

**STAFF SUMMARY
CITY OF MINNETONKA
JOINT STUDY SESSION WITH EDA
MONDAY, SEPTEMBER 28, 2009
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Council Present: Dick Allendorf, Bob Ellingson, Amber Greves, James Hiller, Tony Wagner, Brad Wiersum and Mayor Terry Schneider

EDA Present: Dan Duffy, Bill Yaeger, Ellen Weishar Cousins, Wagner, and Wiersum

Staff Present: John Gunyou, GERALYN Barone, Julie Wischnack, Elise Durbin, and David Maeda

Schneider called the meeting to order at 6:32 p.m.

1. Strategic work plan for housing

Schneider said the council for some time had been discussing becoming more proactive and getting more involved in stimulating redevelopment and affordable housing in the city rather than waiting for the development community to step forward. The issue is that nobody knows what being more actively involved specifically means. The goal was to determine the council's and EDA's roles in the process. He said the thought process should not be limited to what funds are available in the development or livable communities accounts or with an HRA levy. If the council doesn't think big or long term, the amount of funding needed cannot be determined. In addition, there are other regional resources that could potentially be drawn upon.

Duffy said he would like the discussion to include commercial development in addition to the housing component. Traditionally the EDA has not had a major role in the commercial development in the city but with the focus on village centers it was important to also look at the larger picture.

Wagner said there had been a lot of discussion about the demographic changes in the city, but before focusing on specific ideas there should be a broader discussion on whether everyone agreed there was a problem that needed to be resolved.

Hiller said each of the village centers was primarily dependent on first getting the commercial development and then the housing component would be addressed. He agreed with Wagner that there had been discussion about senior housing and the aging demographic in the city, but there had not been a discussion about how those issues should change the city's views or policies.

Wiersum said the staff information identified a lot of issues but there were few resources to address the issues. The goal was to prioritize the issues and

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provide focus to get things done. Without that focus it would be difficult to accomplish anything.

Allendorf asked Schneider what other resources he thought were available. Schneider said most of the resources were related to affordable housing. There are philanthropic organizations like the McKnight Foundation that provide grants for affordable housing and homelessness issues. Most of the focus of that funding has been towards the urban core. He said there had been a shift over the past two to three years on expanding the mission beyond Minneapolis and St. Paul. Part of the process would be to identify the cities that would be receptive to applying for the grant funds with strings attached. The WHAHLT model could be used on a broader scale. He cited Richfield as a city that has already established the use of the other resources.

Greves said that before the council discussed the long term goals she would like to have a discussion assessing the data that is now available.

Wagner said the unwritten policy that was in place when he served on the planning commission was that every homeowner in the city could have a two car garage. The commission's vote approving two car garages was always unanimous because everyone knew this was the policy. He said in this instance there was a lack of consensus. The first step would be to determine if everyone felt there was a problem that needed to be addressed. One option could be to look at the data about the city's aging population and decide not to do anything. He said as far as Schneider's idea about looking at other funding resources, it was important to also discuss budget issues including having to add additional staff to write grant proposals. Before getting into all the specific issues he suggested taking a step back to look at the demographic data to determine if addressing something was important.

Wagner said he saw two trends with his age group and the housing stock in his area. Many in his age group are moving to other suburbs where they can get a newer house for \$350,000 to \$400,000. People are bypassing Minnetonka because it would cost \$300,000 to buy a house built in the 1960's that had not been updated at all. If the trend continues it would affect the overall health of the school districts. Part of the discussion should be about better marketing of the city and how to better engage realtor groups. He said the city was lacking some level of diversity in housing stock.

Duffy agreed with Wagner about why young families are bypassing living in Minnetonka to go to other suburbs. He praised the work that has been done on the parks and trails in the city and said that has helped attract and retain younger families. He suggested bringing back the state's This Old House program. He also suggested the city look at funds that are available through the United States Department of Agriculture for commercial projects.

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Allendorf said the round table discussion indicated there should be less focus on finding housing options for seniors but instead focusing on attracting younger families to the city. He said the WHAHLT program is a good program but to address the housing issue would require doing more than one house at a time. It's important to identify areas in the city along with outside funding programs that would add additional 25 or more homes that would be affordable for younger families. Such a program would be beneficial to the development community as well. He noted the city of Plymouth had a first time homebuyer loan program targeted at younger families. He suggested getting grant money and working with area real estate brokers to develop a program where some of the city's 1960's ramblers could be renovated and marketed to younger families.

Wiersum suggested taking a step back and discussing what kind of city people want Minnetonka to be and what kind of city could Minnetonka realistically be. With an aging population that loves living in the city and a lack of space to develop, the city is going to have to figure out the best way to accommodate that aging population. The other challenge is to figure out a way to attract young families to the city. He said he wasn't concerned about trying to compete with suburbs like Victoria because a certain percentage of the population wants to buy a new house. Minnetonka cannot offer that opportunity to that population because of the lack of space for starter homes. The city instead has to find a way to make the programs and the existing housing stock work together to bring in younger families. If young families come to the city they will stay because the city is a great place to live. He said the creativity would be in creating scenarios where the existing housing stock could be made attractive to young families. The issue is not one of desirability of living in the city, but rather bridging the gap between price and value.

Hiller said there needed to be further study and discussion on what the city would gain and lose with its aging population. He agreed with Wiersum that there was a need to improve the housing stock options to attract younger families. He also agreed with Allendorf that the city needed to find a way to add multiple numbers of affordable homes rather than just one or two at a time. Another issue that needs to be discussed is the types of housing the city should be looking to add.

Schneider said people would like to know what options are available to stay in the city if they should decide to downsize into a smaller home. He envisions engaging the senior population to determine what people think should happen in the city to provide other housing options or if they merely preferred staying in their current homes. He said the bigger issue is attracting young families to the city because the perception is that young people cannot afford to live here. He suggested developing a marketing program on what housing stock

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is available, what has been done to renovate older houses, and what financial assistance might be available. Because of the limits to what assistance might be available, the funding should somehow only be available to the targeted demographic.

Yaeger agreed the senior population wants to continue living in the city but people need a place to move within the city. If that happens housing would be opened up for younger families. There is a need for single level townhouses in the city that would be attractive to the senior population.

Weishar Cousins said people love living in Minnetonka because of the large trees, large lots, and strong school systems. She said she didn't want the city to lose what it is. She thought Duffy's idea of reviving the This Old House program was a good idea. She also liked the idea of pursuing grant opportunities to make funds available to remodel homes in the city and to do a better job marketing the city. She said the city is in a great location to be able to get to other places in the area. She also pointed to the parks and trails as the type of amenities that newer communities cannot easily duplicate.

Ellingson said he liked the approach that was being recommended for the HRA levy. He said the proposal provides a specific use of the levy and fits a real need in the city. His concern was that the city's approach is to require a developer to provide a certain percentage of affordable housing without providing the developer any subsidy to do so. Other cities like Minneapolis take the approach that if a developer wants money from the city they have to use it for affordable housing. The cost has to be paid by somebody and if it is embedded in the development, then the cost is being paid by those buying the higher priced units. He noted the condominium building on Glen Lake was for 45 units and no affordable housing. He said the point of any tax increment subsidy for Glen Lake was to get owner occupied affordable housing. He said he was talking to a realtor about a week ago and was told people don't want to buy a house in the Hopkins School District but prefer their kids go to a school in the Minnetonka School District. Ellingson said that when the discussion is about the great schools in the city it glosses over issues that need to be discussed. Weishar Cousins said the schools in the Hopkins School District are great schools. Ellingson said he was not saying the Hopkins schools are not good schools but there are issues that are making families want to get their kids in the Minnetonka School District. Greves said the issue comes down to a PR issue for the Hopkins School District. She noted with open enrollment there are many choices available to parents and school districts and the districts are now marketing themselves to the parents.

Greves said her thoughts about senior housing have shifted as she has gone out and talked with people. Originally she agreed with the idea to give seniors housing options to stimulate turnover in the city. She said a lot of seniors

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have told her they are happy in their homes and want to stay in their current homes. One idea she has talked with staff about is trying to develop ways to build up the volunteer base so that there are resources available to help people maintain and repair their homes. She said she was open to getting the development community more involved. She noted the increase in foreclosed homes in the city would add to the available houses in the city.

Wiersum said the city had to match up housing stock with existing buyers. He said the city had a marketing problem in that there are a lot of 1950s ramblers available that do not appeal to young families looking to buy a new house. One idea might be to take the existing housing stock and challenge a developer or renovator to come up with more environmentally sound homes in the \$350,000 price range. The city could create incentives to turn existing homes into something unique and more attractive and to market the homes to the desired demographic. He said with some creativity the city could create competition and a vision with a distinctive and innovative program that would bring younger families to the city.

Hiller agreed the city had to work with its existing housing stock. He questioned if moving seniors to different housing would provide the right type of housing for younger families. There was a home in his neighborhood that was affordable but was torn down and replaced by a million dollar home. He said he would like better data to determine if the trickle down housing idea actually was effective.

Schneider said the discussion had focused around seniors but it was important to also discuss people in the 55-65 age range who might also be looking to downsize and stay in the city. Yaeger said one question was if the approach should be to target the existing homeowner to do the renovation or if the new homeowner should be the one targeted. Duffy said developers are not looking at the housing market the same as they were a couple of years ago when the idea was to renovate a house into something bigger and more expensive. That approach isn't being used because there aren't the buyers looking to buy those types of homes. He said for those types of renovation the city could buy down the developer to keep the cost of the home lower. Wiersum said a lot of the homes that get renovated include amenities that are attractive to those who participate in the Parade of Homes. He said guidelines had to be developed to create houses that look nice and up to date with some design flair but still are affordable. The city is competing with other cities to attract young families but rather than trying to be like the other cities he said Minnetonka should worry about being Minnetonka to get the families because the city is an appealing city.

Allendorf suggested staff convene a meeting with a group of the most knowledgeable realtors in the city to get ideas on what it would take to sell

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houses in a certain price range to younger families. Staff could also meet with re-developers to discuss what programs might be effective to assist in renovating homes. Gunyou said staff had recently tried to meet with a panel of realtors and re-developers but got little participation. He said the idea could be tried again.

Gunyou said that at the beginning of the meeting Wagner raised the broad question if people thought the issues being discussed were important enough to address and the evening's discussion indicated there was the interest. The discussion included looking for options for seniors and options for younger families. The consensus seemed to be to take a shotgun approach. He said that made sense because there was no silver bullet that would address all the issues effectively. The city's approach in other areas has been to take ideas from other communities and strengthen the ideas to make them work better to become the standard for a lot of services. He said one challenge would be the staffing level because there aren't the resources to do much more than the two ideas the EDA recommended. Wagner noted one of the things people seemed to agree on was to find a way to better market the city. Current staffing levels probably could not allow that to happen.

Schneider said his mindset was not to let the current financial situation affect the long term strategy. Allendorf suggested looking at the HRA levy and using half of it for one of the programs recommended by the EDA and half of the levy to provide staff to run the program or to write grant proposals. Schneider said rather than adding staff, a consultant could be hired. Wagner said the EDA approach was to recommend what could be done given the current staffing level. Gunyou said the city would have to try different things to see what works and what does not work.

Wiersum said that seniors want to stay in their homes for a lot of reasons but one major reason was that it was the most affordable option. Often, the issue that makes a senior move is the inability to continue to do the maintenance. The most cost effective and desirable option in that situation is for some type of independent living facility. He said the city cannot lose sight of the reasons seniors move and do not move from their homes.

Gunyou suggested staff accumulate the information from the rating sheets, distill the information and come up with some options. One approach might be similar to the CIP process in coming up with a five year plan. Wagner said he agreed that type of planning strategy was a good idea but suggested not doing an investment strategy for the village centers but instead letting the developers bring that to the table. The idea would be for the city to make it clear what it envisions for the village centers. Schneider said that when a developer steps forward the city needed to be in a position to help the developer participate in the discussion. Wagner cited the Highway 7 and

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County Road 101 area as an example. The council would state the priorities for the area but the developer would propose what they would need to get the project completed. Hiller said one common element that applies to all the village centers was that people wanted cohesive development. Wiersum said the council had to be willing to say no to a developer if a plan did not fit in with what was envisioned for the village center.

Schneider said that what was being discussed may fundamentally change the way the council and the EDA do their work. He suggested the council and EDA may need to continue to meet periodically to review the process. Duffy said the EDA would be happy to address the issues upfront in the process.

Wagner suggested areas like Highway 169 and Minnetonka Boulevard also be looked at. One option might be to have smaller lot sizes. Wiersum said it would be wise for the city to do more market research to get information on why people move here, why they like living in the city and what they would change. Gunyou said one item that could be included in the community survey is what options seniors are looking for.

Allendorf said he heard in the discussion that people wanted to concentrate more on attracting young families to the city and less on providing options for getting seniors to move out of their houses. Gunyou said he had heard that people were interested in looking at downsizing options for those in the 55-65 age range. Schneider said people had indicated an interest in looking at more housing diversity rather than housing based on a person's age. Allendorf added that a program that allowed a 55-65 year old person to renovate their home would also help a 35 year old person.

Allendorf also noted that the council has put the EDA in the difficult position over the years in trying to guess what it was the council wanted. He said the meeting had been helpful to him.

Weishar Cousins said the city lacked housing specifically for those 50 years and over.

Gunyou indicated that to revive the state's This Old House program would require a state law change. The city could only abate its portion of the taxes. Schneider said there was a chance the state might reconsider the program because of its past success and that it would put a lot of people back to work.

Allendorf asked if staff had looked at creating something similar to Plymouth's loan program. Community Development Supervisor Elise Durbin indicated Plymouth uses its CDBG funds for the program. Schneider noted that Richfield has been very successful in renovating its housing stock by obtaining outside resources to assist in the financing. Gunyou said the

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discussion indicated there was interest in the city looking into more aggressive programs long term. Schneider said there would have to be resident buy in for the programs. Greves said the educational piece was important. Hiller indicated that he thought people would be receptive because the idea was to retain the community's character and amenities.

2. Adjournment

The study session adjourned at 8:28 p.m.

Respectfully submitted,

David E. Maeda
City Clerk