

AGENDA
CITY OF MINNETONKA
ECONOMIC DEVELOPMENT ADVISORY COMMISSION

Thursday, June 23, 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 May 26, 2011 EDAC Minutes

BUSINESS ITEMS

4. Cedar Ridge Condominiums Housing Improvement Area request

Recommendation: Recommend the city council approve an ordinance establishing a Housing Improvement Area and enter into a development agreement for Cedar Ridge Condominiums

5. 2012 Preliminary Budget Review of Livable Communities Account, Development Account, CDBG, and HRA Levy

Recommendation: Review the 2012 budget information and provide feedback.

6. Staff Report

7. Other Business

•The next regular EDAC meeting is **Thursday, July 28 at 6:00 p.m.**

8. Adjourn

If you have questions about any of the agenda items, please contact:

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

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

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

**May 26, 2011
6:00 P.M.**

1. CALL TO ORDER

President St. Peter called the meeting to order at 6:10 p.m.

2. ROLL CALL

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

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

City council liaison present: Tony Wagner.

3. APPROVE APRIL 28, 2011 MEETING MINUTES

Bjorgo moved, Isaacson seconded a motion to approve the April 28, 2011 meeting minutes. Aanenson, Bjorgo, Isaacson, Smith, and St. Peter voted yes. Happe was absent. Coughlin abstained. Motion passed.

BUSINESS ITEMS

4. HILLSIDE MEMORY CARE

The applicant requested this item be postponed until the June EDAC.

5. CEDAR RIDGE CONDOMINIUMS HOUSING IMPROVEMENT AREA (HIA)

Durbin gave the staff report.

Wischnack invited questions regarding affordability, price range, and any other statistics.

Durbin noted that the president of the homeowner's association, Marshall Walker, was present to answer questions.

Aanenson saw the benefit of maintaining the city's housing stock, especially affordable units. Her concern is for residents on fixed incomes. The number of foreclosures and vacancies should be monitored. She asked if a housing inventory study has been done to anticipate the amount of need and how applications would be prioritized. Durbin answered that there had been 7 foreclosures of the 180 units in the last 12 months. Thirty-two units are 2 or more months behind on association dues. Of those 32 units, 9 are in some stage of foreclosure.

Durbin explained how the process to deal with future HIA requests would be handled. A formal process would be drafted and reviewed by the EDAC. Staff would meet with applicants and finance all requests at one time.

Smith asked for the amount of the current association dues per month and when the dues are ultimately due. Durbin explained that the dues associated with an HIA are not paid monthly, they are assessed onto the property's property tax and due in May and October or incorporated into the property's tax escrow process.

Marshall Walker, 10301 Cedar Lake Road, Cedar Ridge Condominiums Homeowner's Association President, applicant, stated that homeowner association dues are based on the square footage of each unit. He has a larger unit and pays \$355 a month. The small, one-bedroom unit association dues are approximately \$290.

Isaacson asked how long he has lived there. Mr. Walker has been a resident for five years and president of the homeowners association for three years.

Isaacson asked if there had been regular increases in the homeowner association fees. Mr. Walker said there has been no increase over the past three years. His dues were \$260 five years ago when he moved in.

Isaacson asked if the impact to the homeowner association fees had been figured out. Mr. Walker answered in the negative. It would be calculated once a specific amount has been determined.

In response to Isaacson's question, Durbin explained that the development agreement would outline the amount and length of the term. Wischnack explained the assessment timeline. It would be 1.5 years until the property owners see the increase. The 15-year loan would cost approximately \$28 per month.

Isaacson asked what would be the source of the funds. Wischnack anticipated some type of inner-fund loan. The Livable Communities Fund is a possibility. It could handle this type of transaction for a 10 year to 15 year period. If the city is to help numerous improvements, then a process would be established to collect

the qualifying applications at one time to determine if the best avenue to take would be to issue debt and pay back the bond over time through assessments.

Isaacson asked if there would be bidding requirements tied to the funding. Wischnack answered in the negative. Last year, the building official visited the site, and agrees with all of the major ticket items needed. Mr. Walker stated research has been done to determine that there should be no more major expenses for the next 10 years. He wants to start another long-term fund to plan for costs 10 years from now and not have to worry about coming up with funds to "put out fires."

Bjorgo confirmed with Wischnack that decks are considered common area.

Bjorgo noted that the financing would benefit the city by utilizing a higher interest rate than it would receive from investments. Issuing a bond would create a new dynamic to be considered however.

In response to Bjorgo's question, Durbin stated that the homeowners association has approximately \$180,000 in reserves for rehabilitation.

Coughlin asked what amount of the \$675,000 would be for state/local compliance. Durbin responded \$252,000.

Smith encouraged the homeowners association to structure its spending to make the residences self-sustaining from an improvement stand point. Smith asked if a study has been completed to determine the amount needed to provide for a long-term improvement reserve fund. Mr. Walker stated that has not been done yet. He has been concentrating on the immediate need, but wants to work on getting one established with the board members. Planning now would make things easier in the future. He did not anticipate it to be a large sum for the individual homeowners.

Smith worried that residents on fixed incomes would have difficulty and the structure would create unsustainability with the HOA dues being the same amount or higher than the monthly payment for residences valued at \$100,000. Mr. Walker said that money is being put into a reserve right now. Mr. Smith asked at what percent. Mr. Walker stated approximately \$5,000 per month. Mr. Smith asked how much that is per unit. St. Peter estimated a little over \$30 per unit. Smith noted that residents would pay for the assessment and a future reserve for 10 years to 15 years. It looked scary.

Mr. Walker did not anticipate any more large expenses for the next 10 years. The reserve would be for projects in the future so there would be no need for an increase in the future. He planned on ventilating and insulating better to save on heating costs in the future. The high-efficiency boilers would save residents

money versus the 25-year old units that are there currently. He anticipated savings to assist saving money.

Smith asked if costs associated with issuing a bond would be passed on to the units. Wischnack answered affirmatively.

Smith asked if the improvements would cause an increase in the property value. Durbin did not foresee a large increase because the improvements would be for repair and maintenance.

Bjorgo asked if the homeowners are aware of the potential financial impact. Mr. Walker stated that three meetings open to all residents were held. An information packet has also been sent to residents. There was a pretty good turnout at the meetings. At the end of the meeting, residents understood the situation and were comfortable with the association's actions.

Bjorgo asked if homeowners commented on the increase in monthly cost. Mr. Walker said that concerns were expressed, but the association has had assessments in the past and this project has gone smoother and easier than previous ones. Thorough research and planning for the future was presented at the association meetings.

Bjorgo questioned if foreclosed properties are now occupied. Mr. Walker said that some are not occupied. The improvement to the residences would help sell the properties as well.

Wischnack clarified that "assessment" refers to a tax assessment paid twice a year rather than monthly. Monthly charges paid by residents and set by the homeowner's association is an "association fee".

Isaacson asked if the residents know that there would be a \$30 to \$50 increase in the monthly association fee. Mr. Walker answered affirmatively.

Smith understood that property taxes are paid twice a year, but some mortgage companies require property owners to escrow the funds and pay the taxes each month included with the mortgage. Wischnack understood. The city would receive the property taxes twice a year.

Smith asked if the city would get involved with the homeowner association's long-range plan. Wischnack said that the associations learn a lot when going through a process like this. New legislation has been proposed that makes associations do this type of process for capital improvement planning. She understood the point that there is a need for a better handle to be kept on future improvements.

Aanenson noted the goals of stabilizing the building to help attract new owners; establishing the amount of the increase; and creating a long-term plan.

Wagner did not want the city to become a banking institution. There needs to be cost recovery for staff time. The city council would be receptive to the idea that the improvements would be a necessity to keep the housing stock up.

Coughlin asked what mechanism would be used to roll the proposal into the financing plan. Wagner left that for staff to determine. His assumption would be that if there is no transaction cost for doing it, then it would become easier than bank financing and the city would need to roll some kind of a fee into the finance cost.

Wischnack noted that there is a fee and staff administration time on a conduit debt financing deal that the city reviews. A similar situation could be created.

St. Peter shared the thought that this is one of those difficult projects where the property has lost a significant amount of value over the last decade. The structure suffered severe water damage. Maintenance has been deferred to emergency repairs. The city needs to understand that it is the lender in this situation. He asked how many units are valued lower than the amount of the mortgage. Mr. Walker did not have that information.

St. Peter asked what would be the city's recourse if the special assessments and property taxes would not be paid. Wischnack explained that if a resident would be foreclosed upon by a mortgage company or the association, then the taxes, at some point, would be paid when a new owner purchases the residence. The city would not be in a loan position. It is similar to a special service district.

St. Peter favored establishing threshold requirements or long-term planning and assessments. Community Associates Institute (CAI) provides guidelines for associations. It recommends a 20-year capital improvement budget. It was a difficult process and initially caused dissension in the association board St. Peter was a member of in the 1970s, but eventually a solid association was formed with good long-term reserves and successful completion of replacing the roofs of 300 units. He recommended that staff discuss with the applicant the benefits of adhering to long-term planning. He recommended having an outside consultant review the long-term planning every 2, 3 or 4 years. The cost of the review would be part of the costs of the association.

Wischnack noted that the association has been working with a management company, Gene Sullivan, to prepare the documents and financial management. He was unable to attend the meeting, and may be able to attend a future meeting to walk through the financial issues and long-term management. St. Peter recommended applying the CAI standards. Mr. Walker stated that a reserve study is done every 5 years. St. Peter explained that CAI standards call for a 20-year plan that is updated every 3 to 5 years. Mr. Walker confirmed the association's plan covers 20 years with reviews every 5 years. The association

was not assessing for reserves previously, but intends to now. The elevators and garage-floor drains wipe out the existing funds. St. Peter suggested requiring a 5-year plan that would show where the association is at with accruing the appropriate level assessment to meet the 5-year plan.

Isaacson asked how many current condo units are rented and owner occupied. Wischnack noted that the mean price last year was \$60,000 and \$106,000 in 2002. Three units have been purchased this year, 5 in 2010, and 6 in 2009.

Isaacson asked if the association rules allow a condo owner to rent their unit. Mr. Walker answered that the rules do not prohibit a condo owner from renting their unit. Anything that would happen to the unit would be the owner's responsibility. Durbin explained that 50 of the units are currently rented. Mr. Walker said that none of the rental properties are behind in payments. The owner-occupied condos look considerably more modern than the rentals.

Wischnack noted the commission's concern with the association's cash management and future maintenance issues and how the association would afford them. Concern with the amount of rental units would be considered and the cost of the rent would be researched. Durbin noted the commission's concern with updating the long-term plan, recouping city staff time, and condition of the adjacent rental units and the rates associated with them. Wischnack heard a luke-warm reception for the proposal.

Aanenson noted items to research include the long-term policy, how many units are being rented, and criteria to go forward with multiple proposals.

Isaacson reinforced his concern with the homeowners who are renting their properties to third properties. There is no incentive to maintain an adequate level of reserve. He was confident there was a distinct rental market advantage at the current prices.

St. Peter noted a question to be discussed with the city attorney is to see whether there a two-tiered special assessment could be made differentiating renters from owner-occupied units. Wischnack will research what other cities have done in that situation. The EDAC will review the item again before the city council takes action.

St. Peter heard a "qualified yes" from commissioners for this situation, but will not be an across the board determination for other similar applications. Commissioners are ready to take the next step.

Smith echoed Wagner's concern regarding the city acting as a bank and looking at the project holistically and looking at the city's townhome and condominium stock.

6. STAFF REPORT

Wischnack and Durbin reported on items including:

- Light rail is waiting for preliminary engineering approval.
- Community Works has meetings starting next week to discuss RFPs to perform transportation access infrastructure studies. Some of the stations have complications with getting in and out of the station itself.
- Construction of Highway 169 is moving ahead. Communication has been working very well.
- The new housing programs will roll out June 8, 2011. It will be advertised in the *Minnetonka Memo*. "Minnetonka Home Enhancement" is the new housing rehabilitation program. "Welcome to Minnetonka Program" is the down payment and closing costs assistance program. Also advertised will be the emergency repair program which is funded by Community Development Block Grant (CDBG) funds. All three programs will have a preapplication process to determine which program would best fit the needs of the applicant. Wagner suggested taking an active role marketing the programs sooner rather than later because the budget process begins in September. City council will be looking for benchmarks associated with demand for the programs.
- The first "Test Drive Your Idea" walk-in session was held May 9, 2011. Four consultations occurred. The program will be held the second Monday of every month.
- Staff anticipated a 16 percent decrease in the amount of CDBG funds received this year from the previous year which would equal approximately \$170,000. There has been talk of cutting the program in half or cutting the program all together. Staff will monitor the situation.

7. OTHER BUSINESS

The next EDAC meeting will be June 23, 2011. The initial budget will be reviewed.

8. ADJOURNMENT

Coughlin moved, Isaacson seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:20 p.m.

**EDAC Agenda Item #4
Meeting of June 23, 2011**

Brief Description: Cedar Ridge Condominiums Housing Improvement Area request

Recommended Action: Recommend the city council approve an ordinance establishing a Housing Improvement Area and enter into a development agreement for Cedar Ridge Condominiums

Background

At the May 23 EDAC meeting, Commissioners provided feedback on a request from Cedar Ridge Condominiums for the establishment of a Housing Improvement Area (HIA). The purpose of the HIA request is to help finance rehabilitation on the common areas of their condominium buildings, including:

Project	Work to be done	Estimated costs
Hot Water Boilers	One boiler replaced in 2009, there are two boilers left to be replaced	\$30,000
Decks	40% of decks previously replaced. Remaining 60% to be replaced.	\$75,000
Elevators	State code compliance is required by 2012 for replacement of certain components deemed unsafe	\$210,000
Roofs	Total replacement of all three roofs	\$240,000
Garage Floors	Seal the garage floors in all three buildings	\$77,000
Garage Floor Drains	Required by the city to redirect due to Inflow and Infiltration requirements	\$42,000
TOTAL:		\$674,000

May 23 meeting follow up

The EDAC had a series of questions for follow up to the Cedar Ridge request. These questions and follow up responses are listed below. Additional information from New Concepts Management (the management company for Cedar Ridge) is attached on pages A1-A2.

How much will an assessment cost, on average, a typical resident?

The rate and length of a HIA assessment has yet to be substantially discussed with the association; however, it could range from a 10 year assessment at approximately 3.75% to a 20 year assessment at approximately 5.00%. The association has expressed

interest in a 15 year, 4.50% interest assessment. Given these ranges, the assessment, on average will cost the typical resident the following:

- 10 year assessment at 3.75%=\$37.46 per month (\$449.52 annually)
- 15 year assessment at 4.50%=\$28.64 per month (\$343.68 annually)
- 20 year assessment at 5.00%=\$24.71 per month (\$296.52 annually)

Because an HIA is an assessment added to the property taxes, the owners would see impacts when paying their semi-annual property tax statements (this is unless they are have money for their property taxes escrowed through their mortgage, at which time they would see impacts on their monthly statement).

What outreach has been done with Cedar Ridge owners regarding this HIA request?

There have been four presentations to residents, with over 60% of Cedar Ridge owners attending at least one of these meetings. Information from these meetings was also mailed to all owners.

What happens if an owner does not pay their HIA assessment?

The HIA is an assessment added to the property taxes; therefore, a default will occur when the owner is not paying their property taxes. All delinquent property taxes, including an HIA assessment, are due at the time of sale of the unit.

Information/clarity on the number of renters/foreclosures/properties under water

- Currently, 50 of the units (29%) are rentals. On average 15 to 20% are rentals.
- 32 units (18%) are delinquent on homeowner's association dues.
- 9 units are in some stage of foreclosure. Eight of the units are in foreclosure because the mortgage has not been paid, and 1 unit is being foreclosed upon by the association.

Has Cedar Ridge developed a long range replacement schedule?

Yes, Cedar Ridge has developed a long range replacement schedule. Their 30 year plan can be found on pages A3-A5.

How much will homeowner's association dues likely increase in order to fund a reserve fund that can finance the long range replacement schedule that has been development?

Based upon their long range replacement schedule and the potential timing of the assessment associated with the HIA, homeowners association dues are likely not to be increased at this time. See page A3 for a detailed explanation of how they anticipate an HIA to work in coordination with their dues.

Cedar Ridge Condominiums management company

Cedar Ridge Condominiums has employed New Concept Management as their association management company. Gene Sullivan, President and CEO of New Concepts, is directly assisting Cedar Ridge. Mr. Sullivan has more than 25 years in property management, and also sits on the board of directors for the Community Association Institute of Minnesota.

Timeline

The following is a revised timeline for the Cedar Ridge HIA request:

- May 26—EDAC review of HIA financing for Cedar Ridge
- June 23—EDAC review and recommendation of HIA financing for Cedar Ridge
- June 30—Cedar Ridge to submit petition for HIA to city (at least 40% of residents have already signed the petition)
- July 11—Introduce ordinance to City Council
- July 19—Public hearing notice published in paper
- July 21—All condo owners must be directly notified via mail of the public hearing
- August 1—City council acts on ordinance and a development agreement

Based upon this revised timeline, if the council adopts the ordinance, and if all of the necessary steps concerning the ordinance and development agreement execution take place immediately after August 1, then work on the projects may begin in the fall.

The improvements will likely be financed internally from the city, but then will be specially assessed to the condominium owners in 2012, with payments due beginning in 2013 on the individual property taxes.

Recommendation

Based upon the EDAC's previous discussion and the new information provided, staff recommends the EDAC recommend the city council approve an ordinance establishing a Housing Improvement Area and enter into a development agreement for Cedar Ridge Condominiums once a petition for the HIA is received from the homeowners association.

While the association's reserves are the preferred method for financing, the Cedar Ridge Condominiums is the city's oldest condominium and one of the city's most affordable owner-occupied housing options with assessed market values ranging from \$74,400 to \$81,300. Many of the residents are on fixed incomes and cannot afford a large assessment at once of their association dues in order to address the issues noted above—some of which are code related items that have been mandated to be fixed.

Additionally, the association has done a long range replacement that outlines when ongoing repair and maintenance will likely have to occur and approximately how much it will cost. This will now guide the association into the future and help them better plan for and finance these future repairs so that a request of this nature is not necessary again in the future.

There will likely be more of these requests as the city's townhouse and condominium stock continue to age. Page A6 provides a list of the city's 4,461 townhouse and condominiums units, their age, and number of units. In summary, by construction year,

Pre-1970: 180 units (4%)
1970-1979: 1,217 units (27%)
1980-1989: 1,914 units (43%)
1990-1999: 649 units (15%)
2000 and later: 501 units (11%)

The average age of townhouses in Minnetonka is 21 years and the average age of condominiums is 25 years—time when major repairs are coming due. Additionally, there is legislation at the state discussed previously that would require associations to address replacement reserves and maintenance of common areas, which may further add to the number of requests for a HIA. Therefore, staff is researching and discussing more predictable process for any association that petitions for a HIA. The process would establish a time period, annually, where the city would accept applications for HIA's and then consider how they will be financed. Once a process has been developed, it will be brought back for EDAC review.

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Elise Durbin, AICP, Community Development Supervisor

June 16, 2011

Julie Wischnack, Community Development Director
City of Minnetonka
14600 Minnetonka Blvd.
Minnetonka, MN 55345

Re: Consideration of the Cedar Ridge Condominiums as an HIA.

Dear Ms. Wischnack,

I understand from the last meeting with the EDAC that there were several questions which needed to be answered prior to their recommendation of this project to the City Council.

The first question **“How much money is Cedar Ridge likely to increase the monthly dues in order to get healthy reserves that will be self-sustaining?”**

I have included an updated capital replacement reserve schedule for your review. Because the major cost items are all being addressed now with this loan, it allows the association to use a “re-set button” so to speak, allowing them to begin to accrue for these items slowly over the needed next 25-30 years, instead of needing an immediate special assessments now of between \$4,600 - \$5,700 per homeowner for these projects.

If we are correct with our timing, approval for this loan would take place sometime in August of 2011 at the earliest. If we received the loan this year work would begin immediately. Because of how homeowner’s are taxed, this special assessment would begin in 2012. If taxes are paid in arrears, then the homeowners at Cedar Ridge would begin to see this tax increase in 2013. In that year, the board of directors at Cedar Ridge is prepared to make that first year payment out of the association’s reserve funds on behalf of all homeowners. This would allow all homeowners to ease into this increase over the next several years from 2011 to 2014.

Secondly, it is our belief that the association has had to pay approximately \$25,000.00 in additional “patch” repairs over the last several years due to trying to get by. Once again, with these items being addressed fully with this loan, the association would also have more money freed up in order to put away for future reserves.

According to our updated reserve schedule, the association is in a much better financial position to take care of their other obligations without going into the red, and able to save more money for their future obligations as well.

Secondly it was asked **“What outreach has been done in order to let the homeowners know about this HIA?”**

As the managing agent for the association, we have put together no less than 4 power point presentations at various times in order to encourage homeowners to attend. We saw over 60% of all homeowners in attendance at those meetings face to face. In addition, we also placed the information in this power point presentation in written form and mailed a copy to all homeowners. Over the last two months they have also been encouraged to call our office with further questions, or in requests for further information.

We are happy to report that to date we have the signatures of close to 40% of all Cedar Ridge Homeowners requesting consideration of their association as an HIA. That number continues to grow daily.

Lastly you asked **“Can you give more clarity about the long range replacement schedule for Cedar Ridge?”**

I have also attached an updated 30 year plan.

I hope this helps in answering those questions. I look forward to being present at the next meeting of the EDAC on the 23rd of this month.

In the mean time, if there is any other information needed by the association, please do not hesitate in contacting me at by phone 952-259-1202 or by e-mail gene@ncmgi.com.

Sincerely,

NEW CONCEPTS MANAGEMENT

Gene Sullivan

President

CC: The Cedar Ridge Condominium Board of Directors

CEDAR RIDGE CONDOMINIUM ASSOCIATION
Fiscal Year January-December
RESERVE CASH FLOW

Revision 08/27/10

RESERVE FUNDS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Beginning Balance	\$ 247,960	\$ 332,780	\$ 255,442	\$ 177,622	\$ 167,922	\$ 221,702	\$ 230,782	\$ 181,729	\$ 228,509	\$ 268,289	\$ 308,269
Contributions	156,795	27,662	42,000	48,300	55,600	25,000	55,600	55,600	55,600	55,600	66,000
Total Available	404,755	360,442	297,442	225,922	223,522	246,702	286,382	237,329	284,109	323,889	374,269
Expenses	71,975	105,000	119,820	58,000	1,820	15,920	104,653	8,820	15,820	15,620	40,220
Ending Balance	332,780	255,442	177,622	167,922	221,702	230,782	181,729	228,509	268,289	308,269	334,049
EXPENSES	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interior Decorating (Wall / Floor)											
Hot Water Boiler/Burners			15,000								
Domestic Water Tank						3,000					
Exhaust Fan(Garage)						3,000					
Makeup Air Unit							7,000	7,000	7,000		
Decks	38,000	45,000	45,000	45,000							
Elevator (3)											
Water Softeners (6)									7,000	7,000	7,000
Roof (Shingled & Flat)											
Gutter/Downspout			19,500								
Courtyard Drainage Project			20,000								
Cement (Steps/Patios)			7,500				15,000				13,600
Garage Floor - Seal											
Asphalt Replacement											
Seal Coating	-		11,000				11,000				11,000
Lighting(Courtyard & Street)	28,135		-			2,500	2,500				
Garage Door & Motors						5,600	5,600				
Pool Plumbing				13,000							
Pool Heater/Pumps/Filters										6,800	6,800
Loan Contribution							61,733				
3% Contingency	5,840	60,000	1,820		1,820	1,820	1,820	1,820	1,820	1,820	1,820
Total Expenses	\$ 71,975	\$ 105,000	\$ 119,820	\$ 58,000	\$ 1,820	\$ 15,920	\$ 104,653	\$ 8,820	\$ 15,820	\$ 15,620	\$ 40,220

CEDAR RIDGE CONDOMINIUM ASSOCIATION

Fiscal Year January-December

RESERVE CASH FLOW

Page 2

Revision 08/27/10

RESERVE FUNDS	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Beginning Balance	\$ 334,049	\$ 384,629	\$ 435,209	\$ 493,389	\$ 540,569	\$ 569,049	\$ 579,229	\$ 589,409	\$ 588,589	\$ 653,169	\$ 729,749
Contributions	66,000	66,000	66,000	66,000	72,000	72,000	72,000	72,000	72,000	84,000	84,000
Total Available	400,049	450,629	501,209	559,389	612,569	641,049	651,229	661,409	660,589	737,169	813,749
Expenses	15,420	15,420	7,820	18,820	43,520	61,820	61,820	72,820	7,420	7,420	7,420
Ending Balance	384,629	435,209	493,389	540,569	569,049	579,229	589,409	588,589	653,169	729,749	806,329
EXPENSES	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Interior Decorating (Wall / Floor)						60,000	60,000	60,000			
Hot Water Boiler/Burners											
Domestic Water Tank			3,000	3,000	3,000						
Exhaust Fan(Garage)			3,000	3,000	3,000						
Makeup Air Unit											
Decks											
Elevator (3)											
Water Softeners (6)					8,000						
Roof (Shingled & Flat)											
Gutter/Downspout											
Courtyard Drainage Project											
Cement (Steps/ Patios)	13,600	13,600									
Garage Floor - Seal											
Asphalt Replacement					27,700						
Seal Coating				11,000				11,000			
Lighting(Courtyard & Street)											
Garage Door & Motors									5,600	5,600	5,600
Pool Plumbing											
Pool Heater/Pumps/Filters											
Loan Contribution											
3% Contingency	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820
Total Expenses	\$ 15,420	\$ 15,420	\$ 7,820	\$ 18,820	\$ 43,520	\$ 61,820	\$ 61,820	\$ 72,820	\$ 7,420	\$ 7,420	\$ 7,420

CEDAR RIDGE CONDOMINIUM ASSOCIATION
Fiscal Year January-December
RESERVE CASH FLOW

Page 3

Revision 08/27/10

RESERVE FUNDS	2029	2030	2031	2032	2033	2034	2035	2036	2037
Beginning Balance	\$ 806,329	\$ 877,509	\$ 953,689	\$ 1,023,069	\$ 1,104,449	\$ 1,187,629	\$ 1,281,809	\$ 1,373,489	\$ 1,465,169
Contributions	84,000	84,000	84,000	96,000	96,000	96,000	96,000	96,000	96,000
Total Available	890,329	961,509	1,037,689	1,119,069	1,200,449	1,283,629	1,377,809	1,469,489	1,561,169
Expenses	12,820	7,820	14,620	14,620	12,820	1,820	4,320	4,320	95,320
	877,509	953,689	1,023,069	1,104,449	1,187,629	1,281,809	1,373,489	1,465,169	1,465,849
EXPENSES	2029	2030	2031	2032	2033	2034	2035	2036	2037
Interior Decorating (Wall / Floor)									
Hot Water Boiler/Burners									
Domestic Water Tank		3,000	3,000	3,000					
Exhaust Fan(Garage)		3,000	3,000	3,000					
Makeup Air Unit									
Decks									
Elevator (3)									
Water Softeners (6)									
Roof (Shingled & Flat)									80,000
Gutter/Downspout									
Courtyard Drainage Project									
Cement (Steps/ Patios)									
Garage Floor - Seal									
Asphalt Replacement									
Seal Coating	11,000				11,000				11,000
Lighting(Courtyard & Street)							2,500	2,500	2,500
Garage Door & Motors									
Pool Plumbing									
Pool Heater/Pumps/Filters			6,800	6,800					
Loan Contribution									
3% Contingency	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820
Total Expenses	\$ 12,820	\$ 7,820	\$ 14,620	\$ 14,620	\$ 12,820	\$ 1,820	\$ 4,320	\$ 4,320	\$ 95,320

Minnetonka condominiums and townhouses

Name of Condo/Townhouse	Address/Streets	# of Units	Year Built
Cedar Ridge Condos	10211, 10301, 10311 Cedar Lake Road	180	1969
Seven Oaks Condos	3412 Oak Ridge Road	59	1971
Country Villa Townhouses	Minnetonka Mills Road	19	1972
Townhouses of Shady Oak	Abbott La/Ct/Pl, Carter La	74	1972
Breconwood Townhouses	Tioga, Breconwood, Brigham, Comstock	88	1975
Greenbrier Village Condos	Cedar Lake Road	462	1975
Preston Trails Townhouses	Country La, Cimarron, Wildwood, Lonsdale	108	1976
Clearspring Townhouses	Spring Circle	54	1978
Beachside Townhouses	Beachside Drive	168	1979
Saddlewood	Laramie, Redwood, Aspenwood, Saddlewood	56	1979
St. Albans Mill Road Condos	St. Albans Mill Road	129	1979
Donnay's Creek View Hills (Townhouses)	Creek View Ridge/Trail	48	1980
Pepperwood Townhouses	Pepperwood Cir/Trail	32	1980
Beachside 2 Townhouses	Sanibel Drive, Pompano Dr., Bmini Drive	410	1981
Huntington Woods (Townhouses)	Rowland Road	17	1981
Glen Lake Shores Condos	Stewart Lane	30	1982
The Ponds at Greenbrier Condos	Greenbrier Road	130	1982
5607 Green Circle Drive Condos	5607 Green Circle Drive	72	1983
5627 Green Circle Drive Condos	5627 Green Circle Drive	72	1983
5643 Green Circle Drive Condos	5643 Green Circle Drive	48	1983
5645 Green Circle Drive Condos	5645 Green Circle Drive	48	1983
5697 Green Circle Drive Condos	5697 Green Circle Drive	72	1983
Arrowhead	Arrowhead Trail/Arrowhead Court	17	1983
Woodbine Condos	12700 Sherwood Place	45	1983
Creek View Hills Townhouses	Covington Ter/Path, Creeks Bend Drive	96	1984
Manchester Place Condos	Sussex Drive	16	1984
Minnetonka Woods Townhouses	Bayswater Drive, West End	18	1984
Sherwood Place Condos	Sherwood Place	36	1984
Southridge Townhouses	Southridge Court	18	1984
The Atrium Condos	Atrium Way	83	1984
West Oaks of Minnetonka Condos	Oakton Drive	33	1984
Vista Townhouses	Vista Drive	25	1986
Cherry Hill Townhouses	Clear View Lane, Ter, Court	58	1987
Creek Bend Condos	Creeks Bend Drive	28	1987
Lakewood Townhouses	Stewart Lane	12	1987
Windmill Ridge	Minnetonka Boulevard	22	1987
Brenwood Condos	6085 Rowland Road	36	1988
Lake Forest Condos	Rowland Road	22	1988
Sherwood Court Townhouses	Sherwood Court	42	1988
Vista Woods Townhouses	Bren Road	12	1988
West Oaks Townhouses	Oakton Ridge	20	1988
Chasewood	Chasewood Parkway	188	1989
Lake Forest Townhouses	Butternut Circle, Silver Maple Circle	84	1989
Woodhill Townhomes	Sherwood Lane	24	1989
Manchester Village Townhouses	Sussex Drive/Sussex Place	51	1990
Carlisle Place Townhouses	West End, Sandy La, Bayswater, Carlisle	64	1991
Cherry Creek Townhouses	Apple Tree, Cherry Tree, Lime Tree, Peach Tree	32	1991
Stoney Bridge Townhouses	Stoney Bridge Court	21	1991
Autumnwood Villas	Autumnwood Lane/Autumnwood Drive	56	1992
Waters Edge (Townhouses)	Waters Edge Drive	17	1992
Ashcroft of Minnetonka	Ashcroft Rd/Ter/Pl/Circle	44	1993
Brenwood Townhouses	Bren Circle	22	1994
Creekview Townhouses	Creek Line Drive	28	1994
Breconwood II Townhouses	Breconwood Circle	18	1995
Brenwood 2 Condos	5958 Rowland Road	36	1995
Gables of West Ridge (Townhouses)	Fairfield Rd/Way/Spur/Cir	124	1995
Greenbrier Villas	Cove Drive	30	1995
Bayhill Condos	Fairfield Road	68	1996
Wyndham Hill Townhouses	Wyndham Hill Drive	14	1998
Boulder Creek Townhouses	Town Line Road	13	1999
Somerset Ridge	Foxhall Road	11	1999
Cedar Green (Townhouses)	Cedar Green	17	2000
Enclave (Townhouses)	Enclave Drive	11	2000
Ridgebury Townhouses	Willoughby Way E/W	167	2000
Windpoint Villas (Condos)	12811 Sherwood Place	12	2000
Clarion Hills (Townhouses)	Clarion Circle, Clarion Way	39	2001
Big Willow Townhouses	Minnetonka Boulevard	4	2004
Cloud 9 Condos	Smetana Drive	164	2005
Lakeside Estates	Glen Lake Drive	13	2005
The Sanctuary (Townhouses)	Sanctuary Drive	23	2005
Wyldewood Condos	408 Parkers Lake Road	39	2005
Deephaven Cove (Townhouses)	Valley Cove Court	12	2006

**EDAC Agenda Item #5
Meeting of June 23, 2011**

Brief Description: 2012 Preliminary Budget Review of Livable Communities Account, Development Account, CDBG, and HRA Levy

Recommended Action: Review the 2012 budget information and provide feedback

Background on Livable Communities and Development Accounts

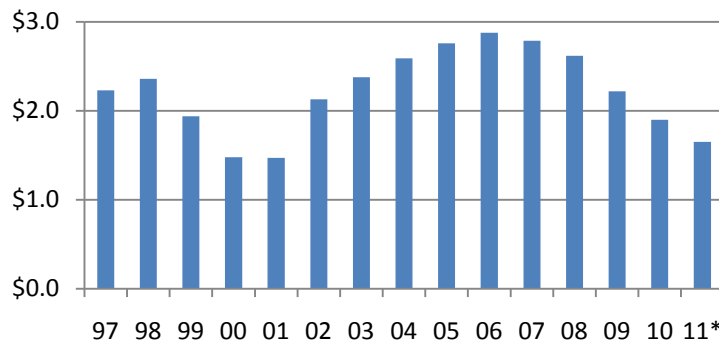
Since the 1990's, Minnetonka has maintained a development fund and a livable communities fund to help channel resources to redevelopment/economic development projects and to affordable housing initiatives. The approved 2011 budget pages for each account are attached on pages A1-A2.

Livable Communities Account

This account was established in 1997 by special legislation allowing Minnetonka to retain funds remaining after early decertification of the Ridgepointe-Cliffs housing TIF district. The special legislation was approved with the provision that the money only be used for housing activities and directly-related public improvements. Examples of recent projects funded by the Livable Communities account include:

- Homes Within Reach (WHAHLT)—Annual contributions to write-down their net cost of purchasing homes in Minnetonka
- Cedar Pointe Townhomes—A quarterly payment is made to off-set part of the rents to subsidize nine units
- Crown Ridge and Minnetonka Heights—Contributions for support programs
- Other—Used as a pass through for certain Hennepin County Transit Oriented Development (TOD) funds for The Sanctuary and Deephaven Cove.

**Livable Communities Fund Balance
(millions)**

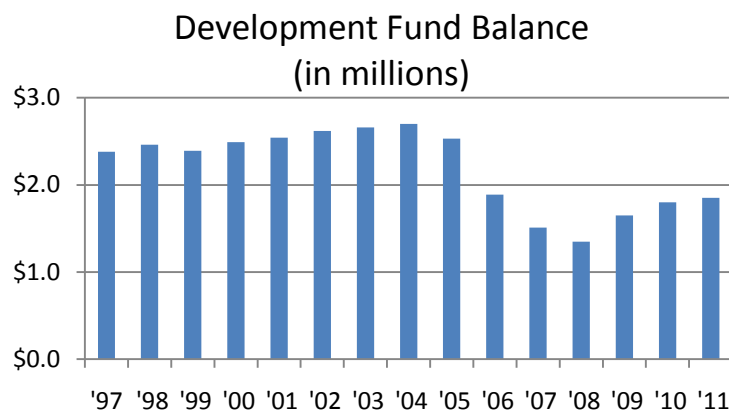


*2011 is a projected balance. Decrease shown due to expenditures related to Homes Within Reach that have already been committed.

Development Account

The development account was established in 1993. Funds remaining after the early retirement of bonds issued for the original Glen Lake and Carlson Center projects provided the initial source of the development account funds. Unlike the Livable Communities account, the development account has more flexibility for usage in redevelopment and economic development projects. Recent projects include:

- **Redevelopment Projects**—This includes costs for projects such as Glen Lake and Minnetonka Boulevard/County Road 101. Some of the Glen Lake costs will be reimbursed with TIF proceeds.
- **Economic Development Projects**—Used as a pass through for funds from the Department of Employment and Economic Development (DEED) for Minnesota Investment Fund projects such as Cargill-Dow. The funding for the Minnetonka Open to Business program with the Metropolitan Consortium of Community Developers also came from the development account.



Initially, in 2010, it was anticipated that the grant funding for the Bren Road/Highway 169 interchange would flow through the development account. However, all funding for this project will flow through the funds associated with road construction, and not the development account.

Additionally, the development account is the account for which TIF administration funds flow. For each TIF district, the city is allowed to take up to 10% for costs associated with the administration of the district, and it has been the city's protocol to do so. Activities associated with the administration of the district include staff and consultant time/fees for the set up and the decertification of the district, annual reporting to the state auditor, and any requirements associated with the ongoing monitoring of the district.

Interest Income

The 2011 budget pages shown on pages A1-A2 for the Livable Communities and the Development Accounts provided an estimate on the interest income for 2010 for both accounts. Now that the 2010 end of the year reporting has been completed, the interest income is as follows:

	2010 Revised	2010 Actual
Livable Communities Account	\$52,000	\$18,143
Development Account	\$30,000	\$24,498

Since 2008, the city has seen a continued decrease in the amount of interest income from these two accounts. Previously, the interest income would nearly, if not completely, cover the amount of funds spent from the accounts on a yearly basis; therefore, the account balances would remain fairly steady, if not increase, when this was the case. Now, the interest income is not fully covering the amount of funds being spent from these accounts. Additionally, because there is no other source of revenue, these accounts are not self-sustaining. At the EDAC meeting on June 23, staff will provide a chart showing a future projection of these funds.

Community Development Block Grant (CDBG)

Beginning in 1974, the Community Development Block Grant (CDBG) program, implemented by the U.S. Department of Housing and Urban Development (HUD), provides annual grants, based on a formula, which distributes dollars to cities, counties and states.

CDBG funds provide communities with resources to address a wide range of unique community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. Communities develop their own programs and funding priorities as long as it meets a national objective. The city of Minnetonka's CDBG funds have traditionally gone to public services, two housing rehab programs, and fair housing. In October, the EDAC will review the non-profit funding applications, some of which is funded through CDBG funds.

The CDBG budget adopted as part of the city's 2011 budget is on page A3. The CDBG federal program year is July 1 to June 30, which differs from the city's fiscal year of January 1 to December 31. Because of this, the city's budget only reflects CDBG funds spent during its fiscal year, and therefore does not reflect the true annual CDBG allocation.

There has been much discussion at the federal level regarding the future of CDBG funding. The city's 2011 allocation is approximately 16% lower than the 2010 allocation

and funding decreases of 25 percent or more have been discussed for 2012 and beyond.

HRA Levy Account

The first levy for housing and redevelopment began in 2009. The chart below provides the funding level and uses for the HRA levies over the past three years. Page A4 shows the HRA budget as set out in the city's 2011 budget.

Year	Amount	Use
2009	\$100,000	Homes Within Reach
2010	\$175,000	•Village Center Master Planning (\$75,000) •Housing programs (\$100,000)
2011	\$175,000	•Village Center Master Planning (\$85,000) •Housing programs (\$90,000)

The housing programs (housing rehab and first time homebuyer) funded by HRA levy funds in 2010 and 2011 are now soliciting applications. It was the intention that eventually, because these are loans to be paid back, that the housing programs will become self-sustaining.

The purpose of the master planning process is to provide a guide to potential investors or developers as to the organization of the property, general layout of building envelopes, and a more defined range of uses. There is a strong emphasis on community engagement and realistic implementation strategies. The first village center master planning process, for Highway 7/County Road 101, wrapped up earlier this year. The next two village centers to be studied are Ridgedale and Shady Oak. The Ridgedale village center study will likely take more funds to complete because it is a larger area with more regional impacts, as well as a more complex traffic/roadway system that needs further review. The Shady Oak village center at Shady Oak Road/Excelsior Boulevard is also the site of a future LRT station. Staff is working to determine the scope of this planning process so that it is coordinated with the work that the county and the Metropolitan Council are both doing in preparation for LRT.

To inform the commission of the budgetary impacts of various levy amounts, the table, below, describes the various dollar amounts and the effect on taxation (payable) in 2011. Because the various pieces of data needed for the levy will not be available for a number of months, this information will assist in only discussing the potential levy amounts.

2011 HRA Levy Program Amount	\$175,000
Percent Levied for 2011	.002233%
Annual Cost to a \$292,800 home	\$5.68 per year

Recommendation

The EDAC is asked to provide feedback on the following questions in preparation for the development of the 2012 preliminary budget. EDAC commissioners will be asked to make recommendations on the 2012 budget at a future meeting.

- *Should the current HRA levy amount of \$175,000 be maintained in 2012?*
- *Are there items/projects not currently included in the budget that should be reflected?*

The next steps for the 2012 budget review process are as follows:

July 28—EDAC recommendation to city council on 2012 HRA levy
August 29—City Council study session on preliminary budget
September 12—City Council sets preliminary tax levy (including HRA levy)
October 27—EDAC review and recommendation on non-profit funding
November 21—City Council study session on final budget
December 5—Public hearing on 2012 budget
December 19—City Council adopts final 2012 budget and tax levy
February 2012—City Council public hearing on 2012 CDBG funds

Originated by:

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

LIVABLE COMMUNITIES FUND - Community Development Department

Revenues	2008 Actual	2009 Actual	2010 Budget	2010 Revised	2011 Budget
Redevelopment Payments	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	127,889	23,640	50,000	52,000	55,000
Hennepin County T.O.D. Funds	-	-	-	-	-
Totals	\$ 127,889	\$ 23,640	\$ 50,000	\$ 52,000	\$ 55,000
Expenditures by Category					
Redevelopment Project Planning	\$ 5,244	\$ -	\$ -	\$ -	\$ -
Cedar Point Affordable Housing	27,734	43,308	40,000	40,000	40,000
Mtka Heights / Crown Ridge	16,500	37,500	36,000	36,000	36,000
WHAHLT	317,703	251,806	250,000	250,000	225,000
Legal/Other	112	736	-	-	-
Transfers Out	121,800	-	-	-	-
Totals	\$ 489,093	\$ 333,350	\$ 326,000	\$ 326,000	\$ 301,000
Surplus (Deficiency) of Revenues over Expenditures	(361,204)	(309,710)	(276,000)	(274,000)	(246,000)
Beginning Fund Balance	2,893,496	2,532,292	2,222,582	2,222,582	1,948,582
Ending Fund Balance	\$ 2,532,292	\$ 2,222,582	\$ 1,946,582	\$ 1,948,582	\$ 1,702,582

Description of Services:

The Livable Communities fund was created after receiving special legislation to develop an account from the revenues of a closed Tax Increment Finance (TIF) district. The legislation specifically restricts the use of these funds for affordable housing programs. Standards for affordability are consistent with the Metropolitan Council's income, rent and sales price limits.

Key Measures:	2008 Actual	2009 Actual	2010 Estimated	2011 Projected
Affordable units preserved at Cedar Pointe	9	9	9	9
Total WHAHLT units in Minnetonka	33	37	42	46
Average sales price of WHAHLT unit	\$139,800	\$127,729	\$127,420	\$130,000
Percent of Met Council housing goals achieved	82%	82%	82%	10%
Median value of Minnetonka home	\$322,000	\$309,100	\$272,200	\$275,000
Change from previous year	-1.5%	-4.0%	-12.0%	1.0%

Budget Comments/Issues:

Due to structural imbalance of the fund, the Livable Communities Fund balance is projected to decrease over time. In 2009, the city's Economic Development Authority (EDA) and the Minnetonka city council adopted a Housing & Redevelopment Authority (HRA) levy to potentially supplement this fund for the purposes of increasing affordable housing.

- The total 2011 city budget for WHAHLT is \$225,000.
- A portion of this fund often serves as a pass-through for Metropolitan Council grant revenues to WHAHLT.

Hennepin County Transit Oriented Development (T.O.D.) grant funds in 2007 were used to fill the gap between the city's cost of purchasing the affordable units at The Sanctuary and Deephaven Cove and the sales price paid by WHAHLT.

DEVELOPMENT FUND - Community Development Department

Revenues	2008 Actual	2009 Actual	2010 Budget	2010 Revised	2011 Budget
Interest Income	\$ 67,897	\$ 31,871	\$ 30,000	\$ 30,000	\$ 30,000
Other Grants	231,557	622,832	259,834	-	-
Hennepin County T.O.D. funds	-	343,452	-	-	-
TIF Admin Revenue	161,100	163,667	152,300	152,300	155,000
Sale of HTC House	-	-	405,000	378,923	-
UHG Project Reimbursement	572,400	-	-	-	-
Miscellaneous Income	3,500	-	-	109,500	-
Totals	\$ 1,036,454	\$ 1,161,822	\$ 847,134	\$ 670,723	\$ 185,000
Expenditures by Category					
Personnel Costs	\$ 30,891	\$ 27,266	\$ 30,600	\$ 30,600	\$ 30,200
Redevelopment Projects	910,944	547,553	659,834	190,200	-
Transit Projects/Programs	-	-	-	67,800	-
Economic Development Programs	-	-	20,000	10,500	10,500
Comprehensive Plan Update	(62,655)	-	-	-	-
Other	25,740	-	25,000	-	-
HTC House	15,302	246,136	-	27,000	-
Transfer Out	47,600	52,400	45,600	190,600	55,300
Totals	\$ 967,822	\$ 873,355	\$ 781,034	\$ 516,700	\$ 96,000
Surplus (Deficiency) of Revenues over Expenditures	68,632	288,467	66,100	154,023	89,000
Beginning Fund Balance	1,289,440	1,358,072	1,646,539	1,646,539	1,800,562
Ending Fund Balance	\$ 1,358,072	\$ 1,646,539	\$ 1,712,639	\$ 1,800,562	\$ 1,889,562

Number of Employees (FTEs)	0.20	0.20	0.20	0.20	0.20
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Description of Services:

The Development Fund was created with funds remaining after retiring the bonds of a single Tax Increment Finance (TIF) district in 1993. Under provisions of the TIF contract and law, the Development Fund may only be used for costs associated with Minnetonka's redevelopment and economic development activities. The city's Economic Development Authority initiates projects appropriate to these activities.

Key Measures:

	2008 Actual	2009 Actual	2010 Estimated	2011 Projected
Development/redevelopment projects in progress	1	1	1	1

Budget Comments/Issues:

With no significant ongoing revenue source for the Development Fund, its fund balance is projected to diminish over time. The city's adoption of a Housing & Redevelopment Authority (HRA) levy in 2009 was intending to be a potential source to supplement financing for redevelopment and economic development initiatives.

- City costs and grant funding for public improvements associated with the Glenhaven Tax Increment Finance (TIF) District have flowed through the Development Fund since 2005. A portion of the proceeds generated by the TIF district over time will be apportioned to the fund to reimburse the city for these costs. The city received \$29,500 of these proceeds in 2010. Also in 2010, the Development Fund financed \$55,000 of the Glen Lake Station renovation project, while the remainder was financed by the Park Dedication Fund.
- An additional approximately \$80,000 in 2010 miscellaneous revenue is associated with reimbursement to the city of funds previously invested in the recently dissolved Twin Cities Community Development Fund.
- 2010 costs for redevelopment projects include \$135,200 for environmental clean-up of the BMW site, which was paid with state grant funding received and deposited in the Development Fund in 2009.
- Costs for economic development programs are to prepare property for development. 2010 funds were used to analyze TIF projects, tax abatement, design assistance and geotechnical data gathering.
- Personnel costs are an allocated portion of the community development director's salary.
- \$145,000 of proceeds from the sale of the Hennepin Technical College (HTC) constructed home was transferred to the Park Dedication Fund.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - Community Development Dept.

Revenues	2008 Actual	2009 Actual	2010 Budget	2010 Revised	2011 Budget
Federal Grant	\$ 262,255	\$ 191,164	\$ 169,866	\$ 227,366	\$ 180,000
Program Income	39,760	25,000	20,000	10,000	10,000
Transfers In	121,800	-	-	-	-
Totals	\$ 423,815	\$ 216,164	\$ 189,866	\$ 237,366	\$ 190,000
Expenditures by Category					
Housing Rehabilitation	\$ 359,293	\$ 191,338	\$ 150,000	\$ 200,000	\$ 180,000
Support Services	34,078	-	28,000	28,000	30,000
Administration	6,985	-	10,000	7,500	10,000
Fair Housing	-	-	1,866	1,866	2,000
Totals	\$ 400,356	\$ 191,338	\$ 189,866	\$ 237,366	\$ 222,000
Surplus (Deficiency) of Revenues over Expenditures	23,459	24,826	-	-	(32,000)
<i>Beginning Fund Balance</i>	<i>4,433</i>	<i>27,892</i>	<i>52,718</i>	<i>52,718</i>	<i>52,718</i>
Ending Fund Balance	\$ 27,892	\$ 52,718	\$ 52,718	\$ 52,718	\$ 20,718

Description of Services:

Since 1975, the Community Development Block Grant (CDBG) fund has accounted for revenues and expenditures made under the federal CDBG program. Minnetonka typically uses these funds for housing projects and programs (such as housing rehab, affordable housing, and supportive housing) and supportive services (such as senior chore programs, sliding fee day care assistance, and others).

Key Measures:	2008 Actual	2009 Actual	2010 Estimated	2011 Projected
Rehabilitation projects completed or underway	11	10	11	3
Average cost of rehabilitation project	\$17,899	\$20,000	\$21,000	\$20,000
Emergency repair projects completed or underway	16	9	25	15
Average cost of emergency repair project	\$3,917	\$4,259	\$4,500	\$5,000

Budget Comments/Issues:

The 2011 budget for the CDBG Fund provides for current level services.

- The CDBG Grant Revenues vary from year to year based on funding decisions made by the federal government. Because CDBG funding distribution and the federal fiscal year do not coincide with the city's fiscal year, expenditures and revenue figures above address these differences.

- "Program Income" above is generated when there is an early repayment for a rehabilitation loan.

- Beginning 2009, the city received from nonprofit organizations applications for CDBG program monies, which were reviewed and ranked by the Minnetonka Economic Development Advisory Commission (EDAC) for funding. Preference was given to agencies that provide community-wide benefits, proportionately serve Minnetonka residents, have limited access to alternative funding, and provide cost-effective services. Based upon those recommendations, the following amounts are included above for funding as indicated:

	2008	2009		2010	2011
		Regular	One-time		
Community Action Partnership of Suburban Hennepin Co. (CAPSH)	\$ 4,500	\$ 4,000	\$ 1,500	\$ 3,700	\$ 5,000
HOMELine	1,500	1,500	3,000	1,200	2,500
ResourceWest	5,000	5,000	1,500	5,000	5,000
Intercongregation Communities Associations (ICA)	-	5,500	9,000	6,200	8,000
Treehouse	-	-	1,000	-	-
Senior Community Services (SCS) H.O.M.E. Program	13,700	12,000	2,000	11,700	12,000
Total	\$ 24,700	\$ 28,000	\$ 18,000	\$ 27,800	\$ 32,500

NOTE: The following budget will reflect the Minnetonka Economic Development Authority (EDA) final adopted Housing and Redevelopment Authority (HRA) tax levy. The HRA tax levy is not legally a statutory levy of the City of Minnetonka.

HOUSING & REDEVELOPMENT AUTHORITY FUND

Revenues	2008 Actual	2009 Actual	2010 Budget	2010 Revised	2011 Budget
Ad Valorem Tax Levy	\$ -	\$ 98,353	\$ 175,000	\$ 175,000	\$ 175,000
Expenditures by Category					
WHAHLT	-	-	-	100,000	-
Village Center Master Planning	-	-	75,000	-	90,000
Housing Programs	-	-	100,000	-	85,000
Totals	\$ -	\$ -	\$ 175,000	\$ 100,000	\$ 175,000
Surplus (Deficiency) of Revenues over Expenditures	-	98,353	-	75,000	
<i>Beginning Fund Balance</i>	-	-	98,353	98,353	173,353
<i>Ending Fund Balance</i>	<u>\$ -</u>	<u>\$ 98,353</u>	<u>\$ 98,353</u>	<u>\$ 173,353</u>	<u>\$ 173,353</u>

Description of Services:

Minnesota Statutes 469.033, Subd. 6 authorizes housing and redevelopment authorities (HRAs) the power to levy a tax upon all property within its district to finance housing and redevelopment programs subject to the consent of the city council. In 1988 and amended in 1994 and 2010, the Minnetonka City Council established the Economic Development Authority (EDA) of the City of Minnetonka and transferred to the EDA the control, authority and operation of all projects and programs of the city's HRA. The law and council resolutions further require the EDA to file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city and all actions of the authority to be approved by the city council.

Key Measures:

Village center master plans completed

2008 Actual	2009 Actual	2010 Estimated	2011 Projected
na	na	2	2

Budget Comments/Issues:

The Economic Development Advisory Commission (EDAC) has recommended that the 2011 HRA levy be used to finance village center master planning and as many as two housing improvement programs.

- The EDAC recommended and the city council adopt a 2011 budget of \$85,000 to develop village center master plans for the two areas. The remaining \$90,000 will finance a moderate income housing rehabilitation program and/or a first-time homebuyers assistance program. The specific design and funding allocations for the two housing programs will be developed by staff and recommended by the EDAC for council adoption in early 2011.

- Because HRA levies are specifically covered as separate levies under state law, proposed property tax notices and invoices to property owners identify the levy as a "special taxing district" separate from the city.

EDAC Agenda Item #6
Meeting of June 23, 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

There is no new information pertaining to the LRT project. The project is still waiting for FTA approval to enter into Preliminary Engineering.

The community works project has been focusing on business involvement in the planning as well as transitional station are plans.

Bren Road/Highway 169 Bridge Reconstruction

Reconstruction of the Bren Road bridge over Highway 169 continues with road and ramp closures beginning to take place.

A variety of methods including eminnetonka.com, twitter, and email blasts are being used to help communicate project status, including road closures and detours, with the over 12,000 employees and residents in the area. The project website is www.169bren.com.

Housing Programs roll-out

Pre-applications for the Emergency Repair (CDBG funds), the Minnetonka Home Enhancement and the Welcome to Minnetonka programs were distributed beginning on June 8. There has been a lot of interest in all three programs. Review of the pre-applications are underway so that projects can start while as quickly as possible.

Statistics on the program (as of June 16—Updated statistics will be given at the meeting):

Phone Calls

June 1—2 calls (rehab)
June 2—13 calls (9 rehab, 4 first time homebuyer)
June 3—14 calls/emails (12 rehab, 2 first time homebuyer)
June 6—13 calls (12 rehab, 1 first time homebuyer)
June 7—4 calls (rehab)
June 8—6 calls (5 rehab, 1 first time homebuyer)
June 9—6 calls (3 rehab, 3 first time homebuyer)
June 10—3 calls (2 rehab, 1 first time homebuyer)

Mailed applications: 60

Emailed applications: 10

Publicity

- June *Minnetonka Memo and Minnetonka Script* articles
- May 31 direct email to realtors/agencies/banks
 - Four follow up responses, including forwarding on information
 - One lender went ahead and started working on paperwork with Wells Fargo for approval of the program with them
- June 8 direct email to lenders that have participated in other first time homebuyer programs in other cities.
 - Five follow up responses from lenders that work with many first time homebuyers in Minnetonka

Applications received

June 8 (day 1)—20 applications

June 9—10 applications

June 10—6 applications

June 13—3 applications

June 14—5 applications

June 15—5 applications

Upcoming Events

Wednesday, June 29

Sensible Land Use Coalition program

“Variances: The Rebirth”

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 submit your receipt to staff for reimbursement.

Thursday, July 28

EDAC Meeting

6:00 p.m.

Council Chambers

Attachments

- 2011 EDAC work plan (page A1)
- Project Update (page A2)
- From Benita Bjorgo “Stalled developments strain city budgets” *Star Tribune* (A3-A6)

Submitted through:

Julie Wischnack, AICP, Community Development Director

Originated by:

Elise Durbin, AICP, Community Development Supervisor

2011 EDAC Meetings
Updated June 13, 2011

Meeting Date Meetings at 6:00pm unless otherwise noted	Item Description	Room/Special Notes
Thursday, June 23	Regular EDAC Meeting	Council Chambers <ul style="list-style-type: none"> • <i>Hillside Memory Care</i> • <i>Housing Improvement Area</i> • <i>2012 Budget review (annually)</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
- Follow up items related to the transit study

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%

Projects counting for 2011-2020 affordable/lifecycle housing goals

Project	Year Completed	Affordable Units	Lifecycle Units
Sunset Hills Apartments	Approved by Council	51	64

Housing Project Updates

Project	Total Units	Affordable Units	Update
Sanctuary	23	4	Construction of 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			43 Minnetonka units, 86 units total.

Transit

- Metro Transit sector study scope and RFP being developed
- Southwest LRT Community Works project continues.
- Still awaiting approvals for Southwest LRT to enter into preliminary engineering

Economic Development/Business

- Minnetonka Open to Business program continues

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	Work continues. Follow at www.169bren.com and on Twitter at @169bren
UnitedHealth Group	Phase 2 Building Expansion 354,000 square foot, 10-story tower	Construction continues
Hillside Estates	5431/5439 Williston Road 46 unit senior housing (memory care)	Council tabled and referred back to EDAC on May 2
Sunset Hill apartments	64 unit apartment building on Wayzata Boulevard	Approved by council on May 2 Submitted tax credit application
Ridgedale YMCA	Redevelopment of YMCA site	Planning commission concept review June 2, city council concept review June 20

Updated June 13, 2011

Stalled developments strain city budgets

Article by: , Star Tribune

Updated: June 8, 2011 - 7:03 AM

Curved street lamps, each decorated with a Blue Heron, line the sidewalks winding past empty fields that were supposed to become a downtown for Lino Lakes. There's an apartment building and an assisted living facility. But the rows of townhouses that were supposed to anchor the project, called Legacy at Wood's Edge, never happened.

The developer defaulted. The bank foreclosed. Then the bank collapsed. About 22 acres of Legacy at Wood's Edge slid into tax forfeiture, and the land is now owned by the state.

And Lino Lakes?

The Anoka County suburb is left holding a \$5.6 million bond it sold to investors to help finance Legacy's streets, sewers and lights. The community had counted on taxes generated from the developed property to cover the bond. Now, to pay the \$535,000 due each year for the debt, the city has been dipping into other parts of its budget, primarily water and sewer funds.

"We've never experienced an economic downfall like this in the last 70 years," said Lino Lakes finance director Al Rolek.

Already reeling from deep cuts in state and federal funding, a number of Minnesota communities are facing yet another hit: unexpected payments on bonds they issued in better days. The bonds financed real estate improvements -- from street lights to parking garages -- for sometimes grandiose developments that went unfinished or never materialized at all. The unanticipated debt has some local governments mulling tax hikes or rate increases for city services; others are delaying capital improvements or cutting jobs.

Waconia, in Carver County, eliminated 10 city positions as it struggles to pay bond debt on a development that barely got going. Avon, near St. Cloud, boosted property taxes and has put its capital improvements plan on hold in order to pay off bonds for a huge subdivision that just never happened. Albany, also near St. Cloud, cut a deal with a developer facing \$1 million in assessments, agreeing to discount the debt if he just paid it all off.

"Dozens and dozens" of communities are grappling with how to pay off similar debt, said David Drown, a financial consultant who works with cities outside the metro area. Nor will the fiscal pain go away anytime soon. If development doesn't pick up, he said, "lots and lots of people are going to have problems."

Wave of stress

Local governments use municipal bonds -- "muni bonds" as they're commonly known -- to finance such public basics as roads and sewers. They're



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mostly held by individual investors who like them because they're safe and generate tax-free income. Like the Lino Lakes Legacy bond, most of the 500 to 700 muni bonds issued in Minnesota each year are so-called "general obligation" bonds, backed by the full faith and credit of the local government and taxpayers.

No one expects a wave of cities in Minnesota defaulting on general obligation muni bonds, although Meredith Whitney, an independent financial analyst, touched off a national panic over the winter when she speculated on national television that there would be at least 50 sizable muni bond defaults around the country amounting to "hundreds of billions of dollars."

The warning sparked fears that muni-bond stress, like home mortgage defaults, might somehow cascade into a broader financial crisis. Those fears now appear overblown.

David MacGillivray, head of Springsted Inc., a St. Paul company advising many Minnesota cities on financial issues, said he sees a wave of stress, not defaults, in Minnesota as such towns as Lino Lakes scramble to pick up the tab for bonds.

"Lino Lakes is not alone," MacGillivray said. "I don't think we're at the end of the wave."

Since 1980, nearly all of the 130 muni bond defaults in Minnesota have been a different type of bond called a revenue bond that's not secured by local governments, but by the projects themselves,

according to Richard Lehmann, head of Income Securities Investor Inc., and an expert on distressed municipal debt. Cities and taxpayers aren't on the hook for those bonds; it's bond investors and developers who lose their money.

Avon Estates: One house

Avon Estates was envisioned as a 307-acre subdivision with some 500 homes outside Avon -- a big leap for a small farm town-turned-bedroom community of about 1,300 people.

In 2007, the town issued two bonds totaling about \$6.5 million to lay out water, sewer and streets for the 20-year project. The developer, a group of investors called Percheron Properties guaranteed a portion of the special assessments with letters of credit from its banks. But by the time the land finally was annexed and the project underway, the housing market was turning.

"By the time they put the asphalt down, I already had a bad feeling in my stomach," said Mayor John Grutsch.

With just one home built, Percheron folded. Earlier this year, Avon bought the bankrupt development from the bank for \$220,000, hoping to eventually sell off parcels and make some money. That might sound like a bargain if the town wasn't on the hook for \$6 million in special assessments.

To free up the funds for the \$400,000 annual bond payment, the city had to renegotiate other debt.

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Eventually, Avon had to increase its city tax rate about 4.8 percent.

The town may still need to consider other such options as boosting water rates. Capital improvements are on hold, meaning such projects as street resurfacing have to wait. So far, the strategy is working, said Drown, the consultant who advises Avon.

"This is really all going to depend on how quickly the housing economy turns around."

Financial triage

When the Carver County town of Waconia issued a \$17 million general obligation bond in 2007, about half of it went to building roads and laying out utilities for Interlaken, a subdivision from developer Plowshares Development Inc. The bond was secured by special assessments guaranteed by the developer's lender, Lakeland Construction Finance. With just a fraction of Interlaken finished the following year, Plowshares stopped paying the assessments.

Then Lakeland filed for bankruptcy.

Waconia was left with an unexpected bill for Interlaken's share of the bond: \$650,000 a year -- a hefty sum for a town with a general budget of just \$5 million, said city administrator Susan Arntz.

In 2009, Waconia issued a one-time levy for the money. Then, it dug into the town's capital

improvements fund for the rest, a major factor in the budget crunch that forced the town to eliminate 10 city jobs and send other workers on unpaid leaves.

Unlike Waconia and Avon, Lino Lakes didn't require a guarantee of the assessments. The city didn't think it would need it because the developer was so successful, said Rolek, the city's finance director. Jack Brandt and his Hartford Group Inc. had carved a niche during the housing boom with big mixed-used "Legacy" projects.

In the end, the letter of credit wouldn't have mattered since Brandt's lender, loan syndicator BankFirst, also known as Marshall Group, toppled.

Facing large debt payments, the suburb dipped into water and sewer funds, a common way to fix municipal cash flow issues, Drown said. Those funds typically generate surpluses, in part as insurance against big-ticket equipment problems.

But the city, which said the payments haven't disrupted any services or affected any rates, needed new options -- beyond property tax hikes.

The Legacy project was in a tax-increment financing (TIF) district that wasn't working. A different TIF across the street was generating revenue, but it was about to expire. (In TIF districts, extra property taxes generated from a development-driven rise in property value are used to defray the company's development costs.)

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So Lino Lakes asked state lawmakers to let it extend the tax district for another 10 years -- or until someone comes along to develop Legacy. If approved, that will raise about \$173,000 a year for its \$535,000-a-year bill on the Legacy bond.

Jennifer Bjorhus • 612-673-4683

Not everyone is applauding. Even Rep. Linda Runbeck, R-Circle Pines, who coauthored the bill for Lino Lakes, called the TIF strategy a necessary evil, better than going to taxpayers. "Either way, I guess taxpayers are going to experience the problem," Runbeck said.

That's what riles Rep. Ann Lenczewski, DFL-Bloomington. To Lenczewski, Lino Lakes is asking the Legislature to bail it out, allowing it to use a taxing district that's little understood by the general public instead of dealing with its shortfall head on.

"The honest way is to put all of the mistake on a levy," Lenczewski said. "The easy way out is to come to the Legislature."

Meanwhile, the state owns the forfeited Legacy at Woods Edge land, and Anoka County is figuring out what to do with it. The county estimates that whoever buys it will have to fork out about \$5.1 million worth of penalties, interest, tax and special assessments.

"We're waiting for some developers to come out of the woodwork," said county finance division manager Cevin Petersen. "Right now, commercial development is just on a flat-line hold."

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