

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY
MEETING MINUTES**

**Tuesday, April 8, 2003
6:00 PM**

****Gray's Bay 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: Dan Duffy, Dave Larson, Bunny Robinson, Peter St. Peter, Ken Tauer, Al Thomas, and Bob Walker.

Commissioners absent: Paula Chatterjee.

Staff present: Ron Rankin and Elise Souders.

Others present: Colleen Carey from The Cornerstone Group, Shari Bohnhoff and three residents from Cedar Ridge Condominiums, and Neil Herring.

3. APPROVE MINUTES

Tauer moved, Duffy seconded a motion to approve the minutes of the March 18, 2003 EDA meeting. All voted "yes." Motion passed.

4. STAFF REPORT

Souders reviewed the staff report items, including the Southwest Rail Study, the Glen Lake Planning Study, WHAHLT, transit items, and upcoming events.

BUSINESS ITEMS

5. DISCUSSION REGARDING DEVELOPMENT HAVING RESIDENTIAL OVER OFFICE/RETAIL.

Rankin provided background information on the topic and introduced Colleen Carey, President of The Cornerstone Group, as the guest speaker for this topic. Carey provided some history on The Cornerstone Group and mentioned that they developed the Minnetonka Mills Townhouses. She also presented their current projects, including the

Great Northern Lofts in St. Paul, Marketplace Lofts in Hopkins, and Lyndale Gateway in Richfield.

St. Peter asked if there was underground parking available for these sites. Carey answered that there was underground parking available for the condominium units and all retail parking is surface parking. In Richfield, she said, the townhouses will have individual garages.

Carey described what the typical residential units are like and said they range in size from an efficiency unit to a 2 bedroom plus den unit and the prices are from \$135,000 to \$300,000 in Hopkins and \$300,000 or less in Richfield. The retail is rented out and is approximately \$16 per square foot in Hopkins and \$30 per square foot in Richfield.

Duffy asked what residential units are being purchased first. Carey said the lower-cost housing units are selling the fastest in Hopkins, and the only remaining units to sell are those over \$275,000. The typical buyers tend to be younger singles, couples, and empty-nesters, she said.

Carey talked about the parking that is needed at these sites, and said in Hopkins they built extra spaces beyond what the city had required anticipating that people would pay to have an extra space; however, no one has bought additional stalls. She said that the actual parking ratio for the residential units was 1.3 spaces per unit.

Carey discussed the restaurants that may be located underneath the residential units. She said in Richfield the restaurants will be located in separate buildings that do not have residential units above them. In Hopkins however, that is not the case, so when it does happen, they will be very selective as to what to include because of noise, odor, and other issues that may arise. Robinson asked about the safety concerns of having restaurants underneath. Carey said there are fire sprinklers and fire walls provided, so the biggest issues are the noise and odors.

Tauer asked if local services or big box retail are interested in the retail at the Richfield site. Carey responded that unlike the big box retail located just south of the development, many local services are interested because it is a neighborhood site. Tauer also asked if the retail is rented or sold. Carey said that it is rented so that they can have more control of what goes in.

Tauer inquired what the retail does to help the site. Carey responded the only way that retail will work is if there is a good retail site to begin with. She said in Richfield retail works well on the first floor because residential units will not work, since it is located on a busy street.

Walker asked about the guidelines and if parking was a driving force. Carey responded that there are parking guidelines and that the residential units park underneath and there is surface parking available for retail parking.

St. Peter asked if there were subsidies involved and how much was required. Carey used the Richfield development as an example, and said Metropolitan Council funds were used as well as Tax Increment Financing and construction loans. She said these projects do not work without assistance through land acquisition, parking, or other means.

St. Peter inquired about the difference in acquisition costs between Hopkins and Richfield. Carey said the acquisition costs in Richfield were higher. She said the City of Hopkins had acquired the properties and sold them to The Cornerstone Group at a lower cost, which was how the city helped contribute to the project. Carey said there was going to be a difference in acquisition costs depending on the site, but the city needs to back up the development with eminent domain if necessary.

Walker asked if there were any social or neighborhood issues. Carey said that there was very little, the only issue that really came forth was the density of the development.

Duffy asked if the cities had any say on what the rental rates for the retail are. Carey said the cities do not really have any say because The Cornerstone Group does what the market allows and they do not want to limit themselves.

St. Peter inquired if there were condominium association agreements. Carey responded there are two condominium associations in each project, one retail and one residential, which are under the same management company. The residential association, Carey said, is similar to other residential associations. The reason one management company is used is so there is better coordination.

(Thomas left the meeting at this time.)

Tauer asked if there were any financing issues that arose. Carey said that there was some reluctance to fund at first because there was a general notion that the concept does not work. The concern these groups had was that people do not want to live over retail, and retailers do not want a "back" entrance.

Tauer also asked if this type of concept could be done with rental units. Carey said yes, it may not work for everyone or every site, however there is a market for it. Tauer asked if Shady Oak Road has promise for a development like this. Carey said she thought that it did, but there would have to be an "atmosphere" created.

St. Peter asked how the St. Louis Park project, Excelsior and Grand, was doing. Carey said she did not know for sure, but she had heard the retail and rental components were doing well and there is interest in the for-sale condominium units.

Larson asked how the retail works in terms of renting and contribution of profits. Carey said they charge rent by the square foot and that some may pay a percentage of the profits; however, they cannot count on this income.

St. Peter asked about the affordability of the units. Carey said in Hopkins approximately 25 percent of the units were under the \$170,000 Metropolitan Council definition of affordable. In Richfield, about 20 percent of the units were under the affordability definition, and there was also use of Minnesota Housing Finance Agency money in order to provide downpayment assistance to make some of the units affordable to the initial buyers.

Walker inquired if there was a certain traffic count that was needed in order to support the retail development. Carey said no; however, it will attract a different type of retail to the area. St. Peter said that Minnetonka Boulevard and County Road 101, Highway 7 and County Road 101, and Excelsior Boulevard in Glen Lake would have high traffic counts. Rankin said Shady Oak Road and the Glen Lake area would be similar to Lyndale in higher traffic counts. Carey responded that all of these areas would have potential; however, the question remains how do you buy out existing businesses. This, she said, is something that needs to be thought through before the project is started.

St. Peter asked if there was a minimum square footage site needed to support this type of development. Carey said no, and a project can be done on the same scale as Hopkins. Density, not site size, is the major factor, and the project usually has to be dense in order to be financially feasible.

Tauer asked if there is input from the homebuyers as to what type of retail goes in. Carey said that the homebuyers do not have input. They do however let the homebuyers know there will be retail; however, they do not note the specific retail uses.

Walker asked if there could be a mix of light office rather than retail. Carey said they considered offices in Richfield, but it didn't work at that particular site. She said that it is conceptually possible; however, homeowners like the idea of being able to walk down the stairs to the coffee shop or to a bookstore.

Carey said that if this concept was developed, that it is important that the city is able to help out, in financial and other ways.

6. FURTHER CONSIDERATION OF THE "HOUSING IMPROVEMENT AREA" APPROACH FOR BUILDING RENOVATION.

Rankin provided the background information, and stated this item was being carried over from the March EDA meeting. He followed up on each of the points that had been brought up at the previous meeting and one of the concerns lied with the number of buildings that may be requesting assistance in the future. Rankin said staff recommends the EDA not pursue the Housing Improvement Area approach at the present time.

Tauer said he thought trying to keep the units at Cedar Ridge affordable by indexing would be punishment because they are already affordable. He also said he has some concerns with the city as banker, and said he thinks this should not be pursued at the present time, but may be willing to consider it in the future.

Robinson asked if the condominiums' damage was resultant from the recent reroofing or from previous construction. Rankin said that it was from water intrusion over a length of time.

Walker said that on a project like this it needs to be done in full and not halfway.

St. Peter said the city may be a last resort, and did not believe that this project merited the city's assistance at this time. He suggested that the city put in a set of guidelines and policies so that the housing stays viable over a period of time.

Robinson asked about Hopkins policy, and St. Peter responded that Minnetonka has neither done a Housing Improvement Area or even developed a policy regarding it. Rankin added that the discussion has never come this far before with the two other groups that were originally interested in the program.

Duffy asked how many of the 2,200 units over 20 years of age are considered affordable, and that maybe the city should look at serving the affordable units first.

St. Peter said there are a number of factors to look at. He also noted Cedar Ridge has some problems, but there may be more that have not been identified, so at this time the exact investment is unknown.

Tauer said such things as retrofitting the building for sprinklers and other cost add-ons may push the home prices beyond the affordable point.

Tauer asked the Cedar Ridge representatives of the other possibilities that they had looked into. Shari Bohnhoff, President of the Cedar Ridge Condominium Association, said that they had looked into one other possibility; however, if the EDA does not decide to pursue the Housing Improvement Area concept they will look harder. Bohnhoff also said that the Association Board had approved to do a mock-up and she also described the increase in dues for the year and the special assessment that began January 2003. She talked some then about how the dues and special assessments were doing with the collection, because it appeared at the March meeting that there was concern about the bonds being paid back in a timely manor.

Walker moved, Larson seconded a motion to approve the recommendation that the EDA not pursue the Housing Improvement Area approach at the present time.

All voted "yes." Motion carried.

St. Peter suggested that staff go back and develop policy guidelines for the EDA to look at in the future in case a situation arises.

Tauer moved, Larson seconded a motion to develop guidelines for future discussions.
All voted "yes." Motion carried.

7. DISCUSSION REGARDING THE INDEXING SYSTEM USED FOR AFFORDABLE HOUSING RESALE PRICES.

Rankin reviewed the background information and said with the upcoming developments of The Sanctuary and Parkers Lake Road Condominiums that may require use of the indexing system, the indexing system needs to be revisited to make it more efficient. He said a mini-max approach had been suggested at the March EDA meeting and staff had included those numbers in the report. Rankin also pointed out that Planning Commissioner Tony Wagner mentioned the units at the Gables are selling for less than the maximum resale price that they are allowed.

Tauer asked how the maximum prices of the townhouses could go up quicker than the actual selling price. St. Peter said the maximum prices are based upon the average increase of the metropolitan area.

St. Peter said that if a new calculation is used, then it should be kept simple so that people understand how it is done

Tauer asked about the \$170,000 Metropolitan Council definition of affordability and how this number was figured out. Rankin said that the \$170,000 figure is an arbitrary number and not an average. It's based upon what's affordable to those at median income. Tauer then confirmed that the indexing is based on average increases in metropolitan area sales prices.

Walker asked how other indexing systems around the metropolitan area work. Rankin said the indexing system is not common and the indexing system that Minnetonka uses has not kept prices affordable because of the significant increases in average sales prices in recent years.

St. Peter said the mini-max approach guarantees a threshold of gain as well as not allowing the price to increase too rapidly.

Robinson asked why the indexing went from using a 7 county metropolitan area average to a 13 county metropolitan area average and if that was the case, wouldn't the average have gone down because of lower prices in the outstate area. Rankin said the Multiple Listing Service that puts together the numbers expanded their area and the reason the averages still continued to increase is because of the significant growth in these areas.

Tauer said the mini-max approach is good; however, he does not like the minimum guaranteed threshold. He said this is affordable housing to get people into an owner-occupied unit and that it shouldn't be about making a profit; therefore, he believes there should be no minimum.

Duffy agreed there should be no minimum, but to also have a floating maximum, rather than a fixed cap on the maximum. He gave the example of if the average increase in

sales prices was X percent, then perhaps the cap should be at 50 percent or 70 percent of X percent, that way there are increases; however, not as large as there would be otherwise.

Discussion followed regarding clarification of the flexible cap for the indexing system.

St. Peter said staff should take this approach and recalculate the numbers for the EDA to review again.

8. OTHER BUSINESS

Herring commended the EDA commissioners for how they handled the March meeting, and he said that the city should have a multi-faceted approach to affordable housing.

Rankin said that EDA officers are usually elected at the April meeting “President and Vice President”; however, because it was not on this month’s agenda, it will be on the May agenda. He said typically City Council members do not serve as officers.

9. ADJOURN

Larson moved, Tauer seconded a motion to adjourn the meeting. All voted “yes.”
Motion carried. The meeting adjourned at 8:10 p.m.