

AGENDA
CITY OF MINNETONKA
ECONOMIC DEVELOPMENT ADVISORY COMMISSION

Thursday, February 24, 2011

6:00 p.m.

Council Chambers
Minnetonka Community Center

1. Call to Order
2. Roll Call

Kathryn Aanenson
Benita Bjorgo
Chandra Coughlin
Michael Happe

Ken Isaacson
Bruce Smith
Peter St. Peter

3. Approval of January 27, 2011 EDAC Minutes

BUSINESS ITEMS

4. Property Taxes and City Finances 101

Recommendation: Receive the presentation

5. Housing Rehabilitation and Downpayment/Closing Cost Assistance Programs

Recommendation: Recommend approval of the program outlines to the city council

6. Introduction to the Humphrey Institute Community Economic Development Capstone project

Recommendation: Receive the update

7. Staff Report

8. Other Business

•The next regular EDAC meeting is scheduled for **Thursday, March 24 at 6:00 p.m.**

9. Adjourn

If you have questions about any of the agenda items, please contact Julie or Elise prior to the meeting.

Julie Wischnack, Community Development Director, (952) 939-8282

Elise Durbin, Community Development Supervisor, (952) 939-8285

**UNAPPROVED
MINNETONKA ECONOMIC DEVELOPMENT ADVISORY COMMISSION
MEETING SUMMARY**

**JANUARY 27, 2011
6:00 P.M.**

1. CALL TO ORDER

EDAC Chair Peter St. Peter called the meeting to order at 6:00 p.m.

2. ROLL CALL

EDAC commissioners present: Kathryn Aanenson, Benita Bjorgo, Michael Happe, Ken Isaacson, Bruce Smith, and Peter St. Peter. Chandra Coughlin was absent.

City councilmember liaison present: Brad Wiersum.

Staff present: Community Development Director Julie Wischnack and Community Development Supervisor Elise Durbin.

3. APPROVE NOVEMBER 29, 2010 MEETING MINUTES

Haape moved, Smith seconded a motion to approve the November 29, 2011 meeting minutes. Aanenson, Bjorgo, Happe, Isaacson, Smith, and St. Peter voted yes. Coughlin was absent. Motion passed.

BUSINESS ITEMS

4. 12708/12720 WAYZATA BOULEVARD/DUFFY DEVELOPMENT CONCEPT

Isaacson recused himself from discussion.

Wischnack gave the staff report. Durbin explained how she collected the data in the table.

Happe confirmed with Wischnack that the total tax increment finance (TIF) assistance for the proposed Duffy Development would be approximately 10 percent of the total project cost. He asked how that would relate to projects done in the city in the past. Wischnack clarified with Happe that he was interested in the total value of the proposed project. Happe found the information helpful, but wanted to compare its relativity to the total cost. Wischnack understood his interest and would provide the value of the project at the time it was proposed at the next discussion of the proposal. St. Peter requested the calculation of the

percentage of total city assistance in relation to the proposed project's total cost. Wischnack answered absolutely.

Wischnack continued the staff report and explained the tax-credit process. She provided an example of how a tax increment finance district is created and the expenses associated with operating one. She confirmed that the city council voted not to decertify Boulevard Gardens.

John Duffy, Duffy Development Company at 11900 Wayzata Boulevard, applicant, was present to answer questions.

St. Peter asked if there had been any material changes to the proposal since the last meeting. Mr. Duffy answered in the negative. He has been working with the fire marshal and engineering staff on minor changes.

Smith asked if he had made progress securing funding sources. Mr. Duffy explained the proposal would require the involvement of the Metropolitan Council, Hennepin County, and Minnesota Housing. The meeting with Hennepin County went well. The proposal is in line with what Hennepin County wants to see happen. He received help on how to complete the application correctly. He has not met with the Metropolitan Council, but is confident the proposal is what they may support. He has had two meetings with Minnesota Housing and the proposal is exactly what it would support. The meetings have been very positive.

St. Peter commented on a presentation by Chair Haigh of the Metropolitan Council who stated that a priority is affordable and stratification housing.

Mr. Duffy explained the request is for \$1.2 million, with the project total of \$12.7 million; therefore, the request is slightly less than 10 percent. He has had meetings regarding how the pooling would be set up. The pooling would be 10 percent of a reduced number. The city would be eligible to contribute \$1.1 million instead of \$1.2 million. A new TIF district could put in more money, but there would be numerous additional fees.

St. Peter noted the fees to issue bonds is between 8 and 10 percent of the amount issued, and more for a small project. It would adversely impact the project.

Aanenson asked if the district would still be set up for 25 years. Wischnack answered affirmatively. The pooling funds are available until 2022. The affordable housing commitment would be a 30-year commitment.

Wischnack requested direction from commissioners on how to proceed, including whether to do pooling rather than a TIF district, and the price range of the affordability subsidy, as this will provide guidance on how to structure the contract.

Smith said it seems pooling would be a more efficient use of funds. He favored pooling. Bjorgo agreed. Happe did not think creating a separate TIF district makes sense since the city council extended the Boulevard Gardens TIF district. Aanenson and St. Peter concurred with commissioners.

St. Peter asked if commissioners are comfortable moving forward to negotiate a development agreement. Aanenson noted that the numbers per unit may be changing. Based on the given information, it seems reasonable to get the proposed number of affordable units.

Happe asked if 10 percent had been used in the past. Wischnack responded that the senior part alone of Glen Lake was about \$20 million. St. Peter estimated other projects to run from the 4 percent to 10 percent range. The smaller projects result in a higher percentage.

Happe suggested going through the same analysis as if it would have its own TIF district. Wischnack explained the planning commission will review the proposal's density and the developer will deal with market analysis. St. Peter added that Mr. Ruff would complete a comparison of values. Wischnack agreed.

Happe was comfortable with the project moving forward.

Bjorgo supported continuation of the project based on the benchmarking and the fact that the developer is actively seeking other funds.

Smith supported moving forward. Although he thought the percent is a little high, the duration of the affordability would be so long that it would be one of the best funding situations available.

St. Peter supported moving forward. He believed the percent is on the high end, but the stratification of units and cost would indirectly benefit the city over a longer period of time and is consistent with goals stated in the comprehensive guide plan. This proposal would provide a true stratification of values rather than a high-end development with a few affordable units. That in itself warrants the city's participation rather than percentages compared to other previous projects.

Wiersum stated that looking at other project's percentages is a good addition to the chart, but the reality is that the project would be a combination of factors. The percentage may be a little high, but what mitigates that is the duration of the affordability and the number of units. He concurred with commissioners.

Wischnack provided one last chance for commissioners to request additional information for the next discussion. Smith requested the status of funding progress. Wischnack appreciated the input.

5. HOUSING REHABILITATION AND FIRST TIME HOMEBUYER PROGRAMS

Durbin gave the staff report.

Happe asked if a person owes more on their residence than it is worth, would the city give the person an additional loan. Durbin answered affirmatively. Wischnack explained that homeowners, without a lot of equity, are faced with major improvement projects need funds. This program would be similar to other city's rehabilitation programs. The proposal would be 110 percent loan to value ratio, but some city's programs go higher than that. There would be an income requirement to participate in the program. The city has an interest in keeping up its private infrastructure, which includes private residences.

Happe was concerned a large loan to value ratio was what got banks in trouble. Happe confirmed the current interest rate is 4.4375 percent. He asked for the current interest rate for a home equity line of credit. Smith knew of banks offering 3 percent to 4 percent for a home equity line of credit. Wischnack estimated fixed loans rates to be at 6.5 to 7 percent. Smith noted the homeowner could have value in the property, but the loan, along with the mortgage, would put the amount owed a little over its value prior to the loan. Smith provided an example of property owners who owe \$95,000 on a \$100,000 house and apply for a \$10,000 loan. The loan to value ratio of the property would be 105 percent.

Wischnack noted that a subcommittee discussed the program's parameters.

St. Peter noted the \$65 application fee would cover the cost of a credit check, but it would not provide for a judgment lien check. Wischnack said most cities do not charge an application fee. The application fee would be an attempt to have the applicant commit to the process rather than cover the administrative costs. Applicants tend to be more serious when a fee is charged.

St. Peter asked if the values would be fixed or adjusted. Durbin answered that has not been determined yet. If significant changes would be needed in the future, then staff would come back and ask for changes. St. Peter recommended looking at something like the average increase in the assessed value. Wischnack clarified St. Peter was looking for the value of the house and what would be used to determine the area median income (AMI).

Wiersum asked if the loan rate is fixed or variable. Wischnack responded fixed. Wiersum agreed it should be fixed. The goal is to help property owners fix up houses. The city does not want to be the loan source of first resort, but the loan of last resort. The program should be structured in such a way that it would not compete with banks. The city's interest is in improving housing stock.

Wischnack expected an annual evaluation would be done to understand what works. The proposal is a pilot project to monitor its results over the first year.

Smith supported performance reporting to look at the efficiency of the funds being used.

Aanenson stated that subcommittee members talked about performance measures to make sure the program would be working as intended and change it as needed. Wischnack will provide the evaluation measures for the program at the next discussion for the commission's review.

Durbin reported on the first-time homebuyer program.

Wischnack added this program is the hardest to determine if it serves a need in the city. Staff has met with banks to discuss their products.

Isaacson understood that down-payment assistance would be a grant. Durbin responded that a banker pointed that out yesterday. Staff will conduct more research on how the loan would be classified and provide the information at the next discussion.

St. Peter suggested defining a first-time homebuyer as one who has not owned a home in 5 to 10 years rather than 3 years.

St. Peter commented that this program would be a true second mortgage so he assumed there would be the appropriate due on sale or refinance provision in the agreement. It may be appropriate that the same concept also be included in the revitalization program. The provision was found in the proposal.

St. Peter wanted feedback from local realtors to gain a sense of the need for the program and what impact it would have on making housing available to young and new families. St. Peter heard from realtors that Minnetonka is a move-up real estate market and that is one of the issues the city hopes to address.

Wiersum felt Isaacson raised a good point. The program would require the homeowner contribute at least 25 percent of the down payment/closing costs. The loan to value issue becomes a challenge. He wants to figure out what gets in the way of young, first-time home buyers purchasing a house in Minnetonka. If there is a way to help buyers creatively get over the hurdles, then that is what the city wants to do.

Happe agreed with Wiersum. The current economic problems have too many homeowners in homes that they cannot afford. He is concerned with a program allowing 110 percent loan to value ratio because the banks have learned what a disaster that was. He did not think it is possible to get a standard mortgage without 20 percent down. He is concerned a first-time homebuyer is not able to afford a \$300,000 house. The notion of supporting a buyer who probably cannot afford a \$300,000 causes him concern. Wischnack asked if Happe would propose no program for down payment or a program with a limited house value.

Happe asked if there is \$190,000 for the program. Durbin explained how staff would wait to allocate the funds until applications have been reviewed. The housing rehabilitation program may have up to \$150,000 made available, which would leave \$40,000 for the down payment/closing costs program. On the other end of the spectrum, if there is more interest in the first-time homebuyer program, then staff would propose that up to \$90,000 would be made available for that program and \$100,000 be made available for the rehabilitation program. The amounts could slide with maximums set.

Happe asked if it would be important to do both of the programs. Wischnack stated that the city council would be happy to hear all recommendations. The directive to staff is to figure out the programs to utilize the HRA Levy and do it this year. The programs should focus on issues found in the housing study including assisting buyers with purchasing a house and homeowners with revitalizing their house. Minnetonka is missing the 80 percent to 100 percent of AMI market. The city needs to figure out programs to help those buyers. The city council would be willing to hear concerns and alternatives.

Smith suggested looking at the programs separately because the rehabilitation program would allow the borrower to potentially have more owed on the property than the value. The first-time home buyer would be required to have 25 percent of the down payment. If the goal is to get people into houses or to provide assistance, then the programs should be somewhat "bank prudent," but realistic. Most of the financial crisis is not from homeowners owing more on their homes, it was caused by the escalation of payments when the ARMs reset. The value of residences could be under 100 percent. The debt to income when the ARM reset created a situation that the owner could no longer afford. Smith is less concerned with the first-time homebuyer. He is somewhat concerned that \$10,000 may not help a buyer who needs to contribute 25 percent in addition. In order to contribute \$25,000, the buyer would have to be fairly wealthy and qualify for a bank loan. So, 25 percent might actually be too much if the goal is to help a buyer who cannot afford the down payment. Wischnack clarified that the 25 percent would be of the closing costs.

Smith felt leeway is necessary if the goal is to maintain housing stock. These are residents who cannot afford to rehabilitate their houses. There are not a lot of banks willing to go above 100 percent. If something is not done, then the house may deteriorate further.

Wischnack explained that Community Development Block Grant (CDBG) loans have been done by the city for a long period of time for residents below 80 percent of the AMI. The default rate is very low. There have been 2 defaults in 7 years. The CDBG loans are \$20,000.

St. Peter suggested expanding the scope of coverage to include things like moving costs, homeowner insurance paid on the front end of a closing, and an escrow payment that would cover the first year of property taxes. Those would then be removed from the lender's concern as part of the assistance.

Aanenson felt the rehabilitation program is a key component because young families are looking at the older housing stock as what they can afford and knowing that the rehabilitation program is available would allow them to afford the structural repairs and maintain the housing stock. She agreed with seeing the applications before allocating the funds. Helping the entry-level houses be rehabbed to improve the tax base for the neighborhoods is a priority.

Smith had experience with Community Reinvestment Act (CRA) opportunities at work. One thing the city might want to consider is banks are obligated by the CRA to try and help individuals who meet low-income guidelines. One way to use the funds more efficiently is to partner with a bank. Instead of the city lending money, the bank would lend the money, but the city would guarantee the loan. The only time the city would be at risk to lose funds would be if a buyer defaults or goes delinquent. That would allow more people to be served at a lower cost. Wischnack noted that question is on the list of bank interview questions.

Wiersum liked that idea. A credit check would be done and it would be determined if an applicant can afford the purchase. The city does not want to become a bank, but enable a resident to do something to benefit them and the community. Wiersum noted that the city may not need to guarantee 100 percent of the loan. Banks should be in a position to do the right thing in a community. Removing some of the risk for the bank may make the deal effective.

Wiersum stated that the city council wants to use the HRA Levy effectively. He would rather spend the funds prudently and have some left over.

Isaacson asked how the rate would be determined.

Smith clarified a bank must maintain 2 to 5 percent in reserve to make itself whole if a loan defaults. \$190,000 would be considered the reserve, so the bank could lend \$5 million. Partnering with one bank would make the reserve situation easier. Wischnack appreciated the valid discussion and invited Smith to attend the meetings.

Durbin explained an outside agency would perform administration of the programs. The Greater Metropolitan Housing Corporation (GMHC) is one option staff has met with. There would be an administrative fee of 10 to 15 percent of the program pool which is on track with what she has found for other program administrators. The fee would include developing the guidelines, creating loan documents, marketing the program, and working with clients from start to finish. It would be done on a trial basis and be reviewed by the EDAC in one year.

Monthly reports would be submitted to city staff reflecting the number of loans and applications. Wischnack added the city would act as the clearing house for the different programs. If a resident has a need to install a handicap assessable ramp or a problem with a roof, then staff would figure out which program would work best for the resident and help them go through the process. That would help keep the local connection that residents look for when visiting city hall in order to get their business done.

Smith felt having an outside source perform the administration was a great idea. The efficiencies and complexities involved with talking with residents, getting them into the right loan program, and underwriting the loan is a great partnership. Wischnack noted that staff could ask GMHC what type of rates they have seen for similar programs.

Isaacson asked how the program would replenish its funds if it is a revolving loan program. Wischnack explained that a new contract for administration of the programs and pool of funds would be set up for the next round of applications. It could take a while to use all of the funds. Sometimes it takes a year to get a loan and rehabilitation completed.

6. 2011 EDAC WORK PLAN

Wischnack reported.

Happe thanked staff. He appreciated the plan that would allow him to anticipate and think about the items ahead of time. It seemed like the commission is still a relatively new group. He would like to help with more redevelopment projects such as State Highway 7 and County Road 101.

St. Peter supported focusing on economic development within the city and monitoring all areas of the city for potential opportunities to make a long-term economic impact. Wischnack noted educating EDAC members on the city council's overall plan for each village center and process would be beneficial. She will provide information at the next meeting.

Smith would like to see the city's general budget and taxation information. The whole budgeting and funding process for a city or education works differently than a corporate environment. It would assist commissioners with the process of talking about the budget and provide knowledge of the basics of what the EDAC would review. Wischnack noted that Minnetonka Finance Director Merrill King offered to present budgeting information to the EDAC. Wischnack will see if she is available for the February EDAC meeting.

Wischnack invited commissioners to let her know if there is a question. St. Peter encouraged commissioners ask questions.

7. STAFF REPORT

Wischnack and Durbin commented on items in the staff report including:

- The State Highway 7 and County Road 101 village center study public process is almost complete. The proposed plans for the southeast and southwest corners will be introduced to developers for their feedback. The market study showed a demand for a high-volume restaurant on the southeast corner if the access would be fixed. The market study showed that the southeast side would be perfect for Lowes or Cosco. Smith asked how many of the 225 to 300 houses would be affordable. Wischnack said that if tax increment financing is requested (TIF), then the policy requests 20 percent affordable housing. The comprehensive guide plan did envision that much housing in the area.
- Light rail transit is finishing up a preliminary engineering risk assessment. The Southwest Corridor Management Committee has been formed and is led by the Metropolitan Council. It will oversee engineering of the line. The Southwest Alliance is supporting the request for a \$5 million bonding request for preliminary engineering and finalize an EIS.
- The transit study is still being wrapped up. All of the technical work on the system assessment has been completed. The final recommendation is being drafted and will be brought to the EDAC when it is completed.
- The Minnetonka Open to Business program began January 1, 2011. Marketing has been done on the website and *Minnetonka Memo*. The city has received 20 inquiries so far.
- The State of the City address is February 9, 2011 and all commissioners are invited to attend.
- February 23, 2011 is the next Sensible Land Use Coalition program.
- The annual boards and commissions training will be held in February.
- *Compass Points* was provided to commissioners. It provides interesting statistics regarding the metropolitan area from housing to transportation.

9. OTHER BUSINESS

The next EDAC meeting will be February 24, 2011.

10. ADJOURN

Aanenson moved, Isaacson seconded, a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:45 p.m.

EDAC Agenda Item #4
Meeting of February 24, 2011

Brief Description: Property Taxes and City Finances 101

Recommended Action: Receive the presentation

Background

At the January EDAC meeting, a 2011 work plan was presented. At that meeting, EDAC Commissioners requested information on the city's budget and taxation. In response, Merrill King, the city's finance director, will provide to members a primer on the Minnesota property tax system. She will present a simpler explanation of the very complex set of statutory structures governing the system and will use the City of Minnetonka as the example to explain how the system relates to municipal budgets and levies.

Recommendation

Staff recommends the EDAC receive the presentation.

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Elise Durbin, AICP, Community Development Supervisor

EDAC Agenda Item #5
Meeting of February 24, 2011

Brief Description: Housing Rehabilitation and Downpayment/Closing Cost Assistance programs

Recommended Action: Recommend approval of the program outlines to the city council.

Background

The EDAC initially reviewed two housing programs at the January 27 meeting. The funds derive from the HRA levy funds and are intended for a housing rehabilitation program and a first time homebuyer assistance program. Currently, \$190,000 is available to implement either/both of these programs this year. In addition to the feedback provided by EDAC Commissioners, staff has conducted follow up meetings with banks and made adjustments to the program details (pages A1-A5).

Housing Rehabilitation Revolving Loan Program

The housing rehabilitation revolving loan program funded through the HRA levy would target those at 120% of area median income (\$100,800 for a family of four) and below, through a low interest loan of up to \$15,000. EDAC comments, as well as lender comments are listed below. Follow up to these comments are italicized below each.

- Concern about the maximum loan to value ratio that would be allowed under the program
In staff's review of the programs with various lenders, there was not much concern about the loan to value ratio. There is a need in the marketplace to provide funds to homeowners that may have purchased a few years ago, but now the home value is lower due to the market. In some programs offered by U.S. Bank, a LTV ratio of 110% is allowed.
- Develop performance and evaluation measures
A set of performance and evaluation measures for the housing rehabilitation program have been developed and can be found on page A6.
- Provide statistics on the number of defaults from other programs
Minnetonka Owner-Occupied and Emergency CDBG rehab programs: 3%
City of Plymouth CDBG rehab program: ~2 to 3%
- Provide clarification on when the income and home value limits will be adjusted
Staff recommends that the income limits be adjusted annually when new median household income numbers become available (typically sometime between March and May from HUD). This would be done at the same time that the CDBG rehabilitation program income limits are revised.

It is recommended that any home value limits be adjusted on an annual basis at the same time as the income guidelines. Minnesota Housing's home value limits for their programs should be used in helping to determine this limit.

- Do not offer this program at the time of purchase--rather it should be done as a separate program (from lender)
The intention was to set this program up separate, and not combine it with any purchase programs. The program details specify that the property needs to be homesteaded in order to qualify for the program.

Downpayment/Closing Cost Assistance Revolving Loan Program

To meet the needs of first time homebuyers in Minnetonka, the downpayment/closing cost assistance revolving loan program would target those at 120% of area median income and below, through a low interest loan. EDAC comments, as well as lender comments are listed below. Follow up to these comments are italicized below each.

- Develop performance and evaluation measures
A set of performance and evaluation measures for the downpayment/closing cost assistance program have been developed and can be found on page A6
- Provide statistics on the number of defaults from other programs
U.S. Bank American Dream first time homebuyer program: 6.67%
City of Plymouth First Time homebuyer program: ~2 to 3%
- Provide clarification on when the income and home value limits will be adjusted
Staff recommends that the income limits be adjusted annually when new median household income numbers become available (typically sometime between March and May from HUD). This would be done at the same time that the CDBG rehabilitation program income limits are revised.

It is recommended that any home value limits be adjusted on an annual basis at the same time as the income guidelines. Minnesota Housing's home values limits for their programs should be used in helping to determine this limit (which is currently \$298,000).

- Change the definition of a first time homebuyer from someone who has not owned a home in the past three years to someone who has not owned a home in the past five to seven years (unless divorced or relocated)
Three years is standard among nearly all of the first time homebuyer programs in Minnesota and nationwide. If this program is to be paired with other first time homebuyer programs offered through Minnesota Housing or other lenders, it is important that the first time homebuyer definition be the same.

- Determine if downpayment/closing costs in the form of a loan would be allowed by lenders or if the scope would need to be broadened to allow for moving costs, homeowner's insurance, tax escrow, etc.
Lenders have indicated that downpayment/closing cost assistance in the form of a loan is not an issue so long as it meets their guidelines (which preliminarily it would) and that the program would subordinate to the first mortgage.
- Documents need to provide termination language should there be a foreclosure (from lender)
This language can be added to the loan documents.

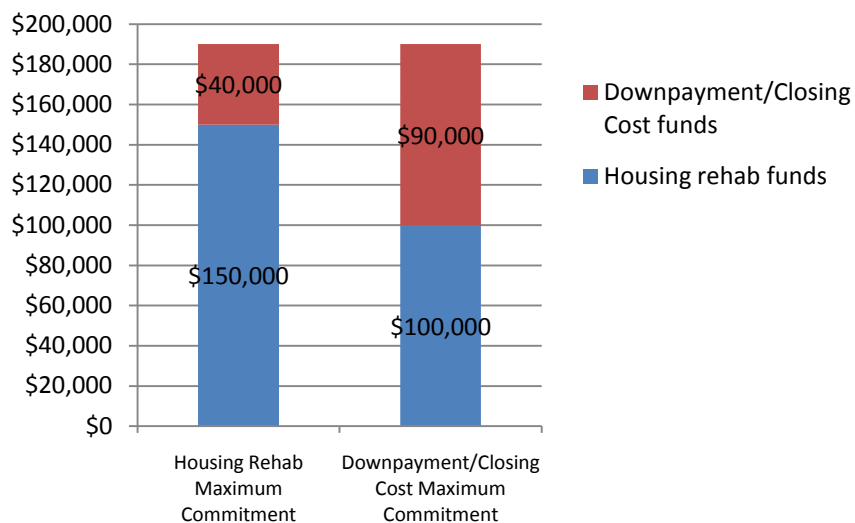
Lender and Realtor Follow-up

In staff's review of the programs with various lenders and realtors, there has been a lot of positive reaction to both programs. Both groups feel as if there is a gap in the market, and these programs would offer funding that is currently not available to Minnetonka residents. Specific points that they would recommend have been incorporated into the program details, and their general comments have been laid out in the above sections.

Recommendation

Staff recommends that the EDAC recommend to the city council the following items:

- 1) Both the housing rehab revolving loan program and the downpayment/closing cost assistance revolving loan program be established using the program details that are laid out on pages A1-A5.
- 2) That the amount of funds for the programs are split using a sliding scale approach.
- 3) That the Greater Metropolitan Housing Corporation (GHMC) administer the programs on behalf of the city.



Originated by:

Julie Wischnack, AICP, Community Development Director
Elise Durbin, AICP, Community Development Supervisor

HOUSING REHABILITATION REVOLVING LOAN PROGRAM HRA LEVY FUNDS

New/updated
items are
highlighted

Loan Terms

- \$15,000 maximum loan amount
- \$2,500 minimum loan amount
 - A smaller amount may be issued in emergency situations
- Term length is a graduated system based upon the loan amount up to 10 years
- Interest rates
 - Interest rate is fixed and based upon interest rate at time of closing
 - 75% of federal prime rate + 2 points (currently, this would be about 4.4375%)
 - Current interest rates will be calculated on a monthly basis
- Fees
 - Non-refundable application fee of \$65
 - This will allow for any credit check fees and administration time to review application
 - This will also help to make sure only those serious about the program apply
- Loan payments
 - Loan recipient will pay back loan on a monthly basis
 - Loan is due in its entirety (if not paid back first) at the time of sale, transfer of the property, death of property owner (if in single ownership), or when homestead status is ceased.
- Loan will be secured by a lien on the property
- Loan will not be closed upon at the same time as the purchase of the house. Must be done separately.

Eligible Improvements

- Projects include: maintenance, green investments, mechanical improvements
 - General housing maintenance
 - Windows, siding, roof, furnace, water heater
 - Certain efficiency standards will be pushed to be met through a marketing effort, but will not be required
 - Furnace: 90% AFUE (tax credits available if $\geq 95\%$ AFUE)
 - Water heater: .64 energy factor (tax credits available if .82 energy)
 - Windows and doors: U-factor $\leq .30$ (tax credits available if U-factor is $\leq .30$)
- *Tax credits expire December 31, 2011
- Green investments
 - Geothermal energy systems
 - Tankless and on-demand water heaters

Ineligible Improvements

- Aesthetic
- Additions
- Recreational/luxury improvements
- Working capital/debt service/refinancing

HOUSING REHABILITATION REVOLVING LOAN PROGRAM HRA LEVY FUNDS

Property Eligibility

- Owner-occupied (homesteaded) properties
- Single-family, townhouses, condos are eligible
- Existing mortgage requirements
 - Must be a fixed rate mortgage loan
 - Contract for deed vendors can apply as long as it has been recorded with the county
- Taxable market value of home as determined by Hennepin County for the current year cannot exceed \$300,000
 - Maximum home value will be calculated on an annual basis at the same time as the income limits (approximately March to May).
 - MHFA's maximum home value limits will be used as a guide
- Mortgage debt vs. property value
 - Purpose would be to make sure that the loan could be paid back if the house is sold
 - A maximum 110% LTV ratio

Borrower Eligibility

- Up to 120% AMI based upon household size

| <u>Household Size</u> | <u>Gross Income Limit</u> |
|-----------------------|---------------------------|
| 1 | \$70,560 |
| 2 | \$80,640 |
| 3 | \$90,720 |
| 4 | \$100,800 |

- Income limits will be calculated on an annual basis (sometime between March and May when area median income information from HUD is updated)

Debt to Income

- A monthly budget analysis will be provided as part of the application. Debts cannot exceed 50% of monthly gross income.
- Purpose is to make sure that the loan can be paid back and that it is not creating an undue hardship
- Credit check
 - A credit check will be conducted to verify all debts. Part of the \$65 application fee will be used to pay for this.
- Asset limit
 - A second property cannot be owned.
 - There will be a non-qualified asset limit
 - There will not be a qualified (IRAs, etc.) asset limit

HOUSING REHABILITATION REVOLVING LOAN PROGRAM HRA LEVY FUNDS

Loan Process

- Rehabilitation Consulting and Energy Audit
 - City/Administering Agency can advise about proposed projects
 - Preliminary home inspection is required
 - An energy audit will be required as part of the program
- Contractors and Permits
 - Contractors must be licensed by the State of Minnesota
 - Permits must be obtained when required—all permit fees can be rolled into the loan
- Quotes
 - A minimum of two quotes is required
 - City/Administering Agency will review quotes for reasonableness
- Work Contract
 - Will be between the homeowner and the contractor with the city's consent.
- Work Completion
 - Weather permitting, work must be completed within 90 days
- Disbursement Process

Before funds will be paid to the contractor, the following must be completed:

 - Final invoice
 - Lien Waiver
 - Completion Certificate signed by the contractor and the homeowner
 - Inspection
- Repayment Agreement/Loan Document
 - Will be required to meet with loan administrator to sign documents within two weeks of final payment to contractor
 - Additional fee of \$46 will be required for filing of the document at Hennepin County

FIRST TIME HOMEBUYER REVOLVING LOAN PROGRAM HRA LEVY FUNDS

Loan Terms

- \$10,000 loan amount
- Term length is a graduated system based upon the loan amount
- Interest rates
 - Interest rate is fixed and based upon interest rate at time of closing
 - 75% of federal prime rate + 2 points (currently, this would be about 4.4375%)
 - Current interest rates will be calculated on a monthly basis
 - The interest rate must be lower than the rate for the first mortgage
- Fees
 - Non-refundable application fee of \$65
 - This will also help to make sure only those serious about the program apply
 - Mortgage registration tax, filing fees, and title policy will be paid by the borrower(s).
- Loan payments
 - Loan recipient will pay back loan on a monthly basis
 - Loan is due in its entirety (if not paid back first) at the time of sale, transfer of the property, death of property owner (if in single ownership), or when homestead status is ceased.
- Loan will be secured by a mortgage in favor of the city. Applicant will be required to obtain title insurance on this loan for the city.
- Subordination will be allowed.
- Termination language should there be a foreclosure will be added to the documents

Use of Funds

- Funds can be used for downpayment and/or closing costs
- Borrower cannot receive the funds as cash

Property Eligibility

- Only properties that will be owner-occupied (homesteaded) are eligible
- Single-family, townhouses, condos are eligible
- First mortgage requirements
 - Must be a prime/A-rated fixed rate mortgage loan
- Taxable market value of home as determined by Hennepin County for the current year cannot exceed \$300,000
 - Maximum home value will be calculated on an annual basis at the same time as the income limits (approximately March to May).
 - MHFA's maximum home value limits will be used as a guide
- Contract for Deed properties will be allowed on a case by case basis
 - A set of stipulations for allowing contract for deed properties will be written into the program criteria and conditions.

FIRST TIME HOMEBUYER REVOLVING LOAN PROGRAM HRA LEVY FUNDS

Borrower Eligibility

- Must be a first time homebuyer
 - Cannot have owned a home within the last three years
- Up to 120% AMI based upon household size

| <u>Household Size</u> | <u>Gross Income Limit</u> |
|-----------------------|---------------------------|
| 1 | \$70,560 |
| 2 | \$80,640 |
| 3 | \$90,720 |
| 4 | \$100,800 |
- Income limits will be calculated on an annual basis (sometime between March and May when area median income information from HUD is updated)
- Debt to Income
 - A monthly budget analysis will be provided as part of the application. Debts cannot exceed 50% of monthly gross income.
 - Purpose is to make sure that the loan can be paid back and that it is not creating an undue hardship
- Credit check
 - No credit check will be required as they will have to provide evidence that their first mortgage is a prime/A-rated fixed loan
- Asset limit
 - There will be a non-qualified asset limit
 - There will not be a qualified (IRAs, etc.) asset limit
- Homebuyer contribution
 - Homebuyer must contribute at least 25% of the total downpayment/closing costs
- Must participate in a first time homebuyer workshop

Disbursement Process

- A check and the loan documents will be sent to the loan closing or title insurance company prior to the loan closing.
- The purchaser must sign the deferred loan note and mortgage at the loan closing. The loan closing or title insurance company conducting the loan closing will be responsible for recording the mortgage. Documentation of the recording must be provided. The purchaser will pay the filing fee.
- After the loan closing, the title company must provide original signed documents

PERFORMANCE AND EVALUATION MEASURES

Housing Rehabilitation Revolving Loan Fund

- Number of inquiries
- Number of applications
- Approval percentage of applications
- Household demographic information such as: average age, size of household, etc.
- Reasons for application denial
- Average and median income of all applicants
- Average and median home values
- Type of property being improved (SF, Townhouse, Condo)
- Types of projects completed
- Final loan amount
- Monthly review of loan repayments
 - On time/late percentages
 - Amount
 - Loans repaid early due to sale
- Defaults
- Subordinations
- Other funds leveraged (other homeowner funds, bank funds, etc.)

Downpayment/Closing Cost Assistance Revolving Loan Fund

- Number of inquiries
- Number of applications
- Approval percentage of applications
- Household demographic information such as: average age, size of household, etc.
- Origin of household (i.e. city and then type – apartment, etc.)
- Reasons for application denial
- Average and median income of all applicants
- Average and median home values
- Type of property being improved (SF, Townhouse, Condo)
- Final loan amount
- Monthly review of loan repayments
 - On time/late percentages
 - Amount
 - Loans repaid early due to sale
- Defaults

EDAC Agenda Item #6
Meeting of February 24, 2011

Brief Description: Introduction to the Humphrey Institute Community Economic Development Capstone project

Recommended Action: Receive the update

Background

University of Minnesota Humphrey Institute graduate students have approached the communities involved with the Southwest LRT line to prepare station area plans for select stations as part of their capstone project. The stations that the students will be preparing plans for include: Golden Triangle in Eden Prairie, Blake Road in Hopkins, Wooddale in St. Louis Park, and the Shady Oak station in Minnetonka/Hopkins. Maps of the LRT alignment and the Shady Oak Station are included on pages A1-A2.

Students working on the capstone project will prepare a plan for the station area. City staff has asked that the plan address issues such as the blighted and contaminated properties, the large number of property owners (specifically on the Minnetonka side), future infrastructure, and the overall image. The goals identified for the project include: a plan that strikes a balance between TOD and highway commercial development, an appropriate mix of uses, a phasing plan for future redevelopment, and coordination/cooperation between Minnetonka and Hopkins.

Recommendation

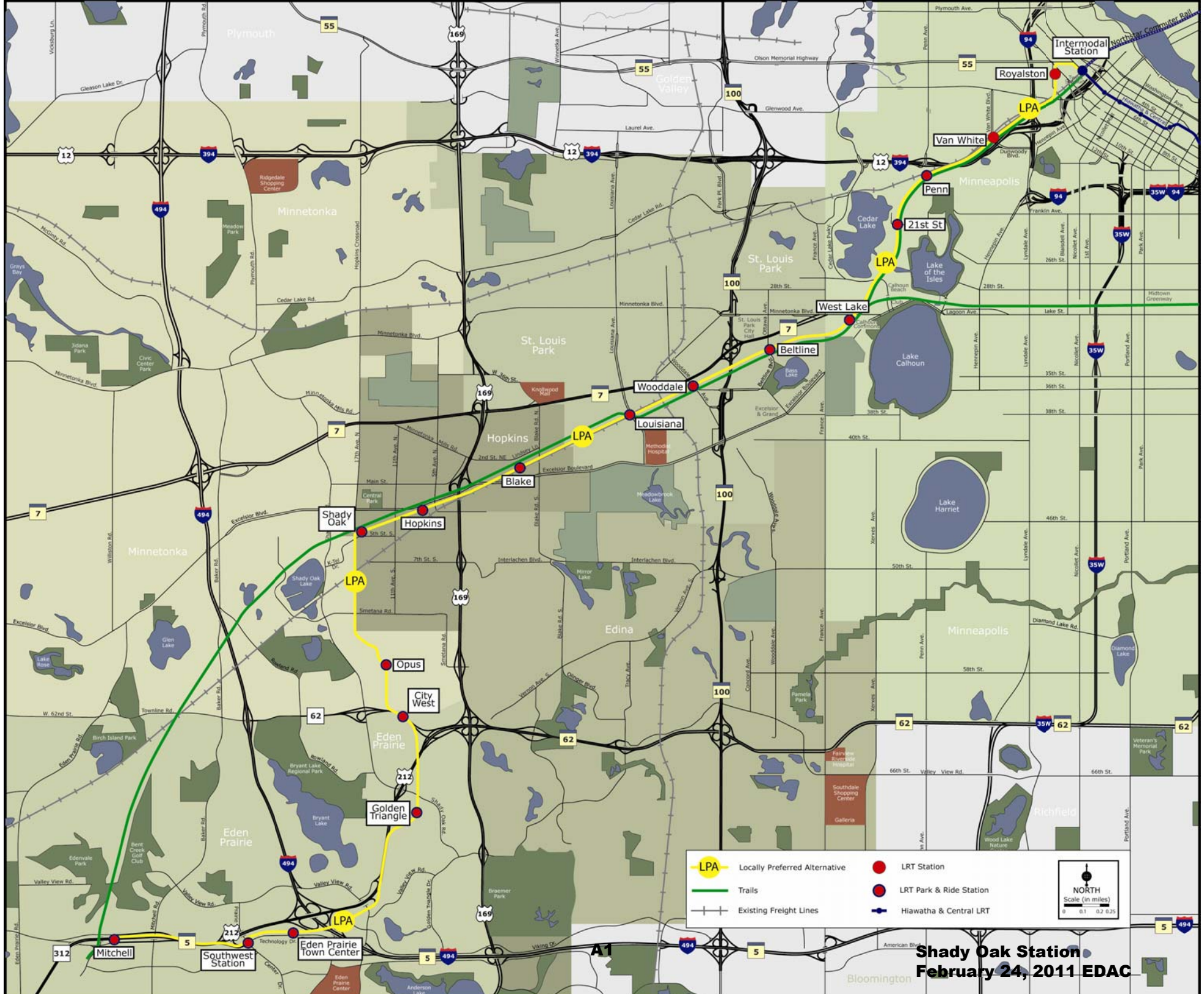
Staff recommends the EDAC receive the update. As the project wraps up at the end of May, staff will share with the EDAC the final plans.

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Elise Durbin, AICP, Community Development Supervisor



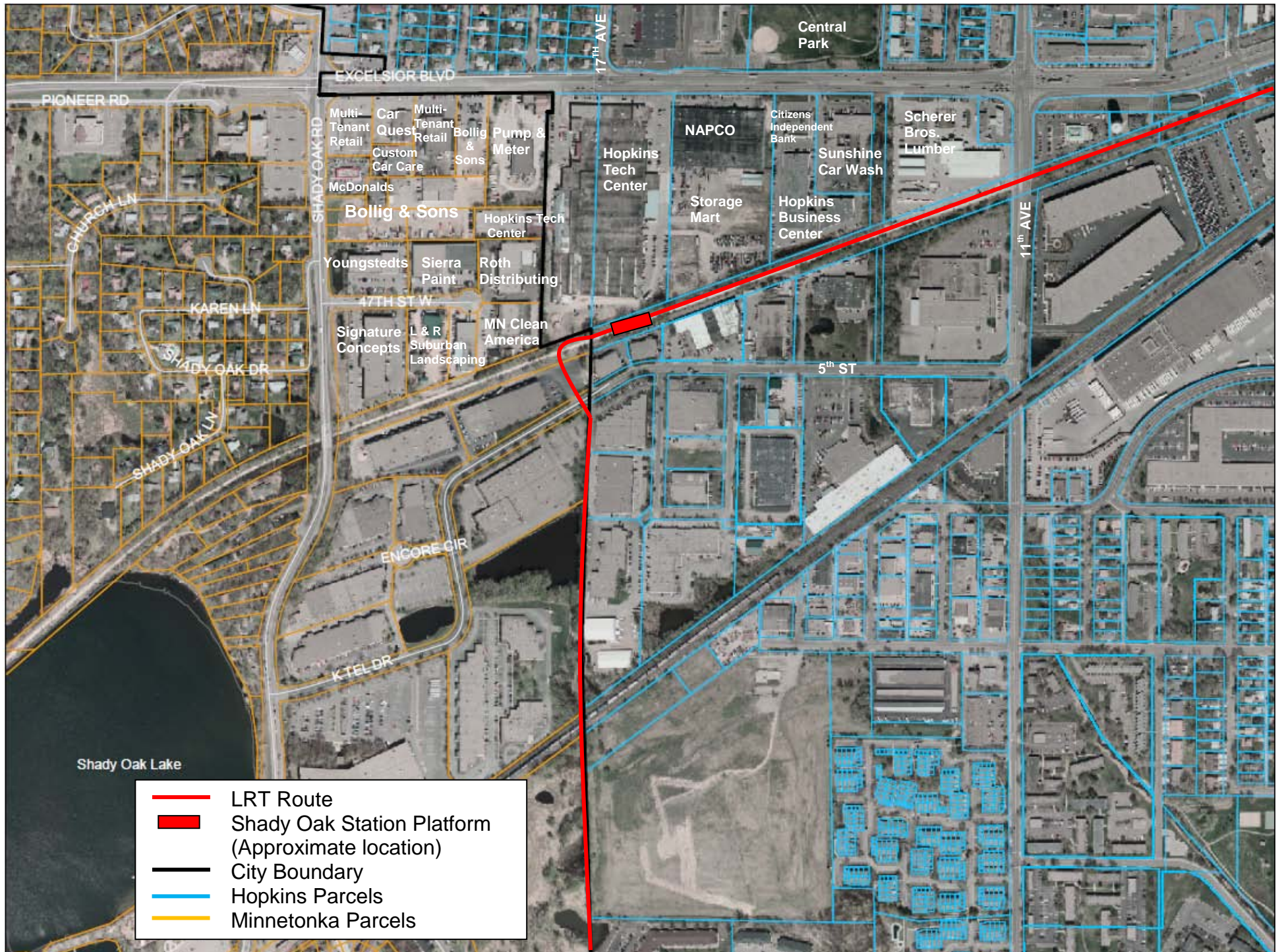
| | | | |
|--|-------------------------------|--|-------------------------|
| | Locally Preferred Alternative | | LRT Station |
| | Trails | | LRT Park & Ride Station |
| | Existing Freight Lines | | Hiawatha & Central LRT |

NORTH

Scale (in miles)

0 0.1 0.2 0.25

Shady Oak Station
February 24, 2011 EDAC



- LRT Route
- Shady Oak Station Platform (Approximate location)
- City Boundary
- Hopkins Parcels
- Minnetonka Parcels

EDAC Agenda Item #7
Meeting of February 24, 2011

Brief Description: Staff Report

The purpose of the staff report is to provide EDAC Commissioners updates on other projects that are of interest to the EDAC or that the EDAC may have previously reviewed.

Southwest LRT

The community works process, led by Hennepin County, continues. A vision statement, along with goals and actions, have been developed as well as a work plan. A steering committee made up of elected/appointed city, Metropolitan Council, and Hennepin County officials is leading process, and a technical committee provides staff input into the process.

The Southwest LRT project is still awaiting Federal Transit Administration (FTA) approval to move into Preliminary Engineering. This is expected to occur sometime in the next few months.

Transit Study

The transit study is being finalized and recommendations are being put together. A final report will be finished within the next several weeks. Once complete, the EDAC will have the opportunity to review it.

Minnetonka Open to Business Program

The staff at the Metropolitan Consortium of Community Developers continues to receive calls about the Minnetonka Open to Business program. Marketing efforts to date include:

- Review with First Minnetonka City Bank
- February *Minnetonka Memo* article
- February *Directions* (by TwinWest Chamber of Commerce) article
- Minnetonka Patch.com article
- Promotion at State of the City
- City website

Freight Flows Workshop

On February 11 staff attended a freight flows workshop sponsored by MnDOT and the Metropolitan Council, and led by MIT staff and students. The workshop focused on the flow of freight throughout the United States and the Twin Cities area in the future. The ideas developed from the workshop will be used in MnDOT and Met Council's freight initiative planning as well as by MIT in their research in similar workshops throughout the United States.

Upcoming Events

| | |
|---------------------|---|
| Sunday, February 27 | West Metro Home Remodeling Fair 10:30 a.m.-3:30 p.m. Eisenhower Community Center, Hopkins |
| Thursday, March 24 | EDAC Meeting 6:00 p.m. Council Chambers |
| Wednesday, March 30 | Sensible Land Use Coalition program Great Streets 11:30 a.m.-1:30 p.m. DoubleTree Park Place, St. Louis Park |

If you are interested in attending you can go to www.sensibleland.org to sign-up (use the member rate as the city is a member). After attending the program you can submit your receipt to staff for reimbursement.

Attachments

- 2011 EDAC work plan (page A1)
- Project Update (page A2)
- From Peter St. Peter: "Apartment vacancy rate drops to 3.8%" *Minneapolis St. Paul Business Journal* (page A3)
- From Mike Happe: "Regional Economic Development" *Twin Cities Business* (pages A4-5)
- From Peter St. Peter: "Borders files Chapter 11" *Minneapolis St. Paul Business Journal* (page A6)

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Elise Durbin, AICP, Community Development Supervisor

2011 EDAC Meetings
Updated February 14, 2011

| Meeting Date Meetings at 6:00pm unless otherwise noted | Item Description | Room/Special Notes |
|--|-------------------------|--|
| Thursday, February 24 | Regular EDAC Meeting | Council Chambers <ul style="list-style-type: none"> • <i>Introduction to the city budget</i> • <i>Final review of housing programs</i> • <i>U of MN Shady Oak Station project introduction and update</i> |
| March (Exact date TBD) | EDAC Subcommittee | Room TBD <ul style="list-style-type: none"> • <i>Review transit study</i> |
| Thursday, March 24 | Regular EDAC Meeting | Council Chambers <ul style="list-style-type: none"> • <i>Duffy Development</i> • <i>Review transit study</i> |
| Thursday, April 28 | Regular EDAC Meeting | Council Chambers <ul style="list-style-type: none"> • <i>Duffy Development</i> |
| Thursday, May 26 | Regular EDAC Meeting | Council Chambers <ul style="list-style-type: none"> • <i>U of MN Shady Oak Station project final</i> |
| Thursday, June 23 | Regular EDAC Meeting | Council Chambers <ul style="list-style-type: none"> • <i>2012 Budget review (annually)</i> • <i>Receive update on MCCD program from MCCD staff</i> |
| Thursday, July 28 | Regular EDAC Meeting | Council Chambers <ul style="list-style-type: none"> • <i>2012 HRA Levy (annually)</i> |
| Thursday, August 25 | Regular EDAC Meeting | Council Chambers |
| Thursday, September 22 | Regular EDAC Meeting | Council Chambers |
| Thursday, October 27 | Regular EDAC Meeting | Council Chambers <ul style="list-style-type: none"> • <i>2012 Non-profit funding (annually)</i> • <i>2012 HRA levy (annually)</i> • <i>Review MCCD program</i> |
| Thursday, December 22 | Regular EDAC Meeting | Council Chambers <ul style="list-style-type: none"> • <i>2012 EDAC work plan (annually)</i> |

**Note: This schedule is tentative and subject to change.

Other Potential Agenda Items

- Continuous updates: LRT Preliminary Engineering and Community Works project
- Introduction to TIF and Tax Abatement
- Homes Within Reach presentation/update
- TIF Management Review and Analysis (annually)
- Introduction to TIF pooling

PROJECT UPDATE

Affordable Housing

2011-2020 Affordable and Lifecycle Housing Goals

| | Goals (2011-2020) | Results | Percent of Goals Achieved |
|---|----------------------|---------|------------------------------|
| New Affordable Units (rental & ownership) | 246 to 378 | 0 | 0% |
| New Lifecycle Units | 375 to 800 | 0 | 0% |

Housing Project Updates

| Project | Total Units | Affordable Units | Update |
|--------------------|-------------|------------------|--|
| Sanctuary | 23 | 4 | Construction of the fourth affordable unit is still pending. |
| Glen Lake | 248 | 41 | <ul style="list-style-type: none"> • All 11 affordable units at The Oaks of Glen Lake (Exchange building) are occupied. • St. Therese (senior facility) is under construction. Marketing efforts are underway. |
| Homes Within Reach | | | 42 Minnetonka units, 82 units total. |

Transit

- 2010 Transit Study is nearing completion.
- Southwest LRT Community Works process continues.
- Still awaiting approvals for Southwest LRT to enter into preliminary engineering

Economic Development/Business

- Marketing for the Minnetonka Open to Business program continues. Several contacts from these marketing efforts have already been made.

Other Projects (Detailed information can be found at www.eminnetonka.com)

| Project | Description | Status |
|-------------------------------|--|--|
| Shady Oak Road | Reconstruction from Co Rd 3 to Hwy 7 | Met Council Transportation Advisory Board approved \$7 million for this project. Construction in 2014. |
| Bren Road/Hwy 169 interchange | Reconstruction Bren Road bridge over Highway 169 | Advertisement for bids is underway. Bid opening is March 9 |
| UnitedHealth Group | Phase 2 Building Expansion 354,000 square foot, 10-story tower | Excavation is underway |
| Lone Lake Highlands | 11809 Bren Road 21 single-family homes | City Council approved 1/31/11 |
| Park Valley | 3609 Park Valley Road Concept plan for 10 twinhomes or 10 single-family homes | City Council concept review on 1/31/11 |

Updated February 14, 2011

From the Minneapolis / St. Paul Business Journal:

<http://www.bizjournals.com/twincities/news/2011/01/27/apartment-vacancy-rate-drops-to-38.html>

Apartment vacancy rate drops to 3.8%

Minneapolis / St. Paul Business Journal - by Rachel Keranen , Staff Writer

Date: Thursday, January 27, 2011, 11:11am CST

An improving economy has led to a sharp decline in apartment vacancy rates in the Twin Cities.

The metro area posted a record year as it absorbed 6,400 market-rate units in 2010, up from a negative absorption of -3,450 units in 2009, according to a fourth-quarter apartment trends report released by Minneapolis-based real estate consulting firm Marquette Advisors.

Rising absorption rates indicate increasing rental activity and greater demand for apartments. Absorption outpaced new construction in 2010, resulting in a decrease in metro-area vacancy rates from 7.3 percent at the end of 2009 to 3.8 percent at the end of 2010. The increase in rental activity reflects a trend away from home ownership as well as metro-wide job growth in 2010.

The 17,300 jobs added in 2010 come as a relief after the Twin Cities cut more than 80,000 jobs in 2009. "Clearly this is progress, though we remain about 100,000 jobs short of Twin Cities total employment in 2007," said Marquette Advisors Vice President **Brent Wittenberg** in a press statement.

The cities of Minneapolis and St. Paul fared slightly better than the metro-wide average. Downtown St. Paul saw the sharpest decline, cutting vacancies from 10.1 percent in 2009 to 2.6 percent in 2010.

Rents remained stable metro-wide. The report predicts that will change in 2011 as demand continues to outpace supply, sustaining low vacancy rates and creating predicted rent growth of three to four percent for the coming year.

rkeranen@bizjournals.com | (612) 288-2112



editor's note



Dale Kurschner

Regional Economic Development

Others are doing it well; can the Twin Cities?

It's 7:15 A.M. on a November Sunday morning, and a voice in the back of my head is asking why I'm not at home in a warm bed. Instead, I'm at the airport, meeting up with others before embarking on a group business trip. My ability to think at this point goes only so far as to wonder where the nearest Starbucks is located.

Within 20 minutes, everyone's there: Minneapolis Mayor R. T. Rybak, St. Paul Mayor Chris Coleman, Minnesota Chamber of Commerce President David Olson, and about 70 other community and business leaders taking part in the ninth annual InterCity Leadership Visit, sponsored by the chambers of commerce in Minneapolis and St. Paul. Their enthusiasm wakes me up a bit as I realize they, too, could have slept in. Instead, they are eager to spend three long days in Austin, Texas, studying how to better position the Twin Cities region as *the* place to run a business.

Austin ranks number one among the nation's 50 largest cities for annualized job growth after attracting 185 companies with 110,000 jobs since 2005 (17,000 jobs were added in just the last 12 months). This represents a 16.7 percent cumulative job growth rate. Job growth in the Twin Cities area, meanwhile, has lagged behind the national average since 2003, and worsened in recent years.

The greater Austin area offers close proximity to a range of companies—many that would be key customers and suppliers to businesses relocating there; great technology

partnering with area universities; a welcoming and participatory regulatory environment; and other traits appealing to businesses. But such strengths are nothing without the ability to leverage and market them, something Austin started doing well six years ago.

Back then, its job growth rate was only 6 percent, ranking the area 25th in the nation for annualized job growth. Community leaders launched a regional economic devel-

A regional economic development organization is set to launch this month with support from area businesses and community groups.

opment organization called Opportunity Austin and backed it with \$15 million in funding. Within five years, the organization achieved the job growth mentioned above by marketing the region's strengths, managing job retention issues, offering economic development initiatives as needed, and investing \$5 million into improving the area's primary and secondary education programs.

Austin is one of a growing number of metropolitan areas benefiting from a regionalized business development and marketing approach. Others include Kansas City and Raleigh-Durham. And it turns out the Twin Cities hopes to soon join the list.

By February 1, a new organiza-

tion called the Minneapolis St. Paul Regional Economic Development Partnership (REDP) expects to have hired a CEO who will tackle a small but formidable list of first-year goals. They include developing a strategic vision for economic development for the Twin Cities region, starting a branding and marketing campaign, working on a robust retention and expansion program, and starting a pipeline for attracting businesses. (Another first-year goal will be to come up with a better name for the organization.)

Backing the new CEO will be an estimated \$2.8 million budget. Funds are coming from area corporations and economic development organizations, as well as from public coffers. Organizers hope that as REDP gains traction in 2011, additional funding will be forthcoming: The money raised thus far is enough only to cover the first year or so.

Also backing the incoming CEO will be those who have been a part of the Itasca Project Job Growth Task Force. Chaired by General Mills CEO Ken Powell and Carlson Companies Chairperson and CEO Marilyn Carlson Nelson, the task force set out 15 months ago with research partner McKinsey & Company to study factors that support job growth, and identify strategies and policies our region could employ to create, attract, and retain quality jobs. Key among their findings was the need to set up a regional economic development organization, hence the formation of REDP.

While REDP will start by getting

on the WEB
tcbmag.com

Job Growth

For more on regional economic development challenges facing our area, read "Charting a New Course: Restoring Job Growth in the Minneapolis-St. Paul Region," from the Itasca Project Job Growth Task Force at tcbmag.com/ItascaReport.

Dale Kurschner is editor in chief of Twin Cities Business.

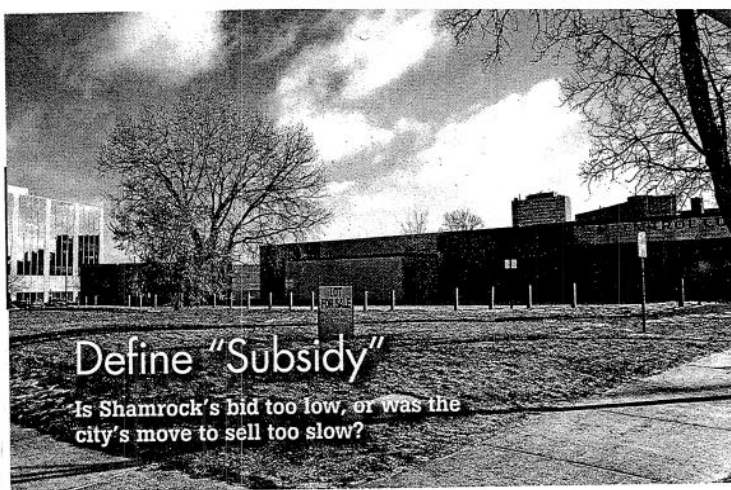
✉ dkurschner@tcbmag.com

the word out about the Twin Cities, it will soon morph into an entity that wants to drive its view of positive change in a community filled with others sharing similar aspirations. Indeed, to be successful it will need to unify leaders in a region built upon the notion that every county, city, town, village, township, and even some neighborhoods, deserve—and for the most part have—their own voice on public and economic development issues.

Austin offers a great example of what can happen when a regional economic development effort gains widespread community support. The secret to Austin's success seems to be that its leaders agreed to prioritize their actions around one subject of crucial importance to all interests, political parties, and community groups: jobs. If a project can help generate or at least keep good jobs in the community, it's supported.

Ideally, REDP will be able to drive an agenda that's as successful as Austin's; and within five years, the Twin Cities will be hosting groups looking for ways to improve and grow a region's economy. **TCB**

JANUARY 2011 tcbmag.com TWIN CITIES BUSINESS 7



Define "Subsidy"

Is Shamrock's bid too low, or was the city's move to sell too slow?



The City of Minneapolis touted 1100 Second Street South as "one of the last parcels available in the Mill District," a neighborhood where the Guthrie, other amenities, and easy access have created a relative sweet spot in a sour downtown real estate market.

But when the city took bids last September and October, the only offer came from veteran developer Jim Stanton of Shamrock Companies in Coon Rapids, and he bid \$87,000 less than the asking price of \$437,850.

What's up? The problem for the city is that the small corner lot is hemmed in—by Stanton's Park Vista condominiums, a planned \$70 million development. Last spring, Stanton bought three parcels at Second Street and 11th Avenue South for \$3.25 million. In September, the city approved construction of 150 units

THE RIGHT PLACE FOR CONDOS

Shamrock Construction's planned Park Vista would be among the first condominium developments downtown after a two-year dry spell. Others have abandoned projects or converted them. The \$25 million Mill District Apartments that opened in November were planned as condos.

But Stanton believes a site in the Mill District still makes condos a good long-term investment. "People like that end of town," he says.

He should know. He opened the 282-unit Bridgewater condominiums there in 2006, sold 140 units quickly, then took two and a half years to close on the next 90. He'll start Park Vista when he's sold 20 of the remaining 51 Bridgewater units.

"We held our prices very firm," Stanton says. "It slowed sales down, but people are buying again." —A.B.

there with underground parking. Stanton doesn't need the fourth lot, but would use it to add green space to his luxury project.

"It's a beautiful site," he says of the 66-by-148-square-foot sliver of land. "It looks out at Gold Medal Park. The upper floor would overlook the river. And it would generate \$800,000 a year in taxes for the city."

That last remark is a pointed reference to a disagreement between Stanton and the city. Minneapolis officials have said that if they accept his bid, it's far enough below the appraised value of the lot to qualify as a public subsidy. As a result, it would trigger a requirement that Stanton turn 20 percent of Park Vista into affordable housing.

"You can't make housing work at that price," Stanton says. He questions why the city's appraisal on this latest lot is far higher than on the three he purchased just last spring. His project already has a green light without the added green space, he points out, so if he can't reach an agreement with the city, "it's not the end of the world."

Miles Mercer, of the city's community planning and economic development department, declined to comment, citing ongoing negotiations with Stanton in early December. The lot isn't so tiny that it couldn't be developed by someone else, Mercer says. But "is the market there to build something?" he asks. "That's the open question."

—Anne Bretts

Deal Sites, continued from page 8

Another hurdle: The crowded field is pushing deal businesses to differentiate themselves—one new local entrant focuses on luxury goods and gives video tours of retail shops; another, the Blind Squirrel, launched in November, combines deal hunting with philanthropic donations. But Salehi says the only differentiator that matters is price.

"There's really no loyalty," he says. Subscribers sign up for deal services at no cost, and will "buy from any one of these sites as long as you have the best deal that day."

That's worrying brand marketers. *Advertising Age* columnist Jonathan Baskin argued in December that services like Groupon "spell disaster for businesses" by erasing the deeper value of a brand: "Is it possible that all of your consumers will bond into communities that demand discounts before they buy?" he asked. How will marketers communicate their brands' value under a "tyranny of price?"

Salehi doesn't say "tyranny," but

TRYING TO STAND OUT

As deal sites proliferate, they try to differentiate.

Deal Stork, based in Eden Prairie

- Deals are in limited quantities that sell out or expire when the 72-hour deal clock runs out.

Blind Squirrel, based in Minneapolis

- A nonprofit of your choice gets 2 percent of what you pay for your deal voucher, or nonprofit promotes deals and get 20 to 50 percent of what members spend on vouchers.

DealOn, based in New Jersey

- As more people commit to a deal, the price keeps dropping. All buyers pay the lowest price.

Living Social, based in Washington, D.C.

- Once you commit to a deal, you can share it with friends by e-mail. If at least three of them also buy the deal, you get yours for free.

Groupon, based in Chicago

- It's the undisputed industry leader and a rumored acquisition target, but with hundreds of start-up chasing it, it has to keep innovating. Groupon began targeting deals to subscribers based on gender, age, and zip code in recent months. A Groupon spokesperson says the company will bring its new Groupon Stores service to the Tw Cities early in 2011. It allows merchants to set their own Groupon offers anytime. Subscribers will see them in their "deal feeds," a new feature of the Groupon site where the company can recommend Groupon Store merchants or subscribers can choose to follow them. —D.L.

TOPTICKETS by MEGAN WILEY

GOB SQUAD COOKS UP SOMETHING FRESH IN KITCHEN

Known for their multimedia, interactive performance art, British-German quasi-theatrical troupe Gob Squad puts a fresh spin on Andy Warhol's film *Kitchen*, a disjointed meditation on knowing the past and present. The Squad simultaneously acts out Warhol's 1965 film and screens it on stage, creating an aesthetic that lands somewhere between the *Rocky Horror Picture Show* and *A Clockwork Orange*. January 13-15, 8 P.M., \$18-\$22, Walker Art Center, Minneapolis, 612-375-7600, walkerart.org.



SINGER-SONGWRITER LISSIE PERFORMS AT THE CEDAR

A relative newcomer to the folk music scene—she released *Catching a Tiger*, her first full-length CD, this summer—Lissie Maurus has quickly earned industry cred, opening for Lenny Kravitz and making the roster for last summer's Lilith Fair tour. Her songs have also gotten airtime on *Grey's Anatomy*, *90210*, *The O.C.* and *House*. January 20, 8 P.M., \$15, the Cedar, Minneapolis, 612-338-2674, thecedar.org.



From the Minneapolis / St. Paul Business Journal:
<http://www.bizjournals.com/twincities/news/2011/02/16/borders-files-chapter-11.html>

Borders files Chapter 11, closing 4 Twin Cities stores

Minneapolis / St. Paul Business Journal - by Business Journal staff

Date: Wednesday, February 16, 2011, 9:09am CST

Related:

[Retailing & Restaurants](#), [Bankruptcies](#)

Struggling book and media retailer Borders Group Inc. filed for Chapter 11 bankruptcy protection in New York on Wednesday, and said it would close 30 percent of its stores nationally, including four in the Twin Cities

Ann Arbor, Mich.-based Borders plans to close its stores in Maple Grove, Richfield, St. Paul's Midway neighborhood and Minnetonka, according to a court filing. There are three other metro-area stores: Coon Rapids, Roseville and Woodbury. It had a downtown Minneapolis location at Block E, which closed in 2008.

Click in this link for a [searchable database of Borders' store closings nationwide](#).

The nation's No. 2 book seller's job cuts and debt restructuring couldn't make up for lost market share against online competitors.

In its bankruptcy filing, it reporting debt of \$1.29 billion and assets of \$1.28 billion. Borders said in a news release that it landed commitments for \$505 million in Debtor-in-Possession (DIP) financing led by GE Capital Restructuring Finance.

It also said it would close under-performing stores in the next several weeks making up roughly 30 percent of its national network. The closing are "a reflection of economic conditions, cost structures and viability of locations, among other factors," Borders said.

In the quarter ended Oct. 30, Borders posted a net loss of \$74.4 million on \$577.8 million -- an 18 percent drop from the year-earlier period.

Contact ddeyoung@bizjournals.com with questions. Other staff at American City Business Journals contributed to this story.