

**MINNETONKA ECONOMIC DEVELOPMENT ADVISORY COMMISSION
MEETING SUMMARY**

**JULY 28, 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, Michael Happe, Ken Isaacson, Bruce Smith, and Peter St. Peter.

EDAC commissioners absent: Benita Bjorgo and Chandra Coughlin.

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

City council liaison present: Tony Wagner.

3. APPROVE JUNE 23, 2011 MEETING MINUTES

Isaacson moved, Smith seconded a motion to approve the June 23, 2011 meeting minutes. Aanenson, Isaacson, Smith, and St. Peter voted yes. Bjorgo and Coughlin were absent. Happe abstained. Motion passed.

Happe clarified that HIA stands for "housing improvement area" and HOA stands for "homeowner's association." He questioned if a subcommittee is being created to work with the EDAC to form a policy. Wischnack explained that a policy would be reviewed by the city council and then reviewed by a subcommittee of the EDAC.

Happe noted that the Hillside proposal is not on the agenda. Wischnack explained that the developer requested delaying review of the application and signed an extension for action.

Happe asked how similar requests for financial assistance from homeowners' associations would be decided. He predicted many more requests would be received since the EDAC recommended one to be approved. He questioned if a precedent had been set. St. Peter explained that the purpose of the subcommittee would be to consider a policy, look at the exposure that the city has, and develop guidelines to provide guidance on how to handle additional requests. Wischnack said it was more about maximum exposure and if more

requests would be presented than funds would be available to finance. The maximum exposure the city wants to establish and the policy along with the finance mechanism need to be determined. Depending on what happens at Monday's study session, an EDAC subcommittee may be called together after that.

Isaacson suggested Happe watch the video of the meeting to get all of the discussion. Wagner predicted that there would be a fair amount of discussion at the study session.

Coughlin joined the meeting.

BUSINESS ITEMS

4. 2012 PRELIMINARY BUDGET AND HRA LEVY

Wischnack reported.

Smith stated that the end fund balance of 2009 was carried over to the beginning of 2010, but the 2010 end fund balance was not carried over. Wischnack responded that there is more to the figure. She would find out the details from the finance department.

Wagner clarified with Wischnack that the unrestricted fund balance is only \$854,000. Wischnack stated that the fund would probably be obsolete in approximately four years. Wagner encouraged the city council to consider what to do with the Livable Communities Account during budget discussions. Possible options include adjusting the city's commitment to WHAHLT or reprioritizing resources. Wischnack has thought about it strategically. She will provide a self-sustaining analysis for the housing programs. That would help everyone to understand how the money would be replaced.

St. Peter requested Wischnack remind commissioners of the carry over policy for WHAHLT funding. There are 24 to 30 months for the appropriation to be utilized. Wischnack stated that foreclosures provide a longer time frame of 12 months. St. Peter stated that the October packet with the non-profit funding requests may show an analysis where the funds are at, with expiring commitments that may be returned to the fund. Wischnack stated that staff at Homes Within Reach are keenly aware of that concern and are always updating her on their timing and where they are at with the projects. The fund does not have any direct effect on taxation, unlike the HRA levy.

Wischnack continued her report on the development account with an estimated balance of 1.7 million for 2012.

Smith asked if it would be appropriate for the EDAC to be involved with the recommendation of whether the HIA should use funds from the development account or not. Wischnack said that the EDAC could provide advice that she would share with the city council. Smith said he thought it would fit well with the EDAC.

Wagner noted that it may or may not include expenditures for the HIA. There would be no city liability and any costs associated would be assessed to the project. Wischnack agreed that, technically, the city would be expending, but would receive the offsetting revenue over time. Wischnack stated that is done regularly.

Wischnack explained that there is money waiting to be used for predevelopment types of activities such as determining if TIF is applicable and surveying for a project. The city paid for the information, so the data and knowledge is retained by the city and provided to potential developers.

St. Peter recalled allocating funds for studies relating to the LRT project, but now Hennepin County has taken over the development analysis costs. This account does not absolutely define what the money would be used for, but the EDAC should want to make sure there is a fund to handle interim types of costs that may or may not occur with a project in order to assist with it getting started and possibly recovered later.

Happe thought this fund for the 2012 budget looked like a no brainer. There is a \$797,000 expense for cleaning up the Cattle Company site that will be fully reimbursed. The only real decision is whether or not to spend the \$10,000 on the Open for Business program for another year. Wischnack agreed that is the major decision. She did not include a cost for the pre-development activities, but typically, she would put \$30,000 in the fund. Last year, \$10,000 was spent. She liked to have access to the funds ready. St. Peter said it would be appropriate to add that to include all of the items.

Isaacson confirmed with Wischnack that the ongoing cost of the Open for Business program for 2012 is \$10,000.

St. Peter confirmed with Wischnack that \$30,000 would be added to the "Other" category for funds to be available for a TIF district in 2012.

Smith noted that there is no dollar amount provided for the expenditures of the HIA. He asked if the funds should come out of the general fund or a different fund—noting that he did not know if the appropriate amount of information was available to make that determination tonight. St. Peter explained that the HIA commitment could be bonded; however, finance staff will make the determination internally for the city whether it would be borrowed out of existing funds earning 1 to 4 percent and lend it at rates up to 6 or 7 percent internally as opposed to

going out and bonding. It is not a funding issue because it would be a loan, not a grant. That is why it would not, necessarily, come out of any individual fund balance; rather it would be an allocation of the fund balance. \$500,000 of the Livable Communities account is committed for WHAHLT; however, if a sufficient number of units would not be closed on within the appropriate time, those commitments expire and the money returned to the fund. His hope is that what would be recovered on the \$30,000 for predevelopment activities would be recovered over time. Wischnack stated that is possible. She provided an example of covering the cost of a TIF run where the project did not happen, so the cost would not be covered, but knowledge would be retained.

Wischnack noted that the Livable Communities and Development accounts do not have taxation impacts. These funds are under the purview of the EDAC and the recommendation is provided to the city council. The city council is looking for input regarding granting money, giving away money, or investing in programs such as Open to Business. Wischnack confirmed with commissioners that the EDAC is comfortable with the Open to Business expenditure and \$30,000 for "other."

Wischnack reported on the HRA Levy funds. She explained the history of the fund for the past couple years.

Wagner noted that a traffic analysis has not been done for the I-394 District since it was established in 1995. Wischnack estimated the cost to update the traffic analysis is around \$100,000. There have been models done of different areas in the district that need to be brought together. There is also a west-bound ramp onto I-394 from Ridgedale Drive that needs to be discussed, and background data is needed for that to happen. Redevelopment planning cannot be done until it is known what the infrastructure system can handle.

Wischnack estimated that \$160,000 of the fund's money would be used for the village center process itself. Another \$35,000 would remain for Shady Oak. Hennepin County is leading the effort on land use planning, but the city may have to input money at some point.

Smith asked if there would be a request for proposal from consultants to get bids on the jobs. Wischnack answered yes.

Happe asked if there is a final report for the State Highway 7 and County Road 101 project. Wischnack answered affirmatively. She will link it to commissioners, and it is also posted on the city's website.

Wagner asked if work done by students from the University of Minnesota would be usable for this effort. Wischnack explained that the Center for Changing Landscapes of the Urban Design Center at the U of M did a Ridgedale land use development scenario three years ago. In that process, students laid out several

redevelopment scenarios that had a lot of density identified in the plan. Those hypothetical scenarios could provide a starting point that would be analyzed.

The housing rehabilitation program received 64 pre-applications. Of those, 11 applied for the Minnetonka Home Enhancement program and the rest applied for the Emergency Repair program. Six applications for the Welcome to Minnetonka program were received. The pre-application was a better way to introduce people to the programs without investing a lot of time.

Wischnack provided an analysis of how long it would take the housing programs to become self sustaining. By 2018-2019 start to show improvement, and by 2020, the city would not need to invest any additional funds.

Smith asked what the average request loan term is for the applications. Durbin explained that information will be available this fall.

Smith said it sounds like there is \$650,000 that would be available for loans over an 8 year period. So, the loan portfolio is \$650,000, not \$220,000-\$230,000. He is used to seeing the information presented in a different way. He said he is looking for the number of loans, a prepayment schedule, and a loan loss. He asked if the 24 loans in 2018 were new loans made in that year or total loans in the portfolio. He volunteered to create a self-sustaining analysis. Wischnack accepted his offer of help. She stated that it is difficult to do an analysis now because the terms of the loans are not yet known. Smith stated that assumptions could be made and adjusted as time goes on. Wischnack said that a more accurate prediction of the loan amounts and the number of loans need to be determined. She welcomed Smith's help with how to present the information in November, prior to the final budget discussion in December.

St. Peter noted that government-fund accounting does not account for the assets and liabilities. That is why contingencies are treated the same way. The analysis is correct. The amount will be \$600,000 cumulatively over time. He read the number of loans as the annual number of new loans.

Isaacson suggested using an inflation factor on the revenue side. Wischnack agreed. She foresaw multiple versions of how the information will be presented and thought that would help the conversation.

Wischnack recommended commissioners' comments regarding the funds be included in the motion to be considered by the city council at its August 29, 2011 study session. The city council will set the preliminary tax and HRA levies on September 12, 2011. The EDAC reviews the nonprofit funding requests October 27, 2011. The city council has a study session on the final budget November 21, 2011. A city council public hearing will be held December 19, 2011.

Smith said he relies on the finance department to determine guiding principles for what the funds would be used.

Happe moved, Coughlin seconded a motion to recommend that the city council adopt a resolution approving the 2012 budget as attached with an addition of \$30,000 to the "other" category of the Development Fund to be used for predevelopment activities. Aanenson, Coughlin, Happe, Isaacson, Smith, and St. Peter voted yes. Bjorgo was absent. Motion passed.

5. PRESENTATION ON SPECIAL SERVICE DISTRICTS

Durbin reported.

St. Peter said that there is a disconnect between the land owners and the tenants. The tenants have been unable to get the landowners to move forward to make the request.

Happe appreciated the report. He asked if staff thought it would be sunset in 2013. Durbin answered that it has been extended numerous times.

Wischnack noted that it would be best to negotiate the special services district into the agreement when all of the owners would be represented at the front end. It is harder to deal with separate owners. St. Louis Park has had success using a special service district when done upfront. St. Peter recalled success with new development on Excelsior Boulevard. St. Paul had success with lighting along Summit Avenue and Selby in the commercial areas. St. Peter encouraged education of property owners. A mix of businesses would be beneficial. St. Peter noted that prohibiting parking in front of businesses in downtown Hopkins related to businesses not thriving, so parking is now allowed in front of the businesses again.

6. STAFF REPORT

Wischnack and Durbin reported on items including:

- Light rail design should be started this fall.
- A meeting to review requests for proposals of transitional station area plans will be held next week. Predevelopment types of issues will be discussed.
- ULI will provide an opportunity for DART to speak on redevelopment, value capture, station-area plans, and the reality of what is happening in Dallas.
- The Bren Road bridge project will be moving ahead.
- The lending community is very excited about Minnetonka's down-payment loan program.

- The city council will hold a study session on the YMCA project on August 1, 2011 to discuss the financing.
- The city submitted a Metropolitan Council grant application for \$1.5 million and a LAAND grant which would help the city hold property while a deal gets done.

St. Peter said that the YMCA did a good job publicizing its side of the project in business publications.

7. OTHER BUSINESS

The next EDAC meeting will be August 25, 2011.

8. ADJOURN

Happe moved, Isaacson seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:17 p.m.