

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

**FEBRUARY 24, 2011
6:00 P.M.**

1. CALL TO ORDER

President 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.

EDAC commissioners absent: Chandra Coughlin.

Staff present: Community Development Director Julie Wischnack, Community Development Supervisor Elise Durbin, and Finance Director Merrill King.

City council liaison present: Tony Wagner.

3. APPROVE JANUARY 27, 2011 MEETING MINUTES

Smith moved, Happe seconded, a motion to approve the January 27, 2011 meeting minutes. Aanenson, Bjorgo, Happe, Isaacson, Smith, and St. Peter voted yes. Coughlin was absent. Motion passed.

BUSINESS ITEMS

Chandra Coughlin arrived.

4. PROPERTY TAXES AND CITY FINANCES 101

King reported.

Wischnack added that when the city implements Tax Increment Finance (TIF) Districts, the city chooses outside fiscal disparity so the general tax payer does not pay what is missing in the fiscal disparity calculation.

5. HOUSING REHABILITATION AND DOWNPAYMENT/CLOSING COST ASSISTANCE PROGRAMS

Durbin reported on the housing rehabilitation program.

Smith asked if the default rate is measured in units or dollars. Durbin answered units.

Coughlin asked if it would impact the credit score of the person who applies for the loan and the life of the loan. Durbin explained that the loan would have a graduated term rate of up to 10 years. The amount of time would depend on the loan amount. Wischnack stated that a credit check would be run on the applicant, so that may show up on a credit score.

Wagner had questions to be addressed at the city council meeting. He questioned why additions were not part of the criteria of fundable projects. He recalled a discussion by the city council that dealt with the need to revise the housing stock and attract young families. He wanted to know how and if there would be any opportunities in the criteria to attract young families.

St. Peter noted that the Downpayment/Closing Cost Assistance Program was focused on attracting young families.

Wischnack noted that additions typically cost more than \$20,000. The goal was to fund as many projects as possible. The issue was the price point.

In regard to Coughlin's question, Durbin explained that the intent was that the estimate would be the beginning value of the residence at the time of application.

Durbin reported on the downpayment/closing cost assistance program.

Bjorgo asked why the difference between the default rates for U.S. Bank and the City of Plymouth's Community Development Block Grant (CDBG). Durbin said that the American Dream Program is similar to Plymouth's CDBG program. The American Dream Program allows 110 percent loan to value ratio. Wischnack noted that the U.S. Bank default rate is national, which could be skewing the statistics. St. Peter recalled that the American Dream Program has not been around very long. It peaked at the time home prices peaked and a lot of buyers bought in at 110 percent. Home values then declined leaving many homeowners under water.

Happe asked if the tax credit program for replacement expires December 31, 2011. He thought it was December 31, 2010. Durbin explained that the program was extended one year.

Aanenson appreciated staff conducting a follow-up meeting with lenders and the feedback that the program would provide. The program would provide something not currently available. She thanked staff for the performance measures. It would allow commissioners to see what was working for the next cycle. Wischnack stated that staff would provide quarterly updates to provide a sense of what is happening.

Smith asked if applicants would be turned down if the interest rate would be higher than the mortgage rate. Durbin heard from two major lenders that the interest rate for the first-time homebuyer program would need to be lower than the current mortgage's rate. The interest rate would be lower than what lenders are offering right now. St. Peter thought the program would compete and exclude applicants looking at some of the adjustable rate products because the rate is less than 4.4 percent. Smith had never seen an underwriting standard like that before. Wischnack noted that it had to do with the kind of program being proposed. It would not be like a home equity loan. Because it would be a targeted-loan program the lender stated that the interest rate would have to be lower than the first mortgage rate. St. Peter stated that would be consistent with situations he has seen where a loan from a relative for the down payment would be treated as part of the equity component rather than debt on the property. Wischnack would call the lender and verify the reason for that requirement.

St. Peter thanked staff for the excellent job pulling the information together. He looked forward to the city council discussion.

Isaacson moved, Coughlin seconded, a motion to recommend that the city council adopt a resolution approving the Housing Rehabilitation and Downpayment/Closing Cost Assistance Programs. Aanenson, Bjorgo, Coughlin, Isaacson, Smith, and St. Peter voted yes. Happe voted no. Motion passed.

Happe felt attracting buyers who are unable to afford a down payment would set up future problems for when maintenance issues come up and property taxes go up as costs escalate over time. He felt it created a bigger risk long term. He favored the Housing Rehabilitation Program to maintain properties in the city. Giving a loan to someone who is already underwater on the loan and owes more on the house than the house is worth is bad banking. He favored a loan for 80 percent or 90 percent of the house value.

6. INTRODUCTION TO THE HUMPHREY INSTITUTE COMMUNITY ECONOMIC DEVELOPMENT CAPSTONE PROJECT

Wischnack reported.

In response to St. Peter's question, Wischnack stated that the project would be consistent with the distance in the Hay Dobbs study. It is a difficult area to know where to start and stop. There are some redevelopment opportunities north on Shady Oak Road. Staff provided drawings and information to help inform them. The report will focus on the quarter mile around the light-rail station.

Wischnack stated that the city is getting closer to creating the street reconstruction plans which are tentatively scheduled to begin in 2014.

St. Peter asked how many commissioners are aware that the boundary between Minnetonka and Hopkins runs closer to 17th and not Shady Oak Road. Smith just realized that. He assumed the boundary was Shady Oak Road.

Wischnack pointed out the development area.

Coughlin asked what impact the freight issues would have on the start of the light-rail project. Wischnack replied that the freight-rail issue is huge, and is a difficult issue for the City of St. Louis Park. She did not want to speculate on how it might impact the timing. St. Louis Park is collecting neighborhood input. Wischnack noted that the bigger issue is the entire funding and what may or may not happen on the federal level. She may have more information next month on the light-rail corridor. Entities are continuing with the planning and meetings for light rail.

7. STAFF REPORT

Durbin reported on issues including:

- The transit study is continuing to move forward and the final recommendation is being drafted.
- Minnetonka Open to Business Program shows promising statistics. There have been 50 client interactions since the beginning on 2011. There are 24 active clients, 12 start-up businesses and 12 existing businesses. There have been 18 face-to-face meetings at city hall. One loan application has been submitted.
- Durbin attended a Freight Flows Workshop sponsored by MNDOT and the Metropolitan Council to help facilitate freight planning.

Durbin reported:

- This Sunday is the West Metro Home Remodeling Fair. Admittance is free.
- The next EDAC meeting is March 24, 2011.
- The next Sensible Land Use program is March 30, 2011. It will discuss street design including, trails, bike lanes, storm water, and aesthetics.

Wischnack provided a brief summary of the last Sensible Land Use Program. There was a discussion between a developer, a city representative, and a financial consultant. A representative from Oakdale discussed the city purchasing a mall and making a deal with a developer to make it work for both parties. She will send the slides to commissioners. St. Peter found the discussion on how the old models of financing are no longer available and it will take a while for things to recover interesting. He asked if the tape would be available. Wischnack could purchase it for \$10.

8. OTHER BUSINESS

The next regular EDAC meeting was announced as March 24.

9. ADJOURNMENT

Happe moved, Isaacson seconded, a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:25 p.m.