

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY
MEETING MINUTES**

**February 21, 2006
6:00 p.m.**

**Mezzanine Conference Room
Minnetonka City Hall, Upper Level**

1. CALL TO ORDER.

EDA President Peter St. Peter called the meeting to order at 6:03 p.m.

2. ROLL CALL.

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

Staff present: John Gunyou, Desyl Peterson, Ron Rankin, and Elise Souders.

Others present: Janet Lindbo, Winnie White Scherber, Jerry Nystuen, and Arlene Nystuen.

**3. APPROVE MINUTES OF JANUARY 17, 2006 AND JANUARY 30, 2006
EDA MEETINGS.**

Robinson moved, Walker seconded a motion to approve the January 17, 2006 EDA meeting minutes. All voted yes. Motion passed.

Larson moved, Duffy seconded a motion to approve the January 30, 2006 EDA meeting minutes. All voted yes. Motion passed.

Rankin recognized Dan Duffy as this year's Twin West Chamber of Commerce Bravo award winner.

BUSINESS ITEMS

4. HOMES WITHIN REACH REQUEST FOR FUNDING.

Rankin introduced Janet Lindbo, Executive Director of Homes Within Reach (HWR), as well as the other HWR Board members in attendance. He said HWR came in with an original funding request to the November 15, 2005 EDA meeting for \$200,000 in property acquisition funding and \$30,000 in overhead funding, which is an increase from the past. Rankin said at the November meeting the EDA recommended approval of the \$200,000 property acquisition funding and

\$20,000 of the overhead funding, and made the remaining \$10,000 in overhead funding contingent upon submission of a long-term overhead financing plan. He said HWR has returned to follow-up and request the remaining \$10,000 in overhead funding. Rankin said staff recommends approval.

Larson asked about the amount of time the property manager spends working with HWR. Lindbo responded the property manager volunteers the majority of time and is only paid a small amount.

Thomas referred to the application for grant funds included in the packet and asked about HWR's success in obtaining funds from small religious organizations. Lindbo said those organization provide a small amount of funding, and most of it is requested for use in property acquisition only, not overhead. Lindbo said the overhead funds are the cost of doing business. She said she is seeing changes in what types of projects funders are funding. She said that most of the funders, such as United Way, are now only funding homelessness related projects. Lindbo said it takes a lot of time and resources to apply for these grants and as the organization grows then there will be more opportunity to obtain these funds.

Thomas asked what HWR's business plan for growth and development of other sources for overhead is. Lindbo replied the \$30,000 in overhead requested does not cover the five to eight units HWR anticipates acquiring in 2006 in Minnetonka. She said in the long-term the goal is to grow and serve other communities, yet continue to partner with Minnetonka. Lindbo said the overhead costs when projects are done in other communities are part of the proformas. She said HOME funds do provide some additional overhead funds and are used on projects where there is little to no overhead from other funding sources. Lindbo said there is a learning curve with the new townhouse projects and it is taking more time than the normal process. She said in the future the plan is to be more efficient and better utilize resources.

Thomas asked if there will ever be a point where the amount of overhead requested by HWR could be put to use by the city to operate the same sort of program assuming there is money to purchase properties. Rankin said there was discussion of this when HWR was first established and whether it should remain as part of the city or if it should be a non-profit. He said it was agreed upon that it should be a non-profit so that it can work outside the borders of Minnetonka and they would be able to apply for other grants the city cannot. Rankin said a problem may be that there is an on-going cost of working with the acquired properties that cannot be easily covered. He said the EDA looks at the costs each year. Thomas requested as overhead costs grow in the future he would like to see a comparison done of what it may cost the city to run a similar program.

Lindbo said there are a lot of costs associated with creating a land trust and putting together a ground lease. She said HWR is still a small organization with growing pains and there are still some start-up issues. Lindbo said one of the goals of HWR in the next year is to create strategic goals. She said the EDA is getting a good value by only paying \$30,000 total rather than a per unit cost. Lindbo shared with the EDA that compliance takes a long time and Minnetonka's return is about four- to five-fold its investment.

Thomas said he would like to see a comparison in the future for overhead and would like to see overhead funding from the city decrease.

Duffy said he understands that over 75 percent of HWR's acquisitions have been in Minnetonka, but he said he would feel more comfortable if other cities will contribute. Lindbo said HWR does not do business unless the overhead is funded. She said the amount other cities contribute on a per project basis is more than what Minnetonka contributes. She reiterated that none of Minnetonka's money goes toward projects in other cities.

Gunyou said from the early formation of HWR there was discussion on sustainability and there was talk about building it into the transaction. St. Peter added that the sustainability piece he saw in other models had a sliding scale for lease fees that helped produce the overhead funding. He said he knows it was not originally incorporated into the documents and that it also will not solve the problem in the short-term, but is something to think about.

Lindbo said this all takes time and with the growth of the organization there is a need for additional resources. She said she attended the national Community Land Trust conference this past summer to see how older CLTs planned for the future. Lindbo said other CLTs are getting overhead funding from resales, from being a developer, taking a fee, and partnering with other organizations. She said HWR is doing some of this now and will be doing more of it in the future. Lindbo said HWR has not had a resale yet and because of the increase in land and project costs they have increased the cost to the homebuyer. She added that if Minnetonka were to contribute on a per project basis it will cost more than \$30,000.

St. Peter commented the sliding fee ground lease will compound in the future and provide more overhead dollars. Lindbo replied the ground lease will not and cannot be the only source of overhead funding in order to keep the affordability of the units.

Gunyou said even if the overhead costs more, it is easier to look at it on a per project basis rather than a lump sum. He said if this is the case too then the city can work developers to pass that cost on. Lindbo said she prefers the per project overhead for accountability and production purposes. Thomas said he

also feels more comfortable with the per project overhead funding. Lindbo replied this is something that can be worked on for 2007.

Wagner said there was a previous comment that townhouses take more time and he asked if there are any cost differences between single-family and townhouses. Lindbo said townhouses are new to HWR and the developers that are selling them to HWR are new to the CLT concept. She said it is taking a lot of education and it is key to work with developers early in the process in order to get the documents correct the first time. Lindbo said she would like the city to work with HWR to see what can be done with condominiums.

St. Peter asked if there is a state CLT organization. Lindbo replied there is and they are working on seeing how to make condominiums work. St. Peter said if there is information on lobbying efforts to forward the information on.

Wagner asked what in-kind donations HWR receives. Rankin said the city did a lot of work on the start-up and can also help in the future with condominiums.

Wagner asked if the townhouses that HWR is acquiring are new or already built units. Lindbo said that they are new as the existing units are not within the budget.

Robinson moved, Thomas seconded a motion to approve the additional \$10,000 in operations funding for Homes Within Reach. All voted yes. Motion passed.

5. EMINENT DOMAIN OVERVIEW.

Peterson said she would not review the staff report and would just open it up to questions commissioners had.

Duffy asked if the developer has looked at all possibilities of moving building C off of Mr. Zachman's parcel. Peterson said it has been explored and it is not feasible. Gunyou added that looking at moving the building off of Mr. Zachman's parcel was an objective. Peterson also said there will be a trail on the property. Duffy commented that those points need to be emphasized to the public.

Thomas said all of the facts need to be the same—stating that the property owner bought the property in speculation of developing it. He said citizens do not understand the facts and believe the city is throwing people out of their homes.

Duffy asked how the city can get out the facts. Gunyou replied there have been editorials in the local papers. He said there have been fewer than 20 contacts by the public about this issue and not all are from Minnetonka. Gunyou said these contacts are people who are mad about using eminent domain, others who just do not want the project, and others who contact staff concerned but once they hear the facts they understand why eminent domain is being proposed.

Thomas said the situation with Mr. Zachman is the perfect reason why eminent domain is needed. Gunyou said the City Council and staff met with legislatures and informed them of what is happening and he said their reaction was that they felt better about the use of eminent domain once they understood the situation.

St. Peter said he recognizes that Alano will be part of the condemnation because they are waiting for their membership to vote. Wagner asked if someone from Alano can be present to talk in favor. Peterson said the city has found a good solution for Alano and recapped what is proposed.

Peterson reviewed the process and timing for the condemnation. She said the City Council will be asked to authorize the eminent domain at their February 27 meeting and will file on February 28 for the trail condemnation. The documents will be amended after March 6 once the EDA acts on the item.

St. Peter said while the legislation on eminent domain that will be introduced will propose having an effective date of March 1, it is likely that the effective date will not end up being the date it is introduced.

Larson asked what exactly the risk to the city is on the quick-take process. Peterson said there is little risk and little concern as Mr. Zachman's parcel will be used for public purposes. Gunyou said there could be a challenge over the value. Peterson said that again it is unlikely to be any problems, but Mr. Zachman could challenge the piece of the land where there will be no trail. Gunyou said there may also be a chance he will settle once he sees how much eminent domain proceedings cost. He said this parcel is something that he fell into. Peterson said Mr. Wartman's attorney is negotiating with Mr. Zachman's attorney. Gunyou said that while the eminent domain needs to be initiated, the two sides can continue to negotiate. Peterson said the EDA has authorized the start of eminent domain in other projects.

Gunyou told EDA Commissioners that if they receive calls from citizens about this issue they can refer to staff.

Robinson commented that people are reacting to what is going on around the country and more information needs to get out to the public about what is really going on. She said that people need to know that this is not a trend and that it has been very rarely done and is not the norm with all projects.

St. Peter said Minnesota law concerning eminent domain is narrower than Connecticut's where this all began.

6. STAFF REPORT.

Souders reviewed the staff report items including: Crown Ridge, CDBG funds, and upcoming events.

7. OTHER BUSINESS.

The next regular EDA meeting was announced as Monday, March 6 at 6:00 p.m. in the Council Chambers. This meeting will replace the originally scheduled meeting of March 21.

8. ADJOURN.

Thomas moved, Wagner seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:25 p.m.