents but is an investment such as a revolving loan fund.

Allendorf said in order for him to support an HRA levy he has to be able to explain what the city's affordable housing goals are and how the programs will contribute to meeting those goals.

Wiersum said if the city wants to maintain its level of commitment to WHAHLT, it will need to further draw down the livable community account perhaps to a level that he would be uncomfortable with. He said he thinks WHAHLT is effective and there is a funding problem that needs to be solved at some point.

Gunyou said he heard a consensus that the council did not want to consider an HRA levy for 2009 to fund the options outlined in the staff report. He suggested that the EDA continue to discuss the issue over the next year and come back to the council with a more specific proposal. Since there seemed to be more interest in securing ongoing funding for WHAHLT, he asked if council wanted to consider an HRA levy to fund that program. Wiersum said it would be helpful to determine how much funding WHAHLT needs from the city, what the funds would provide, and how that funding would impact the rest of the city's budget.

Schneider said given the current housing market, there may be an opportunity for WHAHLT to get more with the funding. The city may want to consider this before the price of homes start going back up.

Callison suggested staff should bring the item back for further discussion at the time the city was considering its 2009 property tax levy.

3. Glen Lake streetscaping concepts

Bob Close from Close Landscape Architecture gave the presentation.

Allendorf said during the summer the arbor area is currently a hot and barren place. He suggested adding shade and making the area more inviting because currently there is no reason to go there. Close said the space has to work for a large group of people and agreed adding shade while maintaining sunnier places is important.

Ellingson asked what type of vegetation was being considered for placement along the sidewalks. He said the tendency in Minnesota is to use turf grass that doesn't hold up well. Close said selecting vegetation along roads is one of the biggest challenges in his profession. He said it is the first 12 to 18 inch area along the road that suffers the greatest and that by placing a 12 inch concrete pan along the road, protection could be provided.

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Hiller said there is a playground behind the ball fields that doesn't seem to be integrated into the plan. Also the ball fields either have intense usage or no usage and he wondered how that factor would be integrated. Close said there is not a complete answer to those issues yet. There will be a pedestrian connection to the recreational area and to Kinsel Park. Those destinations are seen as important parts of the route.

Callison said that rather than the brick medians shown in the presentation it would be a nice option to use elevated plantings. Weeds eventually become an issue with the ground level brick medians. Close said elevated median plantings could be an option with more funding.

Callison said the crosswalks are important because it is likely people will not walk down to Eden Prairie Road to cross. Establishing safe crossing areas is crucial. Allendorf asked if he understood correctly that it was the county that would not allow a stop light at the intersection. City Engineer Lee Gustafson confirmed that the county will not allow a stop light. He said it was his intention to make the connection between Woodhill Road and Eden Prairie Road more inviting for children so they will stay in the looped area. If that can be accomplished it will make it more likely that children will cross at Eden Prairie Road. Allendorf noted the safety issue isn't just about children but adults who might be crossing after attending a ball game or from the apartments.

Duffy said the safety issues are also relevant for seniors in the area. He said anytime there is an opportunity to elevate and place the sidewalk further back from the street it enhances the area. Adding trees also adds to the security.

Weishar-Cousins said her kids want to cross from the ball park at Woodhill. She said adding retail and apartments will only add to the safety issues. Gustafson said his concern with putting in a crosswalk is that kids have been taught it is safe to cross at a crosswalk. There are three lanes of traffic that need to be crossed and turn lanes make the area a very confusing area. Putting in a crosswalk may give kids the idea it is safe to cross even when it is not.

Schneider said he likes the idea of having a stronger focal point in the plaza area. He said the challenge is that it is the place where kids sit after visiting the nearby Dairy Queen and it is right at the intersection. Currently the concrete barrier keeps the kids from running into the street. He says whatever is put in that area needs to serve a similar function. Close said there will be a crosswalk going to the island and one going across Excelsior Boulevard.

Schneider said he also likes the idea of the fountain/water feature that will add a sense of entry into the area. He agrees landscaping will be a challenge because it is not just about the initial planting. Maintenance of the plants is just as

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important. He said the city needs to look at allocating resources to maintain the plants. Rankin said there was a discussion with key business owners in the area about forming a service district, and they have indicated support for the idea. Gunyou said staff has talked about the importance of maintaining the water feature. The feature should be designed so it doesn't need the same level of maintenance as what is currently in use.

Gunyou said the improvements would be funded by the development fund, which was the topic of the previous agenda item. He said this is a good example of the importance of the neighborhood connection option recommended for an HRA levy, since it is the type of project that cannot be funded with TIF or other traditional funding sources.

Schneider asked if the TIF numbers included in the staff report were reliable numbers. Gunyou said the \$500,000 amount was certain, but the remainder was less reliable. Schneider agreed with the staff recommendation to hold off on the Woodhill improvements and focus on the entry areas. The first impression sets the tone.

Allendorf said he questioned spending a lot of money on the east gateway in the area from Glenview up to the pump house and the office building and likewise at the west gateway swamp area. Close said the discussion was that it would be odd to have new lighting fixtures up to Eden Prairie Road and old fixtures the rest of the way. The new fixtures can be installed before redevelopment occurs. The gateway pieces are optional and do not have to be done.

Wiersum said getting it right in the phase one area is important. This will paint the vision of what the whole area can become. It is the hope that by improving the east end it will create inspiration for developers on the west end. If the primary area is done correctly it might spur redevelopment.

Duffy said if a service district is established and the area businesses can take part in maintaining the landscaping, the whole area could be part of the redevelopment rather than doing it in phases. If the development is done in phases it could cause a division among the businesses.

Callison said \$1.6 million is a lot of money but the improvements will do a lot for the area.

As the next step, Gunyou said staff will schedule neighborhood and business meetings to solicit feedback on the concepts.

4. Adjournment

The study session adjourned at 9:12 p.m.

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Respectfully submitted,

David E. Maeda
City Clerk