

**Minnetonka Economic Development Authority  
Meeting Minutes**

**Tuesday, November 9, 2004  
6:00 p.m.**

**Boards and Commissions Room  
Minnetonka City Hall, Lower Level**

**1. CALL TO ORDER.**

EDA President Peter St. Peter called the meeting to order at 6:01 p.m.

**2. ROLL CALL.**

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

EDA Commissioners absent: Al Thomas and Tony Wagner.

Staff Present: Ron Rankin, Lee Gustafson, and Elise Souders.

Others Present: Janet Lindbo, Jan Callison, Steve Bubul, Jerry Nystuen, and Arlene Nystuen.

**3. APPROVE MINUTES.**

Larson moved, Duffy seconded a motion to approve the minutes of the October 12, 2004 EDA meeting. All voted yes. Motion passed.

**BUSINESS ITEMS**

**4. WHAHLT UPDATE AND AMENDMENT TO THE LINE OF CREDIT AGREEMENT.**

Rankin introduced Jan Callison, former WHAHLT Executive Director, and Janet Lindbo, new WHAHLT Executive Director.

Souders gave an overview of the staff report and highlighted some of the projects and changes happening with WHAHLT.

St. Peter asked for clarification on the total number of units. Lindbo clarified the numbers may total more than the 20 units they have acquired since one has not closed and another is under rehab. She highlighted the homeowner prospect list, showing the interest by households, which at one time there were more homes than prospective buyers. Currently, she said, they have approved several households and are waiting to find homes for them. Lindbo said the funding to purchase these homes is key.

Walker asked about the purchase hit rate. Lindbo replied it is not monitored. Callison said, when finding homes, the challenge has not been finding quality homes, but finding a home under \$220,000. Lindbo added land value and rehab are other challenges.

Walker inquired about the amount put into rehab. Lindbo said it averages \$5,000 to \$10,000 per home.

Callison said the first buyer-initiated property was just purchased. She said this type of transaction costs WHAHLT less, but is a more complicated process. Lindbo added the buyer-initiated program is easier for a moderate-income household to do rather than those with lower incomes. St. Peter inquired about the write-down on the buyer-initiated property. Callison said the land value is \$90,000 and the home value is \$140,000.

Walker asked if other communities WHAHLT is working in contribute funding. Lindbo replied current funding is coming from HOME, CDBG, Met Council, and others.

Larson inquired about the property rehabbed in Richfield for a disabled household. Callison said that did happen and the City of Richfield has given properties in-kind rather than funds. Lindbo added the Eden Prairie home will have in-kind donations including installation, fixtures, and others.

Duffy asked how the name change has affected the marketability of WHAHLT. Lindbo said the Homes Within Reach name defines what they are doing and what it can do for a household. She said acronyms can be misleading. Callison said WHAHLT has limitations for example, the WHAHLT name implies that it is for western Hennepin County; however, it is for suburban Hennepin County.

Walker asked if WHAHLT is looking into Community Reinvestment Act (CRA) funds from banks. Callison said while WHAHLT is not receiving any CRA funds, they receive support from banks including Americana and Bremer.

Rankin reviewed the proposed amendment to the Line of Credit agreement, stating the amendment will change the time frame WHAHLT has to pay back each draw on the account to the earlier of 30 days from the closing of the sale or nine months.

Larson moved, Walker seconded a motion to recommend approval by the City Council to the amendment to the Line of Credit agreement.

Larson asked if the 30 days after closing on the sale of the unit is adequate for WHAHLT. Callison said it is and explained how repayment works.

All voted yes. Motion passed.

Rankin updated Commissioners on other items in the Line of Credit agreement, including the maximum line of credit, the maximum price paid for one unit, and the total amount of subsidies given by the city to WHAHLT.

Larson asked who the President of WHAHLT is, and Lindbo said it is Terry Egge.

**6. RESOLUTION APPROVING TIF NOTE ASSIGNMENT AND AGREEMENT, AND CONSENT TO ASSIGNMENT OF TIF NOTE FROM MINNSTAR BUILDERS, INC. TO ST. STEPHEN STATE BANK (This item taken up out of sequence).**

Rankin introduced Steve Bubul, special counsel to the EDA, and said that he has been working on this transaction. Rankin went over the staff report reviewing the TIF notes issued for the project and what has happened since the issuance of the notes.

Bubul said the transaction will change the relationship because with pay as you go the developer is directly involved; however, because many of the properties are owner-occupied and already paying the taxes, it is not any longer truly "pay as you go". He said by selling the note to the bank, the payments will be made to the bank. Bubul said this puts the bank at risk, but does not change the city/EDA role. He continued saying there is little risk because there is a set payment schedule with the note, but there should be an investment letter signed by the bank, and that letter is included in the materials Commissioners received.

St. Peter asked if the note is subject to cross-default. Bubul replied the bank buys knowing about defaults. He said while all of the houses have not been built, there is a clause in the note that when it comes time to pay off the note in 2011 if not all houses have been completed the remaining increment can be withheld.

Rankin said the affordable units have been built, and there are two types of condos being built now. He said all changes in the schedule requested previously were made, as well as the design and price. Duffy inquired if the transfer of the note reflects these changes. Bubul said the bank is aware of the current construction schedule.

Rankin said there has been a slight reduction in the market value of the office building because of vacancies; however, the current market value is enough to keep payments on schedule. Bubul added the minimum value in the agreement is based on the construction of one tower and the second tower is security.

Larson asked about the unpaid balance since it was blank in the consent to assignment attachment. Bubul said this will be filled in based on the August 1, 2004 numbers.

Larson moved, Duffy seconded a motion to adopt the resolution. All voted yes. Motion passed.

**5. IMPROVEMENT AGREEMENT BETWEEN THE ECONOMIC DEVELOPMENT AUTHORITY AND THE CITY AND HOLIDAY STORES, INC., AND MINNWEST CORPORATION (This item taken up out of sequence).**

Rankin reviewed the report and said the EDA is involved because of the purchase of a home that will be impacted with the construction of the frontage road.

Gustafson gave additional background on the project. He said after meeting with neighbors most are in favor of the project. Gustafson described the process and said

the City Council approved the geometric layout at the October 18 Council meeting in order to apply for funding from MnDOT. He said the proposal for the development of the bank on the site went to the Planning Commission on November 4. Gustafson explained the frontage road will improve access and increase safety by limiting accesses onto Highway 7.

Gustafson said the A-Frame house was purchased by the EDA in 1999 in anticipation of the project. He said having the frontage road cut through this property to connect to Williston Road at Karyl Drive will create a standard intersection and also make a more developable parcel for the corner. Gustafson explained the east half of the project will receive funds from state aid for the reconstruction and the west half of the project is intended to be funded with a grant from MnDOT.

Gustafson reviewed the property impacts. He said the EDA parcel (the A-Frame house) will be removed. The house north of the EDA property will have the detached garage relocated. There is a strip of common-ownership land to the west of the EDA property that the condemnation process has begun on, in order to ensure the property will be accessible at the time the project starts. Gustafson said property acquisition typically takes nine months to complete and the goal is to start the project by mid-July 2005. He said the project will be a mirror image of what was done south of Highway 7 and east of Williston Road.

Rankin explained Holiday acquired the Total property and hoped to put up a new store. The City Council, he said, took steps to reguide the property for an office use because they feel it is a more appropriate use.

Duffy asked about the access to Davanni's from Highway 7. Gustafson said they would keep that access and the frontage road is planned to end at Highland Road.

Gustafson said the concept planned for the EDA property is a land swap between the EDA property and the second parcel owned by Holiday to the west of the corner parcel. The property to the west will be a storm water pond and the EDA property will be incorporated into the corner parcel to make one, larger parcel. He said the square footage is nearly the same.

Walker asked what will happen if Highway 7 is expanded. Gustafson answered that MnDOT has no plans to expand, but would rather work on improving the safety of the highway through projects like this. Walker also inquired if the topography in the area will be fixed. Gustafson replied it will be, by adding retaining walls.

Duffy asked how the sidewalk will be screened from Highway 7. Gustafson answered there are no details planned on how to separate the sidewalk yet.

Gustafson explained the next step in the process will be appraisals and right of way acquisition so the project can begin by mid-July. The plan, he said, is to complete the majority of the project in 2005; however, final details, like the final layer of asphalt, will be done in 2006. He said before the start they need to have the agreement in place.

Walker asked if the city will have to grant variances for the existing businesses. Gustafson replied if there is a non-conforming use it will be grandfathered in.

St. Peter said he is concerned about the land lost in the swap. Gustafson said the stormwater pond is needed and explained the plans for the bank on the corner parcel.

Walker said the Y-intersection between the frontage road and Highwood Drive seemed dangerous. Gustafson replied there is a low volume of traffic in the area and should not be a problem.

Duffy said he felt the project was well thought out.

Walker inquired how the community will be made aware of the project. Gustafson said updates will be done in the online newsletter and on the website.

Larson asked if the money is in place to begin the project. Gustafson replied the funds for the east half of the project will come from state aid that has been secured. He said funds for the west half will come from a grant from MnDOT, which is currently going through the application process.

St. Peter stated he was concerned because the EDA paid the money for the acquisition of the property and they were not getting compensated for it. Rankin added Commissioner Thomas expressed the same concerns, and said the delay that will happen if appraisals are done will take longer than doing the swap itself.

St. Peter said because this is another department's project that as budgets are looked at in the future, there should be some discussion about how the EDA can recoup the funding lost in this project.

Rankin said the EDA property was rented the past five years at an affordable rate. St. Peter replied this is an additional loss and his concern is there is nothing in the agreement prohibiting another use from coming in on the site. Gustafson said staff discussed this possibility and the parcel has very little buildable area and requires many variances; so, if a new use comes it will require another review by the Planning Commission and City Council.

St. Peter recommended having a set time frame for completion. Rankin replied the City Attorney could look into this, but also mentioned that the bank is being built around this project. Rankin said with the EDA's permission staff could explore the issue.

Walker asked if it would be an outright sale. St. Peter answered it will be a three-way multi-property sale/swap.

Duffy inquired about the size of the bank's property. Rankin said it is just over an acre.

Robinson clarified that for the property owner to the north of the EDA property, that only the garage is being relocated. Gustafson said the owner was given the option to sell the entire property or to just move the garage.

Larson asked if the tenant of the EDA property is aware of the project. Rankin replied the tenant was given notice and added they may be moving within the next month anyway. Larson also inquired if the date on page 6 should be 2005 rather than 2004. Rankin said it is a mistake and should be 2005. Larson inquired about the rent charged for the EDA property. Rankin replied the affordable rent is \$470 per month.

St. Peter asked for a motion to approve the concept of the draft agreement. Rankin said the EDA will be asked to approve the final agreement when it is available.

Larson moved, Duffy seconded a motion to approve the concept of the draft improvement agreement. All voted yes. Motion passed.

#### **8. OTHER BUSINESS (This item taken up out of sequence).**

Rankin said the December EDA meeting was originally scheduled for December 14; however, because of a joint City Council Study Session with the Hopkins City Council scheduled for that evening, that the EDA meeting will need to be rescheduled. An email inquiry as to whether December 7 will work will be sent to the EDA.

#### **7. STAFF REPORT (This item taken up out of sequence).**

Souders reviewed the staff report items including: Shady Oak Road, Minnetonka Boulevard/County Road 101, 2004 Housing Performance Scores, EDA Project Updates, and upcoming events/activities.

St. Peter suggested talking to Community Education informing them of the services Dial-a-Ride offers so they can let their participants know this service is available.

Rankin also mentioned that the Twin Cities Community Capital Fund (TCCCF) received the funding they needed to start their background work on the program.

#### **9. ADJOURN.**

Robinson moved, Larson seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:55 p.m.