

**MINNETONKA ECONOMIC DEVELOPMENT ADVISORY COMMISSION
MEETING MINUTES**

**JULY 22, 2010
6:00 P.M.**

1. CALL TO ORDER

EDAC Chair Peter St. Peter called the meeting to order at 6 p.m.

2. ROLL CALL

EDAC commissioners present: Aanenson, Bjorgo, Coughlin, Happe, Isaacson, Smith, and St. Peter.

EDAC commissioners absent: None.

Staff present: Community Development Director Julie Wischnack, Community Development Supervisor Elise Durbin, Finance Director Merrill King, and Mark Ruff of Ehlers and Associates, Inc.

City council liaison present: Tony Wagner.

BUSINESS ITEMS

3. APPLEWOOD POINTE TIF REQUEST

Wischnack reported.

Brian Carey of United Properties located in Bloomington, applicant, stated that United Properties has been a developer in the twin cities for 90 years. He has 44 signed reservation agreements for the proposed project. There is significant interest, but not enough to justify a 61-unit building. Housing and Urban Development (HUD) requires 26 presales for a 43-unit building. A HUD master mortgage would be used for the project. All of HUD's guidelines would be followed. United Properties began in the business of senior cooperatives in 2003 and is now the leading coop provider in the twin cities. United Properties would love to develop in Minnetonka and is willing to take a significant reduction in revenue. United Properties is one of the only companies willing and able to take this step. The applicant is requesting a little help from the city.

Happe asked if United Properties would manage the project. Mr. Carey stated that United Properties would have long-term involvement. The cooperative would be built

and sold and then owned and controlled by the members. United Properties would continue to manage the cooperative for the owners as outlined in a management contract.

Happe asked if there is a different structure for management of a cooperative than an association. Mr. Carey answered affirmatively. A cooperative provides a better overall package. A cooperative is designed to serve seniors and be within a price range that is acceptable to HUD, generally very affordable. There is a greater sense of community when living in a cooperative.

Aanenson asked if the additional density approved in the previous proposal could be approved at a later time. Wischnack acknowledged that the site is a difficult one to develop. It has wetland and floodplain to work around. There would not be much room to expand a footprint. It would be fairly difficult to expand due to the established underground parking. Mr. Carey explained that the structure would have a four-story and three-story component. There are no plans to add 20 units in the future.

Aanenson is familiar with cooperatives and feels it is a great housing choice.

Coughlin asked how economically viable Applewood Pointe cooperatives have been in other communities. Mr. Carey stated that the five cooperatives in other communities sold out 100 percent. There has been varying turn over, but dramatically less than what occurs in an apartment building. One of the benefits of a cooperative is that people can live independently longer because there is a community of neighbors around them who support them and they can support.

Isaacson confirmed with Wischnack the amount of tax increment finance (TIF) funds to be \$442,000. Mr. Ruff explained how TIF works. The figures estimate the increase in tax value to be \$1,635 per unit. The money would not start to flow until 2012 at the earliest. The property would not pay full taxes until 2013. The \$442,000 figure is the gross amount of tax increment paid over the life of the district. Someone needs to provide upfront funding of the project. He understood the developer would be responsible for the upfront financing. Tax rates will change in the future. One cannot predict exactly what the payments would be. The state could change the law. The developer would be responsible for the risk, not the city when taxes change. If the proposal proceeds, an estimate and agreement would be prepared with provisions if the estimate would go down.

Isaacson felt the proposal would fit the site and that senior housing is needed. He asked if there would be prorated participation or reduction in the TIF if the revenue would exceed the proposed budget. Mr. Ruff said that point would be negotiated. He welcomed direction on that issue. It is the community's choice. Isaacson supports continuing the city's conservative fiscal approach.

Bjorgo asked if approving this project would prohibit other projects in the future. Wischnack explained that there is no "limit." City council policy sets how much TIF the

city is willing to provide. The city council weighs the size of the project and how many tax dollars would be lost with the realization that many of the projects would not happen without TIF.

St. Peter noted that there are limits to the city's ability to bond. Mr. Carey stated that the applicant would not ask the city to bond for the proposal.

Happe asked for a list of TIF projects in the city. He asked if the proposal is similar to other TIF projects done in the past. Wischnack provided examples. She will provide commissioners with a list comparing each district.

Smith asked how the TIF district would benefit the economy. Mr. Carey approximated that the project would create 150 jobs to 250 jobs. There would be 3 long-term jobs. The proposal would provide suitable housing for seniors who do not want to leave the area and free up single-family homes for young families. That brings in children and funds to school districts.

Smith questioned how long it would take for the cooperative to sell out. Mr. Carey estimated that since 60 percent of the building would be sold unseen, then the remaining 40 percent would be sold within 18 months. That is what would be underwritten as the developer's timeline. That is reasonable and what has been accomplished in the past.

Smith would like to see senior supportive services in the area of the cooperative. Mr. Carey said that the building would mature in time. There would be spaces to allow it to change with time. Initially, residents are not interested in having meals provided every day. A space to have meals in the future would be provided. Facilities would be available to accommodate changing needs. There would be a room in the building that could be transformed into a clinic. Assisted living facilities are designed to meet the needs of people with acute requirements for services. Even those do not have an on-site clinic. A doctor may visit the site one day a week. A room would be available for that.

Coughlin asked if this would be a small-scale TIF project. Wischnack answered affirmatively.

Wagner asked for historical context of the previous approval and its percentage of affordable units. Wischnack explained that, historically, the policy was to require 10 percent to 20 percent of a project's units to meet affordable standards; closer to 20 percent when TIF would be involved. When the project was talked about at the city council, there was discussion regarding the median price range. The city council has a priority to get median-price homes in the community.

Wagner was concerned that 13 percent would be too low. Mr. Ruff explained the history of TIF districts in Minnesota and changes made in 2010. The city may now use funds from the housing district to help write down the cost of the project's housing as long as it

commences construction by July 1, 2011 and it is spent out of existing cash balances from that particular district. It would be limited by the amount of actual cash in the TIF districts.

Smith asked why the applicant would want to go ahead with the project if the site is not optimal and the revenue would be decreased. Mr. Carey stated that the applicant has made a substantial investment and does not want to disappoint the buyers. The facility has very good name recognition.

Smith asked how resale and guaranteed appreciation would work. Mr. Carey explained the four down payment offers and restricted resale. There is usually a waiting list of 20 to 40 buyers. Usually the homes sell to a person on the list using the formula to determine the sale price. Last year, 15 sales occurred. Fourteen out of the 15 sales occurred with 2.5 percent annual appreciation based on that formula. The board has the right to buy back the cooperative at the fixed price and resell it at that exact price. There is no middle person marking up the price. If it would not sell, the owner has the opportunity to sell it just like a house. The owner could use a realtor or request the cooperative market the unit. The cooperative charges a \$750 transfer fee. So there is an advantage to sell the unit through the cooperative.

St. Peter asked if a 30-year term of affordability would be reasonable. Durbin explained that the proposal would be a limited equity cooperative that would take the place of indexing and maintain affordability for over 30 years. Wischnack stated that the previous plan would have provided 6 affordable-index units; 28 mid-range units priced between \$237,000 and \$298,000; 23 units priced between \$313,000 and \$343,000; and 4 units priced over \$375,000.

St. Peter asked Wischnack to compare the previous proposal with the current one. Wischnack obliged.

St. Peter noted a concern that requiring developers to meet low affordable prices for units could cause higher prices for other units. Coughlin understood St. Peter to be saying that looking at potential pooling should be looked at; a guarantee should be provided for 30 years of affordability; and 20 percent of units should be affordable. St. Peter clarified it would not be necessary for 20 percent to meet direct affordability, but a mix including units priced under \$300,000 would come in somewhere near 56 percent as was approved for the previous proposal.

St. Peter asked if Mr. Carey was aware of an estimated approval time from HUD. Mr. Carey stated that he has a very good relationship with HUD. He felt the approvals would be given in a relatively short time frame. He did not anticipate that to be as much of an issue as reaching the 60 percent sales threshold and receiving some assistance from the city. He thought HUD likes the deal and the Applewood Pointe concept a lot. St. Peter agreed.

St. Peter suggested Wischnack discuss with the city attorney the possibility of giving preference to Minnetonka residents in order to free up houses. Wischnack stated that language was included in documents for the St. Therese project that gave preference to marketing in Minnetonka for a certain time period. She did have that discussion with the city attorney. Similar language could be utilized for this proposal.

Smith wondered if limiting the value of the unit would also limit property tax. Mr. Ruff explained that tax increment projections assume zero percent inflation. He guessed the answer is yes, but would be determined by a tax assessor. If the property has a limited sales price, then that would limit the value. In today's market, two and a half percent is not a bad increase.

Wischnack heard that commissioners find the concept generally acceptable; favor requiring a 30-year term of affordability; and St. Peter supports 50 percent of the units being priced below \$300,000.

Aanenson felt getting as many affordable units as possible would be the goal.

Happe was fine with stratification.

Coughlin supported stratification of 50 percent or more of the units priced below \$300,000. She could see a middle-range-price-housing issue.

Bjorgo supported stratification to provide mid-price housing.

Smith and Isaacson concurred.

Wischnack confirmed with commissioners that all support 50 percent or more of the units being priced below \$300,000 and marketing the project early to Minnetonka residents for a certain period of time.

The EDAC will review the item again in August.

4. 2011 PRELIMINARY BUDGET REVIEW OF LIVABLE COMMUNITIES ACCOUNT, DEVELOPMENT ACCOUNT AND HRA LEVY

Wischnack and Durbin reported.

Wagner provided context to the HRA Levy from a city councilmember perspective. Wischnack gave examples of what other cities do for HRA Levies. Wagner felt the city council is excited about the idea of planning areas, specifically Shady Oak this year, because of the lite rail. The city council wants to take a more aggressive stance in ensuring that the city has the ability to assemble properties and plan areas.

Wischnack requested feedback from commissioners that she will share with the city council at its August study session regarding the budget.

Coughlin asked if the money has been taken out of the development fund balance for the Glen Lake plaza renovation. Wischnack explained that the overhead shows that the deduction from the development fund is really \$55,000 out of the \$555,000 that the plaza improvement cost.

Coughlin confirmed with Wischnack that the budget-cycle year for Minnetonka is January through December.

Smith questioned if the HRA Levy is suppose to replace the revenue or be the fund source for the funds once the accounts are gone. Wischnack agreed that eventually there will need to be a decision point when the funds become depleted.

Isaacson supports the proposal. It is an excellent idea to plan for those areas.

Smith agreed. He also wants to look at 5 and 10 year plans. Wischnack will update a similar report she prepared a couple years ago and provide it to commissioners.

Bjorgo supports the proposal.

Coughlin supports the proposal and likes the idea of the city shaping development.

Happe was sensitive to taxing residents, but felt \$6 would be reasonable. He supports planning.

Aanenson supports the proposal, agrees with updating the long-range plan, and looking at bench-mark communities.

St. Peter concurred.

Wischnack stated that the EDAC will provide a formal recommendation to the city council in September.

5. 2011-2020 AFFORDABLE AND LIFECYCLE HOUSING GOALS

Durbin reported.

Smith asked what the eligibility criteria are for funding and if the proposal fits in with the long-term goals of the comprehensive guide plan. Durbin described the three available grants: job creation and cleanup of hazardous materials, redevelopment, and creating affordable housing. The numbers are included in the comprehensive guide plan.

In response to Aanenson's question, Wischnack identified possible future affordable housing opportunities in the Ridgedale Shopping Center area and village center areas

located on the lite rail. Aanenson felt it would be interesting once the census is completed and the metropolitan council may adjust the numbers.

St. Peter noted that the comprehensive guide plan is on minnetonka.com. He encouraged review of village centers which will tie into budget accounts and types of projects that the city council will shepherd forward.

Happe asked where the funds for the grants come from. Durbin explained that the state provides the funds to the metropolitan council. The city applies to the metropolitan council for the funds. The BMW site received a grant to clean up methane.

Wagner commented that the goals require very large development projects. The goals over the last 15 years have been achieved because of the West Ridge Market expansion. It is expected that Ridgedale will do some sort of renewal and Opus and Shady Oak will drive obtaining the goals. He supported having a proactive approach to development.

Coughlin asked if development of St. Therese would help achieve the goals for 2010 or 2011. Wischnack hoped that St. Therese would apply for a building permit soon, but it would not be completed until 2011, so the affordability built into that project would be part of 2011 accomplishments.

Happe asked if commissioners are expected to have a sense of how other residents feel about affordable housing and additional issues or are commissioners' decisions made independently as residents themselves. St. Peter said that the general community reaction may be taken into account. A community survey is done on a regular basis. His recollection is that there is general support for affordable housing as an element that adds value to the city. It is a long-term goal of the city. Wischnack said that commissioners will pull wisdom from their own experiences and think about the greater good as a community to make its recommendations to the city council.

Isaacson supported the proposal.

Aanenson noted that the Livable Communities Act would help without increasing taxes.

Smith asked if the comprehensive guide plan is the reflection of how the community wants the city long term. If it is in the comprehensive guide plan, then it is intended to be for the greater good. Wischnack explained that the comprehensive guide plan provides the overriding goals and is the policy document for the city. The EDAC performs stage two of the housing goal establishment.

Smith supported the proposal.

Smith moved, Isaacson seconded a motion to recommend that city council adopt a resolution electing to continue participating in the Local Housing Incentives Account

program under the Livable Communities Act. Aanenson, Bjorgo, Coughlin, Happe, Isaacson, Smith, and St. Peter voted yes. Motion passed.

This item is tentatively scheduled to be reviewed by the city council at its August 16, 2010 meeting.

6. STAFF REPORT

Durbin reviewed items including:

- The city entered into an agreement with the metropolitan council that would have metropolitan transit provide service for the city. The purpose for doing that was to be able to get a better service level from metropolitan transit. The city is required to review its transit service with the metropolitan council every year. In 2009, the city council moved forward and conducted a transit analysis and evaluation study. The study will look at available services and what other communities are doing. LSA will present the commission and city council with its report. It should be completed by the end of 2010. The Minnesota Valley Transit Authority will have some affect on the study.
- The metropolitan council is preparing the lite rail application for new starts. Preliminary engineering will begin 2011. It will be a big effort in the next year.
- Community Works is a concerted effort to align all of the cities along the lite rail to talk about development and redevelopment issues. Public amenities and facilities will be discussed.
- The city applied for transit improvement affiliation. It is a new process created by new legislation that says that if an area is designated as a transit improvement area through the Department of Trade and Economic Development, then a city might be eligible for financing if funds become available.

St. Peter stated that some developers are trying to purchase property along the lite rail route.

In response to Coughlin's question, Wischnack explained that "TOD" stands for transit-oriented development. The best source of information regarding the freight lite rail would be Meg at St. Louis Park. Coughlin said that the Southwest Transitway website is not updated frequently.

7. OTHER BUSINESS

- The Sensible Land Use Coalition is holding a west-end tour on July 28, 2010 in St. Louis Park from 4 p.m. to 6:30 p.m.
- The EDAC's next meeting will be August 26, 2010 at 6 p.m.

8. ADJOURN

Isaacson moved, Smith seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 8 p.m.