

**Unapproved
MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY
MEETING MINUTES**

**August 12, 2008
6:00 p.m.**

1. CALL TO ORDER

EDA President Peter St. Peter called the meeting to order at 6:04 p.m.

2. ROLL CALL

EDA commissioners present: Peter St. Peter, Dan Duffy, Tony Wagner, Ellen Weishar Cousins, Bill Yaeger, Brad Wiersum

EDA commissioners absent: Bunny Robinson

Staff Present: Julie Wischnack, Elise Durbin, Stephanie Scott-Sims, Merrill King

Others Present: James Hiller, Anne Malm Hossfeld, Ivan Fox

3. STAFF REPORT

St. Peter moved up the Staff Report item on the agenda because a quorum was not present early in the meeting to take action on the July 17, 2008 meeting minutes.

Scott-Sims reviewed the items including: Glen Lake, Glen Lake streetscaping and plaza, Comprehensive Plan update, Minnetonka Blvd. /Co. Rd. 101 landscaping update, The Oaks at Glen Lake occupancy update, foreclosures in Minnetonka, and upcoming events.

Wischnack stated that St. Therese, a non-profit organization, again met with staff to express interest in redeveloping Site A (also known as Phase III or the Glenhaven Shopping Center site) in Glen Lake. St. Therese wants to move forward quickly, which may result in Phase III becoming Phase II and vice versa.

Weishar Cousins expressed concerns about the maintenance responsibility for the streetscaping that is planned for installation at Minnetonka Blvd. /Co. Rd. 101. She stated that the city should get the business owners to accept their responsibility to maintain the planted areas prior to the city installing plantings. Durbin explained that staff has met with the business and property owners several times reiterating that they will be responsible for the upkeep and that they should establish a special services district to ensure that every property owner

takes part in the maintenance of the landscaping. Durbin stated that discussions with the area business and property owners would continue regarding the establishment of a special services district in this area.

4. APPROVE MINUTES OF JULY 17, 2008

Wagner moved, Duffy seconded a motion to approve the July 17, 2008 meeting minutes. St. Peter, Duffy, Wagner, Weishar Cousins and Yaeger voted yes. Weirsum abstained. Motion passed.

BUSINESS ITEMS

5. HRA LEVY DISCUSSION

Wischnack introduced the item. Wischnack provided historical background on the establishment of the city's Development and Livable Communities Funds. She stated that there is currently no mechanism in place to replenish these funds. Durbin stated that city council is meeting in August to discuss the 2009 preliminary budget and set the tax levy, taking into consideration such realities as state enacted levy limits for 2009 through 2011, budget uncertainties due to the downturn in the economy and the housing market and increasing costs.

Durbin explained that an HRA levy is a mechanism used by many cities to fund economic and housing development activities. The EDA acts as the City's HRA and is authorized under law to adopt an HRA levy to be approved by the city council. The 2008 legislature increased the maximum HRA levy rate to 0.0185 percent of a city's taxable market value, which represents about \$1.6 million in Minnetonka. Durbin presented levy information for neighboring cities and graphs showing the gradual decline in the funds' balances.

Wischnack stated that now is the time to enact such a levy because the current market availability of foreclosed homes would allow them to be purchased by either the West Hennepin Affordable Housing Land Trust (WHAHLT) or the city at lower costs than in the recent past; and, the city could ensure that funds are available to it for use in future developments. Per the EDA's request at the July 17, 2008 meeting, staff developed two levy options, as well as goals for the levied funds. Durbin presented Option A that would raise a program amount of \$500,000, generated through a .0070% levy and would cost a \$350,000 home \$22 in property tax increase. She also presented Option B that would raise a program amount of \$800,000, generated through a .0100% levy that would cost a \$350,000 home \$34 in property tax increase.

Durbin presented two options for the use of these funds: Option A would allocate \$270,000 to WHAHLT to write down the cost of land, \$30,000 to Affordable Housing Support Programs such as programs at Crown Ridge or Minnetonka

Heights, and \$200,000 to New Initiatives such as pedestrian and bicycle connections as identified in the update to the Comprehensive Plan. Option B would also allocate \$270,000 to WHAHLT, \$30,000 to Affordable Housing Support Programs, but devote \$500,000 to new initiatives.

Wischnack stated that staff recommends that the EDA recommend the city council adopt a 2009 HRA levy of 0.007 percent to generate \$550,000. Wischnack provided a comparison of levy amounts from neighboring cities. The recommended budget for the 2009 HRA levy includes a \$270,000 allocation to WHAHLT, \$30,000 allocation to Affordable Housing Support Programs, \$200,000 to new initiatives, and \$50,000 to administrative costs.

Wiersum asked whether St. Louis Park or Bloomington anticipates increasing their levy in response to the 2008 levy limit increase. Durbin stated that she was unsure. Wischnack stated that she has not heard anything about an intended increase.

Wagner asked whether staff has historical information pertaining to the amounts levied by St. Louis Park and Bloomington. Durbin responded, no, but that staff would obtain such information.

Yaeger asked what the difference is between an HRA and an EDA levy. Durbin replied that the EDA levy falls within the levy limits and the HRA levy falls outside of the levy limits.

King stated that because the HRA levy would be a separate levy from the city's general levy, it would require a separate audit. Wagner stated that he assumed that the levied funds would pay for such costs. King stated that they would.

Referring to the graphs showing the fund balances over time, Wiersum asked where the funds came from that increased the balance in the past, as well as whether staff anticipates more of that type of funding in the future. King stated that the funds came from the early retirement and repayment of bonds. Currently, the only way the funds are increasing is through interest payments. She stated that the some TIF funds may return to the city from the Glen Lake redevelopment, but that is uncertain at this point.

Wischnack stated that there is concern that there will be major projects coming into the city at the point when the funds are at their lowest balances.

Yaeger asked when the funds would become available if the levy is adopted. King stated that while the funds would not become available until May 2009, the city is in the position where it could start spending against those funds immediately.

Duffy asked whether the goal is to fund both the Development and the Livable Communities accounts. King replied yes. The city would have to establish a separate account for the HRA levied funds and then transfer money out of that account to the two accounts. How this would work has not been determined yet.

Wiersum stated that he is concerned that the current economic conditions are putting a squeeze on the day-to-day costs of residents and that the city must be prudent when thinking about raising taxes at a time when costs are rising and incomes are not keeping pace.

Wiersum stated that affordable housing is a must-have and that the city should focus on increasing it rather than focusing on trail connections due to increased opportunities to purchase housing at lower costs in this market.

Wagner stated that he would hate to put all of the money into the livable communities account now devoting it to housing when there may be a need for the money later for development opportunities, at which point, there will not be any money left.

Wiersum stated that the city should use the money to leverage private financing for people to purchase homes.

St. Peter stated that the Metropolitan Council will not give the city credit for fixing up homes.

Duffy asked what the consequences are for not meeting the Metropolitan Council's goals. Durbin stated that the only consequence is that the city would not be eligible to receive certain grant funds.

Wiersum stated that the EDA should recommend to city council Option B because the need is great and the EDA must be bold. He stated that if the EDA recommends a lower amount, then there's a risk that the council may not pass anything.

Duffy stated that he does not want the city to buy a bunch of scattered affordable homes then when a developer comes in with plans for a large, well-designed, multi-use project with density; the city has no money to contribute.

Weishar Cousins expressed concern that the residents may not see the need for a tax increase for affordable housing because it may not benefit them directly. Weishar Cousins stated that she sees the need for walkways and pedestrian connections and wonders how the city can balance the need for affordable housing with these improvements.

Wiersum moved, Weishar Cousin seconded a motion to recommend that city council adopt an \$800,000 HRA levy. St. Peter, Duffy, Wagner, Wiersum, Weishar Cousins voted yes. Yaeger voted no. Motion passed.

6. OTHER BUSINESS

7. ADJOURN

Weirsum moved, Yaeger seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:36 p.m.