

**Minnetonka Economic Development Authority
Meeting Minutes**

**February 3, 2004
6:00 p.m.**

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

1. CALL TO ORDER

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

2. ROLL CALL

EDA Commissioners present: Paula Chatterjee, Dan Duffy, Dave Larson, Bunny Robinson, Peter St. Peter, Al Thomas, Tony Wagner, and Bob Walker.

Staff present: Geoff Olson and Elise Souders.

Others present: Neil Hering, Tom Threlkeld, Arnie Zachman, Dan Kelly, Richard Feerick, Terry Egge, Randy Hamborg, and Jeanne Mason.

3. APPROVE MINUTES

Robinson moved, Larson seconded a motion to approve the minutes of the December 9, 2003 EDA meeting. Duffy, Larson, St. Peter, Thomas, and Walker voted "yes". Wagner abstained. Motion passed.

4. STAFF REPORT

St. Peter welcomed EDA Commissioner Tony Wagner as the new Councilmember representative to the EDA and also noted Bob Walker and Paula Chatterjee had been reappointed for another term.

Souders reviewed the staff report, updating Commissioners on Dial-a-Ride, the Family Affordable Housing Program, Crown Ridge, Minnetonka Boulevard/County Road 101, WHAHLT, and Community Involvement Programs. She also noted upcoming events and the updated roster included as an attachment.

St. Peter asked that when Community Involvement Program submits their application the EDA be asked to review the proposal.

BUSINESS ITEMS**6. EDA RESOLUTIONS**

(This item was taken up out of sequence.)

Resolution approving the change in the indexing system used for affordable housing resale prices to 50% of the average annual percent increase of the metropolitan area.

St. Peter said the resolution was an outcome of previous discussions regarding the change Commissioners had recommended in the indexing system.

Walker moved, Robinson seconded approval of the resolution revising the indexing system to use 50% of the average annual percent increase as suggested previously.

Duffy asked why there was no mention in the resolution about where the average sales price of the metropolitan area comes from. St. Peter responded because the body, which puts out the information changes, as well as the number of counties included in the report, and therefore should not be put into the resolution.

Wagner clarified this would apply to units built after this point, and that the other units using the current indexing system would be grandfathered in.

Larson said he was surprised to see how much the average price went up when the system was changed from seven counties to thirteen counties.

All voted "yes". Motion carried.

Resolution approving the EDA's recommendation on the inclusion of 10% to 20% of the total units in multi-family developments as affordable housing.

St. Peter said this was a policy that the EDA had discussed previously during the housing needs study and a resolution should be put in place affirming this is what the EDA wants to happen.

Walker asked what drove the 10% to 20% range and a different set numbers was not used. St. Peter said after looking at other national examples it was typical to see inclusion rates between 8% to 25%.

St. Peter said the 10% to 20% numbers are a recommendation, a guideline to give to staff, and are not fixed numbers. Ultimately, he said, the City Council has the final say.

Duffy moved, Larson seconded a motion approving the EDA's recommendation on the inclusion of 10% to 20% of the total units in multi-family developments as affordable housing. All voted "yes". Motion carried.

5. AFFORDABLE HOUSING COMPONENT PROPOSED WITH A 13-UNIT TOWNHOUSE DEVELOPMENT AT 14201, 14213, AND 14225 EXCELSIOR BOULEVARD.

(This item was taken up out of sequence.)

Souders reviewed the staff report and recommended that two affordable units be included and that they be transferred to the city or an affordable housing organization designated by the city, at a cost not to exceed \$170,000 each.

St. Peter reviewed the process to be followed for the evening's meeting and referred to Olson to add additional comments. Olson said the Planning Commission, when they reviewed this item at their January 15th meeting, spent time negotiating with the developer so that there were some upscale features added to the architecture of the building, and also that there was one affordable unit included. He also commented that this site may help to bring additional redevelopment in the Glen Lake area. Olson said that the Planning Commission favored one affordable unit; however, they also said it was up to the EDA to make the recommendation to Council on the number of affordable units that should be included.

Wagner asked if the 155 affordable units mentioned in the staff report, that were counted toward achieving the Livable Communities goals, were new development or all of the affordable owner-occupied homes in the city. Souders replied the 155 were new units that had been built since 1995. Wagner asked if that included those units that may not be affordable now. Souders said the units that were counted were ones that were initially sold at an affordable price.

Wagner asked Olson if the Parker's Lake Road Condominiums was the Yellowstone development. Olson said they were and the new indexing system would be used on the affordable units included in that project.

Duffy inquired about the upgrades of the units and what the discussion by the planning commission was on screening and landscaping. Olson said the original plan had showed a fence; however, the neighbors were opposed to a fence. He said staff had received a revised landscaping plan and were satisfied with the changes.

St. Peter asked what the price range would be for the market rate units. Arnie Zachman, the applicant, responded that with the upscale features the prices would be \$450,000 to \$500,000. He said the original plan without the upscale features would have been \$350,000 to \$400,000.

St. Peter opened up the comment period.

Dan Kelly, attorney representing the applicant, provided some additional background information regarding the architectural component of the units. He said the difficulty

would be balancing the new, upscale look with a less expensive price. Kelly said Olson had described the Planning Commission meeting correctly in that there ended up being a lot of negotiating as to what architectural features would be acceptable to the city, what would be financially acceptable to the developer, and what would be acceptable for the inclusion of affordable units. The purpose of the negotiation, he said, was to make the development financially feasible to the developer, and also to have the development overall acceptable to the city. He said any affordable unit that would be developed would be at a loss to the developer. The lot costs alone he said were between \$130,000 and \$150,000. Kelly said the process with the Planning Commission was good and that one affordable unit was acceptable. He said more Planning Commissioners were leaning toward one affordable unit, and the developer was trying to satisfy the city's wishes and therefore one affordable unit would make it financially feasible for the developer to do this. Kelly also mentioned that the one affordable was consistent to what was shown in the staff report for other developments.

Randy Hamborg, Lakewoods Townhouses, said he is a supporter of affordable housing and is glad to see that it is developing in the city. He thought that looking at the size of this development, having only thirteen units, that two units would put a burden on the rest of the association. He was supportive of having more affordable units when past plans had showed a condominium because that burden would be able to be spread over more units. Hamborg said the families that would be looking for affordable units would do better in a detached single-family home instead. He felt the two affordable units would not work in this development and that possibly another affordable unit could be created elsewhere.

Terry Egge, 14429 Stewart Lane, said her role at the evening's meeting was as a neighbor. She said she is for affordable housing and is president of the WHAHLT board. Egge said because of her experience with WHAHLT she understands how hard it is to market townhouse units to people because families with children want single-family homes. By having seniors moving into these townhouses it frees up single-family homes for the families. She stressed the importance, being a townhouse owner herself, that the association dues associated with repairs could be burdensome to owners of these affordable units. Egge also clarified the Planning Commission's recommendation and said that they recommended one unit, but the recommendation to Council for the number of affordable units will come from the EDA.

Jeanne Mason, owner of the property, said the development is small and she felt one affordable unit was appropriate.

Zachman said when he originally started with the process, meetings that he had with staff indicated that one affordable unit would be fine, but staff had changed their mind and he might be forced to include two affordable units. He emphasized that the other buyers would have to subsidize not only the original cost of the units, but also the association dues.

St. Peter closed the comment period. He said that staff's recommendation is a recommendation and that the EDA can change it if they see it is appropriate to do so.

St. Peter also commented the City Council has the final decision and that staff, the EDA, and Planning Commission are all advisory.

Wagner asked Olson to clarify the density of the development. Olson said the density of the development was at the low end of medium density. Olson explained for the EDA Commissioners the range for medium density.

Thomas asked for an additional explanation behind staff's recommendation of two affordable units. Souders answered that the location of the development had been previously identified by the EDA as an area where affordable housing would be suitable, and using the criteria the EDA had to rate these areas, the Glen Lake area was rated positively on four of the five criteria and neutrally on the other. Souders also said the EDA's policy was that 10% to 20% of the units in a multi-family development be made affordable. She said two affordable units would be inline with this policy.

Duffy also added this was one of the top three areas the EDA had identified for potentially having some sort of mixed-use development and other redevelopment. He said he felt that having upscale features on this development would lead to other redevelopment in the area, and if in order to make that happen only one affordable unit was included that would be okay.

Larson said he attended the Glen Lake Planning Study Meetings. He said it was dollars versus density and that this property is zoned for office and he would rather see housing instead of an office building. He felt the entire Glen Lake area was ideal for young families and single mothers. Larson said he would like to see two affordable units included and that they be open to young families. He also mentioned he was concerned about the ability to maintain affordability with the units.

Robinson said she liked the idea of having two units and also that she liked the idea of being able to maintain affordability.

Thomas asked the applicant what he would do if the EDA recommended two affordable units to City Council. Kelly responded that at some point someone would have to pay for the affordable units and he wondered what sort of buyers would be willing to do that. He said buyers look at location, but also the size of the units and the price. Kelly said they could not say one way or another if they would go ahead, but two affordable units would make the project more difficult.

Thomas said he agreed with Duffy's comments about having one affordable unit with upscale features if that would help to lead toward more redevelopment for the area. He said he would like to have two units, but with one affordable unit it would create a certain design level for the whole area.

Wagner said the development would be medium density and in the past there has been a tradeoff between density and affordable housing, but because this development is at the low end of medium density he felt one affordable unit was appropriate.

St. Peter said that while that has been the case with density, the applicant is also requesting a guide plan amendment and a number of variances, so those requests need to be taken into account when deciding the appropriate number of affordable units. He said there is less area to develop and redevelop, and because of that, the city should seek to achieve as much as possible because land is only going to get more expensive. St. Peter made the recommendation that the \$170,000 number in staff's recommendation should be changed from now on to the Metropolitan Council's affordable housing price at the time of development because this number could potentially change prior to the development. He also suggested another possibility, instead of including two affordable units in the development, that the recommendation could be the inclusion of one affordable unit and one equivalent either as another affordable unit or as a financial payment for that unit. This would be a way to accomplish the policy objective, but it would not all have to be in the development. He said he was also concerned about the association dues.

Robinson asked for clarification on St. Peter's alternative possibility.

Duffy said looking long term, there would be more opportunities in Glen Lake to add affordable units.

St. Peter said the purpose is to accommodate both the goals of the developer and of the EDA. He said the long-term infill will focus on higher density. He also mentioned that association dues need to be looked at.

Egge said in her work with WHAHLT that they have not yet experienced association dues with townhouses. She also said she feels that the Glen Lake area needs a good starting point to develop properly.

Walker said land is a diminishing asset in the city. He also said the EDA has a policy of 10% to 20% inclusion of affordable units in multi-family developments, and by only including one affordable unit would create a precedence for future developments. Walker said he liked St. Peter's idea of having one affordable unit within the development and the second affordable unit either be included in the development or be provided as a financial payment. He thought this expresses the city's affordable housing policy and shows that they are serious about it. Walker thought the Glen Lake area was an important area.

Richard Feerick, 13995 St. Andrews Drive, said the affordable housing should have been included as part of the Planning Commission's negotiations with the developers.

St. Peter commented that what has been said previously in meetings with staff and the developer is not set in stone.

Thomas asked the applicant if the one affordable unit in the development and a second affordable unit either included in the development or, as a financial payment would work. Kelly said it would seem to resolve some of the problem of having the other buyers subsidize the cost of the units, but there was still concern about the subsidizing

of association dues. He restated what was said in the Glen Lake Planning Study about the upscale features and that this property should be a gateway into the city. Kelly said the city had always said that one affordable unit would be okay. He said they may have to re-look at the architectural features again if two affordable units are recommended.

Larson said the Glen Lake Planning Study Meetings were a collection of people's thoughts and the majority did not want a condominium building included. He said he does not think that the developer will have any problems selling the buildings because of the area in which they are located and that the market will bear whatever price is set. Larson said that the EDA should follow the guidelines that they have set and that two affordable units are appropriate.

Zachman said the Glen Lake Planning Study was looking at fifteen to nineteen units, but he cannot put more than thirteen units on the property because of the variances needed.

St. Peter responded part of the trade-off to receive variances is to include affordable units, and that in the Enclave's development it did not require any variances, hence the reason why only one affordable unit was included.

Walker clarified what the Planning Commission's recommendation was. Kelly responded that what was in the staff report was not what was talked about at the meeting. Egge clarified that the Planning Commission recommended one unit, but that the judgment would be left up to the EDA to decide. Walker reminded the group that both Commissions are advisory.

Duffy asked for clarification on the prices for the market rate units.

Larson compared the features of the Glen Lake area with the Marketplace Lofts development in downtown Hopkins. He said many of the units at the Marketplace Lofts were selling easily even though they were more expensive and did not have much of a view, while these townhouses would have a much more appealing view.

Robinson moved, Larson seconded a motion to approve the recommendation "That two affordable housing units be included, and they be transferred to the city or an affordable housing organization designated by the city, at a cost not to exceed \$170,000 each."

Walker moved, Thomas seconded a motion to amend the original motion replacing the two affordable housing units with one affordable unit within the development and the second affordable unit be built in the development or be satisfied as a financial contribution.

Wagner clarified if this amendment would add a fourteenth unit or if there would be another affordable unit elsewhere. He said if there were fourteen units then that would go back to the Planning Commission.

On the amendment, Wagner, Walker, Thomas, Duffy, St. Peter, and Larson voted yes. Robinson voted. The amendment carried.

On the original motion, Robinson voted yes. Wagner, Walker, Thomas, Duffy, St. Peter, and Larson voted no. Original motion failed.

Larson moved, Wagner seconded a motion to amend the amended motion "That one affordable housing unit be included within the development, and a second affordable housing unit either be included in the development or as a financial contribution, the affordable unit(s) included in the development be transferred to the city or an affordable housing organization designated by the city, at a cost not to exceed the Metropolitan Council's definition of affordable housing at least sixty days prior to the closing on the affordable units."

All voted "yes." Motion carried.

7. CONTINUED DISCUSSION REGARDING RESIDENTIAL DENSITY AND LIFE-CYCLE/AFFORDABLE HOUSING.

Souders reviewed the staff report and said this was a continued discussion of the density and housing issues the EDA has looked at previously. She also noted at the March 1 Study Session of the City Council there will be discussion on land use and development issues including density and affordable housing.

The EDA felt that this item would be best to be tabled until after the March 1 Study Session.

8. OTHER BUSINESS

St. Peter mentioned another project, the Crane Lake Condominiums that may be coming forth for review. He said when this project comes to the EDA, that he will be excusing himself from the discussion and that staff will receive a letter noting this. Wagner said he would like the EDA to review the Crane Lake Condominiums prior to the Planning Commission meeting. Olson said the Crane Lake Condominiums are looking for concept approval first before any development reviews. Walker also added to make sure the developers were aware of the inclusion of affordable units.

Souders reminded Commissioners the next regular EDA meeting is March 9.

9. ADJOURN

Robinson moved, Thomas seconded a motion to adjourn. All voted "yes." Motion carried. The meeting adjourned at 8:20 p.m.