

AGENDA

MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY

Tuesday, March 18, 2003
6:00 PM

Please note change in location



Purgatory Creek Room
Minnetonka Community Center, Upper Level

1. Call to Order.
2. Roll Call:

Paula Chatterjee	Peter St. Peter
Dan Duffy	Ken Tauer
Dave Larson	Al Thomas
Bunny Robinson	Bob Walker
3. Approve minutes of the January 14, 2003 EDA meeting.
4. Staff Report.

BUSINESS ITEMS

5. Affordable housing component proposed with “The Sanctuary” development proposal.

Action recommended is a motion recommending approval.
6. Consider using the “Housing Improvement Area” approach for building renovation.

Action recommended is to discuss this concept.
7. Other Business.

The next regular EDA meeting will be held on Tuesday, April 8, 2003.
8. Adjourn.

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY
MEETING MINUTES**

**Tuesday, January 14, 2003
6:00 P.M.**

****Gray's Bay Room**
Minnetonka Community Center, Upper Level**

1. CALL TO ORDER

EDA President Peter St. Peter called the meeting to order at 6:06 p.m.

2. ROLL CALL

Commissioners present: Dan Duffy, Dave Larson, Peter St. Peter, Ken Tauer, and Bob Walker.

City staff present: Ron Rankin and Elise Souders.

Others present: Al Thomas.

3. APPROVE MINUTES

Tauer moved, Larson seconded a motion to approve the minutes of the November 19, 2002 EDA meeting. All voted "yes." Motion carried.

4. STAFF REPORT

Rankin introduced Al Thomas as the new City Council representative to the EDA, replacing Linda Koblick and joining Ken Tauer, who is expected to be reappointed as a Council representative to the EDA. Thomas' appointment will officially be made on January 27th, as will the appointment for the second vacancy.

Souders reviewed the remaining staff report items, including the Glen Lake Planning Study, WHAHLT, the Southwest Rail Study, and Dial-a-Ride. Discussion followed regarding the upcoming events, meetings, and the attachments.

BUSINESS ITEMS

5. DISCUSSION OF THE 2002 ANNUAL REPORT AND 2003 GOALS FOR THE EDA

Rankin introduced the item and reviewed the information included in the memo, noting the statistical information and goals for 2003. New development proposals were also mentioned, and Rankin asked for feedback on the goals and anything else that should be included.

Tauer noted the statistics showing the diversity in the Hopkins School District compared to the Minnetonka and Wayzata School Districts. St. Peter said the Hopkins School District took a larger allocation of open enrollment students from Minneapolis, and perhaps that is the reason why there is more diversity.

Rankin commented on the doubling of traffic on I-394 in the past ten years. Thomas also talked about the increases in traffic expected in the future along I-494.

Discussion followed regarding how expansion and buffering might occur to make three lanes in each direction as well as how the City should react to this. St. Peter recommended that the goal "Identify opportunities for transit improvements" should be expanded to "Identify opportunities for transit and transportation improvements."

Duffy mentioned the age of the population and how the number of young adults is decreasing, and how this may eventually impact the school systems. St. Peter noted the housing needs study stated new housing built should not be skewed to only senior units, but instead, it should be a mix. Tauer mentioned that building for seniors may free up current housing for younger families. Rankin talked about a similar situation that occurred in Minnetonka in the 1960's and 1970's. Walker said this could be part of a cycle that will eventually devalue homes. Duffy mentioned the possibility of creating incentives for people to move to Minnetonka.

St. Peter said the Neighborhood Renovation Program should be reviewed to see if it is worth keeping. Tauer cited the number of homes over forty years old and said why the program should be available. There was discussion on how the program worked and what was accomplished. Tauer mentioned that staff costs should be taken into consideration as well when deciding whether or not to keep the program.

St. Peter said if there were other goals, or changes to the ones listed, that commissioners should bring those comments back to the next meeting or contact staff.

6. DISCUSSION ON RENTAL HOUSING REGISTRATION/LICENSING AND MAINTENANCE CODES.

Rankin reviewed the concept and mentioned the City does use the 1985 Uniform Housing Code; however, the code does not cover everything. It was mentioned that there is a new building maintenance code coming online soon, which may prove to be more appropriate.

Duffy asked if a rental license requirement is implemented, whether every unit would have to be regulated. Rankin answered it could be done in any way that the City chose to do so. He also said that the purpose was just to bring the concept forward, and no decisions would need to be made on the idea right away.

Tauer cited from the information one of the benefits to having a registration system is that it makes identification of the property owner easier. He inquired if it was tough to do that now. Rankin answered that the tax records are correct, so it really is not a problem.

Tauer discussed how the licensing and maintenance code subjects came forth, and said the City should have the ability to go into a unit if there is a life-threatening situation. Discussion followed regarding under what circumstances the City may enter a unit.

Thomas inquired if there were other agencies that also require a rental license, since duplication of staff time, fees, and enforcement questions may come about. Tauer also mentioned that with a rental license it may be possible the City would then be the first one called in some of the situations.

Duffy said the City should wait for the new building code to be adopted and see what may change before any decisions are made. St. Peter mentioned there will be some specific instances where there is a gap in what is covered. When these situations arise, he said, then the City should create a special ordinance so that they may be able to enter the unit, instead of creating a rental license.

Walker asked about the frequency of calls staff receives regarding maintenance issues. Rankin responded there are a few calls a month regarding structural issues and damage deposits. Most landlord/tenant issues are referred to HOME Line, he said. Walker also inquired if any of the fire/life safety issues have been seen by the fire department. Rankin said the fire department regularly inspects commercial and multi-family residences.

Tauer said what is lacking is the outright authority for the City to look at life threatening issues. St. Peter said this should be dealt with on an as-needed basis through special ordinances.

7. OTHER BUSINESS

St. Peter mentioned that every year the EDA has an annual social dinner. In the past he said it has been in January, but because there was still two vacancies this year, it was decided it was better to have the dinner in February so the new commissioners could attend. It was recommended that the annual EDA dinner be held on February 18th in lieu of the February meeting, and those with conflicts should let staff know as soon as possible. EDA commissioners would be notified later on of an exact date, time, and place.

8. ADJOURN

Tauer moved, Larson seconded a motion to adjourn the meeting at 8:15 p.m. All voted "yes." Motion carried.



TO: EDA Commissioners

FROM: Ron Rankin, Community Development Director
Elise Souders, Community Development Coordinator

DATE: March 13, 2003

SUBJECT: Staff Report for March 18 EDA Meeting

1. New EDA Commissioners

As you know, at the January 27th City Council meeting, two new commissioners, one youth liaison, and one reappointment were made for the EDA. Bunny Robinson was appointed as a citizen representative, Al Thomas as a Councilmember representative, Paula Chatterjee was named as a youth liaison representative, and Ken Tauer was reappointed a Councilmember representative.

2. WHAHLT

WHAHLT has been very busy over the past two months with numerous happenings. They held their annual meeting on February 22, and three new board members were appointed at that time: Robert Hamilton, Chuck Nowicki, and Joel Papa. In addition, WHAHLT acquired an eighth property in Minnetonka on Royzelle Lane. WHAHLT has also been meeting with several nearby cities, including Golden Valley and Eden Prairie, to discuss the possibility of acquiring other sites. Finally, WHAHLT has been working on acquiring additional funding. Applications have been submitted to Hennepin County for CDBG funds (through the City of Wayzata) and HOME funds, as well as an application for Super RFP funds from the Metropolitan Council, Minnesota Housing Finance Agency, and the Family Housing Fund.

3. Minnetonka Boulevard/101

On February 26th, a meeting was held with the Minnetonka-101 Business Association. Seven business and property owners attended to discuss updates on the County Road 101 improvements, to plan improvements for the southeast quadrant alley, to develop a survey for business and property owners, and to form a workgroup for streetscape planning.

4. Glen Lake Planning Study

On February 4th, a neighborhood meeting was held for residents to comment on the concept plans that had been put together based upon the inputs from the committee. The setup of the meeting featured a brief introduction to the concept plans and then time to review the boards, which featured: maps of existing conditions, the four concept plans, and sketches of possible buildings. The residents were supplied with a comment sheet, and since the meeting, the comment sheets have been collected and a concept plan has been modified to reflect these comments. The next committee meeting is March 19th, at which time the committee will decide if there is consensus on the concept plan and decide on the next actions to be taken.

5. Parkers Lake Road Condominiums

A condominium development, with a total of 60 units, ten of which will be affordable, has been proposed at 408 Parkers Lake Road. The proposal will be brought forth to the Planning Commission on March 20th.

Upcoming Events/Meetings

Wednesday, March 19—Glen Lake Planning Study Committee Meeting
4:30 p.m. – 6:00 p.m.
Glen Lake Activity Center

Wednesday, March 26—Sensible Land Use Coalition Seminar
“The ‘New’ (and improved?) Met Council”
11:30 a.m. – 2:00 p.m.
Doubletree Park Place (St. Louis Park)

Wednesday, March 26—City Volunteer Recognition Dinner
6:00 p.m.
Minnetonka Community Center

Tuesday, April 8—EDA meeting
6:00 p.m.
Gray’s Bay Room

Wednesday, April 30—“Making Affordable Housing Affordable” Conference
8:30 a.m. – 5:00 p.m.
Radisson Riverfront St. Paul

Attachments

- Updated EDA Roster
- Star Tribune article: “Judge throws out housing suit against Met Council, Eagan”
- New EDA Commissioners, Bunny Robinson and Paula Chatterjee resumes
- Sensible Land Use Coalition program information
- “Making Affordable Housing Affordable” Conference information



TO: EDA Commissioners

THROUGH: John Gunyou, City Manager

FROM: Ron Rankin, Community Development Director

DATE: March 14, 2003

SUBJECT: Affordable housing component with "The Sanctuary" development proposal

Background

The city has received applications from Michael Halley of Halley's Custom Homes for development approvals for a 30-unit townhouse project to be built near Minnetonka Boulevard and County Road 101. (A location map and site plan are enclosed). The development proposes to include six affordable, owner-occupied townhouses among the 30 townhouse units.

At the February 24, 2003 City Council meeting, the Council introduced the ordinance that would rezone the property, and referred the ordinance to the Planning Commission. The Council referred the affordable housing component to the EDA for a recommendation.

Development Proposal

The developer proposes to build 30 townhouses on a 3.56-acre site currently occupied by three single-family homes. The existing homes would be demolished, and the 30 new townhouses would be built in seven separate buildings having one-level, two-level, and three-level townhouse units. All of the townhouses would be for-sale, owner-occupied units. Access would be provided via a private road from County Road 101 to Groveland School Road.

The development approvals necessary for this proposal to proceed include a guide plan amendment, rezoning, and site and building plan approval. The proposal raises issues of housing density, traffic, and other impacts to the surrounding neighborhood. These issues will be taken up by the Planning Commission on April 3, 2003, and are not properly within the review of the EDA.

Affordable Housing Component

Two of the townhouse buildings are proposed to include a total of six affordably-priced, three-level townhouses—two in one building and four in another. The affordable units will have three bedrooms, a total living area of approximately 1,683 square feet, and a single-car garage. For reference, they are of a design similar to that of the affordable townhouses at The Gables and Ridgebury.

The affordable units are to be made available to the city at a price not to exceed \$167,000. The two ways the city has available to make for-sale units affordable are to use indexed resale prices (sometimes in connection with other programs), or to use the West Hennepin Affordable Housing Land Trust (WHAHLT). Each of these approaches is described below.

Indexed Resale Prices

This approach was used at The Gables townhouses at Westridge Market, at the Ridgebury townhouses, and for one unit at The Enclave development. The indexing requirement is put in place through a restrictive covenant attached to the title of the property. The index for resale prices has in each case been the average annual increase in sales for the metropolitan area (13-counties) as reported each February by the Realtors Association.

*The Gables**

<u>Year Sold</u>	<u>Sale Price</u>	<u>Number of Units</u>	<u>Comments</u>
1996	\$95,000	24	•Resale prices indexed, only sold via first-time homebuyers program
1997	\$110,000	24	•Resale prices indexed
1997	\$115,000	42	•No indexing, \$115,000 was the Metropolitan Council ceiling for affordable for-sale units

*All resales may include a sales commission of up to 7%.

*Ridgebury**--With Willoughby, a 163-unit development

<u>Year Sold</u>	<u>Sale Price</u>	<u>Number of Units</u>	<u>Comments</u>
2000	\$102,500	20	•Original sale only to those at 80% of median income or less
2000	\$124,000	10	•Original sale only to those at 100% of median income or less
2000	\$133,000	26	•Original sale only to those at 115% of median income or less, \$133,000 was the Metropolitan Council ceiling price in 2000

*All resales are indexed, and may include a sales commission of up to 6%. First sale occurring after 30 years must pay to the city 50% of the amount over the last maximum resale price.

The Enclave—13-unit townhouse development

<u>Year Sold</u>	<u>Sale Price</u>	<u>Number of Units</u>	<u>Comments</u>
2000	\$119,000	1	Resale is indexed, 6% sales commission allowed

Because the average annual sale price increases for the metropolitan area have been so large in recent years, indexed resale prices went up much faster than originally anticipated. For example, the maximum resale price of a unit at The Gables that originally sold for \$95,000 in 1996, can be sold for a maximum resale price of \$235,027 in 2003. This occurs because the average annual sales price increase for the past seven years has been 12.72%. This rapid run-up in resale prices, and the declining affordability of these units is what lead the city to begin examining the community land trust concept in 2000, and to the ultimate incorporation of WHAHLT.

Community Land Trust

Under the community land trust concept, houses are purchased and the underlying land is held by the land trust. When sold, by the land trust, the qualified buyer only has to get a mortgage on the value of the house and not the house plus land. The buyer has a long-term lease for the land and pays all real estate taxes, but only received 35% of the appreciation of the value of the house when it is sold.

In a typical WHAHLT transaction, they will buy a house for \$190,000 and resell it for \$120,000 after finding the land value is appraised at \$70,000. By holding the land in trust, the home remains much more affordable than it would under an indexing agreement. WHAHLT covers the cost of the land through funds it has raised from public, private, and not-for-profit sources.

Discussion

At Council direction, staff always asks developers to include affordable housing in new housing developments, whether they are apartments, condominiums, townhouses, or single-family homes. Increasingly, developers are hearing the same request from other cities, and are responding positively. In Minnetonka, affordable units have already been included at The Enclave (1 units) and Allison's Green (1 unit), and are proposed for The Sanctuary (6 units), 408 Parkers Lake Road Condominiums (10 units), and Meadowoods (2-3 units).

Any developments that have land parcels—some townhouses and all single-family homes—are potential candidates for acquisition by WHAHLT. Because condominiums do not have their own land parcel, they are not suitable for the land trust, and indexing resale prices is likely to be used. However, WHAHLT's capacity to acquire units is limited by the funds it has available to cover the land cost. Accordingly, we may find some development where WHAHLT can participate, at least in part, and some where it cannot participate due to funding limitations.

In the case of The Sanctuary development, it is likely that WHAHLT will acquire some of the affordable units, while others would be indexed. Before the indexing arrangement is made final, the EDA will probably want to revisit the indexing approach to see if there are changes that can be made to help indexing do a better job of keeping resale prices affordable over time.

Staff believes this is an appropriate location for both the development itself, and the inclusion of affordable housing. As previously discussed by the EDA, future housing developments (and especially redevelopments) are appropriate at locations in the community where there is a walkable environment and easy access to shopping and transit service.

The affordable housing is a desirable component of this development, and helps offer an affordable, life-cycle housing choice for middle-income households. This housing offers an affordable option for younger couples, young families, or even empty-nesters or older households of moderate means.

Recommendation

Based on the information presented here, staff recommends the EDA adopt a motion making a recommendation to the City Council as follows:

That six affordable housing units be included in The Sanctuary development, and they be transferred to the city or an affordable housing organization designated by the city, at a cost not to exceed \$167,000 each. Construction of the affordable units is to occur under specifications to be approved by city staff.

Staff will review this information in detail at the EDA meeting. The developer is expected to attend, along with several neighbors. Staff will be pleased to discuss this project and answer Commissioners' questions at the meeting.



TO: EDA Commissioners

THROUGH: John Gunyou, City Manager

FROM: Ron Rankin, Community Development Director

DATE: March 12, 2003

SUBJECT: Consider using the "Housing Improvement Area" approach for building renovation

Background

Minnesota law provides a mechanism called the "Housing Improvement Area" which allows cities to help arrange and finance building renovation work under certain circumstances. Originally used by Hopkins and certain other cities for certain townhouse developments, the Housing Improvement Area approach is one way to stabilize deteriorated housing and market values, and to help preserve affordable housing. This approach is described in more detail in this report.

Minnetonka has had two previous inquiries about using this means to finance improvements, one from a Beachside homeowners association, and one from The Oaks—both are located on Shady Oak Road. In these cases, each association ultimately chose to finance improvements through a special assessment levied by the homeowner's association, rather than seeking city help.

This issue is brought to the EDA for discussion and to hear Commissioners' reactions to the Housing Improvement Area concept and whether or not the concept may be appropriate for City use.

Current Proposal

The Cedar Ridge condominiums include 180 housing units located in three buildings of 60 units each at 10211, 10301, and 10311 Cedar Lake Road. These buildings were originally built in the early 1970's. The size, number, and assessor's estimated value of these units is shown below:

<u>Size</u>	<u>Estimated Market Value</u>	<u>Units</u>
1 Bedroom, 812 sq. ft.	\$93,500	106
2 Bedroom, 1026 & 1038 sq. ft.	\$103,600 & \$107,100	38
2 Bedroom, 1,100 sq. ft.	\$117,100	<u>36</u>
		180 total

Beginning in 2003, the association imposed a \$500,000 special assessment for roof replacement, foyer work, recarpeting certain common areas and work on the elevators. This amounts to a payment of \$69 to \$100 per month, depending on the home size.

In October, 2002 the association discovered major problems with the buildings' exteriors due to water infiltration occurring from a lack of proper flashing. The remedy will involve removing all siding (including mansard roof, stucco and battens, and brick) and replacing the siding, windows, and flashing, at a cost of \$1.2 million to \$1.4 million total, or an average of \$7,780 per unit.

Because of the large amount of this cost coming so soon after the association's special assessment for the new roof, the association and its management company approached the city about assisting through use of the Housing Improvement Area concept, which is described below.

Housing Improvement Area

As noted above, Housing Improvement Areas are permitted by state law (Minnesota Statutes 428A.11 through 428A.21), part of the same laws that allow cities to establish other special service districts. The procedure to set up a Housing Improvement Area is straightforward:

1. A petition from at least 25% of the affected homeowners is required to commence city action.
2. The City Council may consider an ordinance setting up the Housing Improvement Area after holding a public hearing. At the hearing, a preliminary list of the proposed improvements must be identified. If 35% or more of the homeowners formally object to the city action, the City Council cannot adopt the ordinance.
3. Once the Housing Improvement Area is established, the city may issue bonds or otherwise finance the improvements to the housing units, and make provisions to collect fees through property taxes, special assessments, or separate fees to repay the city for all costs associated with the project.

Policy Considerations

The city closely scrutinizes its proposed involvement in any type of financing arrangement. In general, the city avoids the role of “banker” for projects unless there is a compelling public purpose in doing so.

If the city is to consider the use of Housing Improvement Areas in the future, it is appropriate to develop a written policy to guide consideration of such proposals. Enclosed for reference is a copy of the policy used by Hopkins for such projects.

In staff’s opinion, compelling reasons for Minnetonka to consider using Housing Improvement Areas include:

- Preserving the condition of, and availability of, affordable housing in the city.
- Preventing significant deterioration of the city’s housing stock.
- Making significant improvements to ensure the safety of owners and occupants.

However, staff also believes Housing Improvement Areas should only be used as a last resort, after other avenues of financing the improvements have been found to be not feasible.

Staff looks forward to discussing this concept with the EDA. We recently met with Shari Bohnhoff, President of the Cedar Ridge homeowners association, and Michael Olson of Gassen Companies, the management company for the condominiums. They are planning to attend the EDA meeting, and have provided the enclosed newsletter, which discusses their project.