

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY  
MEETING MINUTES**

**Tuesday, March 18, 2003  
6:00 P.M.**

**\*\*Purgatory Creek Room\*\*  
Minnetonka Community Center, Upper Level**

**1. CALL TO ORDER**

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

**2. ROLL CALL**

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

Commissioners absent: Bunny Robinson.

City Staff present: Ron Rankin, Elise Souders, and Cary Teague (Planning Department).

Others present: Michael Halley from Halley's Custom Homes, Shari Bohnhoff from Cedar Ridge Condominiums, and approximately forty residents.

**3. APPROVE MINUTES**

Thomas moved, Tauer seconded a motion to approve the minutes of the January 14, 2003 EDA meeting. All voted "yes." Motion passed.

**4. STAFF REPORT**

Souders reviewed the staff report items, including WHAHLT, Minnetonka Boulevard and County Road 101, Glen Lake Planning, Parker's Lake Condominiums, and upcoming events.

**BUSINESS ITEMS**

**5. AFFORDABLE HOUSING COMPONENT PROPOSED WITH "THE SANCTUARY" DEVELOPMENT PROPOSAL.**

Rankin reviewed the powerpoint presentation to provide background information on affordable housing in Minnetonka. Rankin also reviewed the staff report, noting the change in the Planning Commission meeting date to May 1. He said staff recommends 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. Further, construction of the affordable units is to occur under specifications to be approved by city staff.

St. Peter reviewed the process to be followed for the evening's meeting, and referred to Michael Halley to comment on the proposal.

Halley began by describing his other developments located in Minnetonka. He then reviewed the proposal for The Sanctuary, including the single level, two level, and three level townhouse units. Halley noted the six affordable units will be sold at \$167,000, and the exterior design and details on these units will be the same and match with all of the units. He also said he believes the primary buyers of the affordable units will be single-parent families. Finally, Halley commented on that the affordable units would pay 75% of the \$200 per month Association fee.

St. Peter reminded the audience the focus of the meeting is on the affordable units only.

Joe Schmit, 3607 Farmington Road, asked whether the units that are to be taken down were considered affordable or not. Rankin reviewed the 2003 assessment values for the three units as \$177,600; \$288,000; and \$296,400.

John Powers, 3611 Rainbow Drive, asked why there are not more affordable units being added at this location.

Jim Wahl, 3218 Groveland School Road, commented on the need to preserve affordable units that exist already in the area. He felt that in the staff report there was no mention of this and wondered how a development like this will affect the values of homes already in the area. Wahl said by approving the development it would allow for additional developments in the area.

Pam Dantzinger, 3116 Groveland School Road, asked if there were successful developments in Minnetonka that had a large price differential between the affordable and the market rate units. Dantzinger asked since the city is at 85% of its owner-occupied housing goals once they reach 100% what will happen, and also how much the Metropolitan Council drives these goals?

Wahl again questioned staff's recommendation because it seemed to him impossible that all of the units could go to WHAHLT because of the limited funds they have.

Doug McNamara, 3633 Comet Lane, commented that both WHAHLT and St. Luke's Church are interested in affordable housing because many people working in Minnetonka cannot afford to live here.

Bob Crump, 3001 Bay Street, said because The Sanctuary development is controversial and there seems to be a lot of units, the approval should be delayed. St. Peter responded the density issue should be addressed to the Planning Commission.

Becky Gehrke, 17310 Charmy Downs, asked where the visitor parking would be. Halley responded there would be parking available in front of the garages of the homes. In addition, there will be parking available along the private road through the development. Halley also responded to another question brought up earlier about other developments where there is a spread in price between the affordable and market rate units. He mentioned another of his developments, The Enclave, had one affordable unit between two market rate units, and the market rate units sold fine.

Neil Herring, 15008 Evelyn Lane, said he was in support of the affordable housing units. He also commented while the city does have affordable housing goals they are working to achieve, the need for affordable units is much greater than the goals show.

Winnie White Scherber, 14605 Orchard Road, commented she agreed with both McNamara's and Herring's comments on supporting the affordable units. She reiterated that people who work here cannot afford to live here.

Powers asked about the process of how the city works with developers to get to the number of affordable units, and whether the city can ask for more units since only six will benefit in this development.

Dantzinger said the issue is density, not the affordable housing component, and the character of the neighborhood would change with the increased density.

Tim Ryan, 3007 Bay Street, wondered why three affordable units would be torn down and six would be put up in its place. He said he felt the integrity of the neighborhood should be kept up, and it would not happen with increased density.

McNamara said the density of the development is driven by economics. If the developer were to drop the density and the number of affordable units remain the same, then the development would not be economically feasible to build.

Wahl said he does not object to the affordable housing; however, he does object to public funds being committed to projects like this when they are not available. He said there should be preservation of the affordable units already in the neighborhood, and if this development goes forward, then the neighborhood will disappear.

Sandal Hart, 5450 Sanibel Drive, spoke that WHAHLT's funding is not necessarily public funding, and they receive funding from multiple public, private, and non-profit sources. She said that in the acquisition of property, the only investment is in the land, because the building is resold. Hart also clarified WHAHLT has made no commitment to the project, and the proposal does not hinge on if WHAHLT will buy the units or not.

Tony Wagner, 1006 Fairfield Spur, said the indexing system used for some affordable units needs to be strengthened to better maintain affordability.

Joe Dantzinger, 3116 Groveland School Road, said he is concerned about the profitability of the WHAHLT units to the purchaser, in particular if the purchaser only receives 35% of the appreciation. He said it seems to limit the equity for purchases in the future for these buyers.

St. Peter closed the comment period, and opened the floor to the commissioners to respond to the questions and ask other questions they had.

Tauer responded to the question asked regarding why the development was taking away affordable units already in place. He said two of the three units are not considered affordable. Tauer also said the neighborhood was a good area to rezone for housing because of the walkable community that exists. In addition, he pointed out that public good is needed in order to make a Guide Plan change.

Thomas spoke to the question of the price spread that was asked about earlier. He said it is an economic issue, and developers will work out a number to get the affordable units, and the reason why there are not a greater number of affordable units is because it is not economically feasible. If all of the units were to be affordable, Thomas said, then other funding sources would need to be explored. He also spoke on the goals that were set with the Metropolitan Council, and said he is not sure what will happen to the goals with the new Metropolitan Council in place.

Larson said the number of affordable units included seemed to be a fair number. He also said he realized some of the issues brought up by the residents were planning issues, and asked if there was a possibility of changing the focus to more than 20% of the units as affordable units.

St. Peter responded and said in national studies a 20-30% affordability mix will work. He said staff works with developers to get 20% of the units as affordable, and the number is looked at on a case-by-case basis when developers come in.

Tauer said if 100% of the units were affordable it creates a similar situation to public housing developments. He also commended Halley for including affordable housing.

Duffy said affordable housing is a matter of economies of scale, as well as a fit for the neighborhood. He said he felt the indexing system does need to be reviewed if it is to be used. Duffy said the idea would be to maintain affordability, but not to eliminate equity.

St. Peter provided background information on the affordable housing goals the city set with the Metropolitan Council. He said the only way to impact affordable housing is through land cost, so the majority of new developments most likely will be higher density developments, similar to West Ridge and Ridgebury. The goal he pointed out was to integrate affordable housing rather than isolate it. St. Peter also talked about the appreciation question that was asked. He said most limits on appreciation for land trusts are between 25% and 40%, and WHAHLT's appreciation falls in this range.

Tauer responded to the question asked about what would happen if the city exceeds the Metropolitan Council goals. He answered he would like to exceed the goals set if it is possible. Tauer also mentioned the Metropolitan Council did not force these goals on the city, instead the city was progressive to include affordable housing.

St. Peter said many service workers, teachers, and others who work in Minnetonka cannot afford to live in Minnetonka. He also pointed out many people that grew up in Minnetonka often cannot afford to rent or buy in the city. St. Peter said economics play a role in the development of affordable housing. The longer the city waits to accomplish the affordable housing goals it set, the harder it will become as the price of land continues to increase.

Walker responded to the question regarding delaying the project or doing it elsewhere. Financially, he said, it is difficult to delay the project, and mentioned again the longer they wait, then the more expensive land will become. Walker said he was surprised to learn about the limited number of suitable sites for affordable housing, and any opportunities presented should be examined. He also commended Halley on including affordable housing in the project.

St. Peter replied to the question asked if WHAHLT could afford to take all of the units. He said it had not been set that WHAHLT would take all of the units, but this alternative was better than the indexing.

Tauer said the government will have to subsidize housing at some point, and when that comes, then it must be done efficiently. He said he also believes the indexing system needs to be strengthened. Tauer commented the appreciation of only 35% may seem unfair, but the idea is to get people into a home they might not be able to get into, and that they are not looking to make a profit.

St. Peter said an average should be considered for indexing, and done in a “mini-max” way, similar to the approach used by insurance companies; however, he said he still would like to see the indexing as a plan B, since the units will not be permanently affordable.

Tauer asked if WHAHLT had to sell their homes for \$120,000 or could they sell them for more so they do not have to put in as much for the land. Hart responded \$120,000 had been set as a policy.

Tauer asked if the arrangements on who will have the units has to be finalized at the meeting. St. Peter replied they do not and the final details can be worked out in the interim. Rankin also responded the indexing topic will be discussed at the April EDA meeting. He said the reason why the Planning Commission meeting had been pushed back was so the final arrangements could be made before the Planning Commission and City Council take action on the issue.

St. Peter agreed in the meantime the information should be looked at again, and a meeting should be set up with WHAHLT to discuss this issue. He also suggested that

maybe the city should create another land trust. Tauer asked how this could be done. St. Peter said it is not desirable unless WHAHLT does not want to take the units.

St. Peter asked Halley how long it would take to build the units once there would be Council approval. Halley said it would take about five months.

Tauer asked if it was possible to use the city's housing account to assist WHAHLT.

Larson said these townhouses seem to be similar in value, but was wondering how the price of the land differed. St. Peter said when someone purchases the units either through WHAHLT or through the indexing, there are property title documents that explain any restrictions on resale values and equity with the property.

Duffy asked if the one drawback to indexing, if the indexing system was strengthened, was the thirty-year expiration. St. Peter said yes. Duffy replied besides that it would seem like it would work well.

Tauer agreed the indexing system could be tightened up, and asked if the real estate commission portion had to be included.

Tauer moved, Thomas seconded a motion to approve the recommendation "That six affordable 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 approved by city staff."

Further discussion followed, and Duffy asked if the recommendation should be six units or should it be 20% of the units instead. Tauer said the recommendation should stick to six rather than a percentage because if the number of units in the development decreases, then there would be a higher percentage of affordable units.

All voted "yes." Motion carried.

St. Peter recommended talking with Steve Bubul about a new land trust, and the city should work with WHAHLT first. Tauer also mentioned perhaps the city could extend its \$750,000 line of credit to WHAHLT in order to look at other options.

## **6. CONSIDER USING THE "HOUSING IMPROVEMENT AREA" APPROACH FOR BUILDING RENOVATION.**

Rankin reviewed the staff report and said even though a request has come into the city by the Cedar Ridge Condominiums to use a Housing Improvement Area, the discussion for the evening was to bring the general concept of a Housing Improvement Area to the EDA. A Housing Improvement Area, Rankin said, is a version of a special service district. He also said the city is cautious about lending money, and a Housing Improvement Area should be used as a last resort if other funding cannot be secured.

Walker asked about the scope of the service of the funds, in particular if the intent for Cedar Ridge Condominiums was to beautify the property. Rankin explained there was water intrusion at the condominiums and they need to fix this problem. Walker asked about the ability to restrict the funding to only certain elements. Rankin replied Hopkins did not place extraordinary restrictions on the funding, and St. Peter said the City of St. Paul had used funds for public benefit projects.

Tauer asked if there were inherent disadvantages to creating a Housing Improvement Area since the two other homeowner's associations that had originally approached the city backed away. Rankin said they had found other ways to finance their improvements. Tauer also mentioned if tax-exempt bonds were used they would be taking some risks. Rankin replied bonds are one way to finance the Housing Improvement Area, and it also may be financed internally; however, if an association applies for the Housing Improvement Area they must show they cannot secure financing any other way.

Thomas asked since bonds and risk may be involved, if this would affect the city's Aaa bond rating. St. Peter said it might have an impact. Thomas responded it would probably depend on the type of bond and how it is issued. St. Peter also said there would have to be demonstrated need for the funding in order to take the risk.

Larson asked if the common areas of Cedar Ridge would be made handicap accessible if the Housing Improvement Area was used and St. Peter also asked if the buildings would need to be sprinklered. Rankin said the buildings at Cedar Ridge are not currently sprinklered and that would need to be looked into.

Cedar Ridge Condominium Association president, Shari Bohnhoff, explained the situation they have with their buildings. She talked about the current special assessment for the roofs, elevators, and other items and also about their current situation with the water intrusion. She also spoke to the bond rating and that 35% of the homeowners may veto the Housing Improvement Area approval of the City Council. Finally, Bohnhoff also said there is a lot of affordable housing in the three condominium buildings and this would be good preservation of it, and in addition, the funding is needed because of the health and legal aspects of the problems.

St. Peter asked Bohnhoff if the Association has met with other lenders. Bohnhoff replied they had met with one lender, and had not seen anything in writing from them. She also said the Association has \$300,000 in a Capital Improvement Program fund.

St. Peter asked how long Cedar Ridge had been condominiums. The building residents said it had been between ten to twenty years, and the total age of the buildings are actually thirty to forty years old.

Bohnhoff explained as of January 1, 2003, sellers have to disclose water and other damages, and this may prove difficult to sellers in the building if this problem is not resolved. The building residents present voiced their concerns on this issue.

St. Peter mentioned one idea would be to take the current condominium values and preserve the affordable resale prices in exchange for the financing.

Bohnhoff said the dues and the special assessments are a lot for the residents; however, they are trying to take care of the property, but it's proving difficult to keep up with everything.

Rankin pointed out the Housing Improvement Area is not something the EDA or the Council have looked into, and the city would work with the Association to see what their needs are. In addition, the city would also work with Ehlers and Associates.

Walker said it would be hard to know exactly how much things cost until the mock up had been completed.

St. Peter asked with the number of older buildings in the city, if this is a tool that the EDA wants to know about, and if it is are there other sites where this might apply and should the city get something back in return.

Tauer said he was opposed to adding affordable housing restrictions to the units since they were already below the affordability maximum. He said this idea seemed like it was punishing those with a problem and the idea here was to renovate and maintain the quality.

Thomas said the idea should be looked into more and to also see what other possibilities are out there. He felt the city should have a policy and guidelines on the subject; however, it should be used a last resort and they should look at the city's risk.

Duffy said he was also in favor of looking more into the subject because there are a lot of affordable units that should not be lost. In addition to looking more into the Housing Improvement Area, a look should be taken at other funding sources such as the Metropolitan Council.

Larson said that Hopkins policy should be studied and the city should work with them.

Bohnhoff and other residents shared additional concerns, in particular about the possibility of having a mold problem.

St. Peter said the city should send an inspector out to look at the health and safety issues at Cedar Ridge.

## **6. ADJOURN**

Tauer moved, Walker seconded a motion to adjourn the meeting. All voted "yes."  
Motion carried. The meeting adjourned at 9:00 p.m.