

**MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY  
MEETING MINUTES**

**AUGUST 17, 2009**

**1. CALL TO ORDER**

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

**2. ROLL CALL**

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

Staff present: Julie Wischnack and Elise Durbin.

**3. APPROVE JUNE 29, 2009 MINUTES**

Wagner moved, Yaeger seconded a motion to approve the June 29, 2009 meeting minutes with a correction on page 7. Wagner, Wiersum, Yaeger, Cousins, Duffy, Robinson, and St. Peter voted yes. Motion passed.

**4. 2010 PRELIMINARY BUDGET AND HRA LEVY**

Wischnack gave the staff report.

Janet Lindbo, executive director of Homes Within Reach, also known as West Hennepin Affordable Housing Land Trust (WHAHLT), provided a handout that she reviewed. It took between 18 months and 24 months to spend grant dollars. The chart broke down the use of the funds, application process, acquisition time line, and selling process time line. Some funds were used with other funds to maximize the award.

Ms. Lindbo described how a committed grant is used. Additional funding can be leveraged from federal and county resources. She noted the application process. She provided an example of the acquisition and selling processes. Rehabilitation of a property can take 5 to 9 months. She used to be able to do a fast-track sell in 90 days. Now, it takes 150 days. It takes about 24 months to expend the dollars. Challenges include the underwriting and application processes that have changed during the last 10 months with respect to credit scores and job changes. WHAHLT bought its first foreclosure at the end of last year and it sold the first part of 2009. She explained that "expended" is defined as about 60 days after WHAHLT closes on a property, when it is sold to a homeowner.

Ms. Lindbo highlighted that multiple applicants are needed for one home because of new underwriting standards. A credit history is done before an applicant goes to a mortgage lender to ascertain trouble areas and help applicants. In 2007, 10 percent of applicants could not meet underwriting requirements. In 2008, it increased to 30-plus percent. It is more of a struggle to get applicants qualified. More informational and one-on-one meetings are being held.

Durbin explained that WHAHLT has a \$750,000 line of credit with the city that can be used to purchase properties. WHAHLT has 9 months to pay the city back or request an extension. Durbin explained that the recommendation would allow 24 months to expend the funds, and a 12-month extension could be requested. St. Peter asked if this recommendation is acceptable to WHAHLT. Ms. Lindbo felt it would be appropriate.

Wagner clarified that the action of WHAHLT's ability to match funds is tied to the city's grant. Ms. Lindbo answered affirmatively. She said the January acknowledgement of the award is used in a fairly sizeable request to Hennepin County that is both federal and local monies.

Wagner asked if the WHAHLT's funds remain in the Livable Communities account until they are requested or are they all given to WHAHLT right away. Durbin responded that the city holds all of the funds. Documentation is required for release of the funds.

St. Peter noted that there is a contingent liability on the fund balance. Ms. Lindbo commented that if Homes Within Reach does not have an executed purchase agreement on, for instance, two homes that the entity is selling, Homes Within Reach would not continue to a third one because of holding and containment costs and respect of the city's fund balance.

Wiersum asked if closing costs have gone up because of the more rigorous process. Ms. Lindbo responded not as of yet. Appraisal issues, cost, and inspections have not yet been affected.

Duffy asked for the advantages and disadvantages of purchasing a foreclosed residence. Ms. Lindbo has been working with CAPSH to make a purchase work.

Robinson asked if the trend to require more time for each transaction will continue to grow. Ms. Lindbo answered that there has always been families that need 6 months to a year to improve credit. The number has been higher and has affected the timeline, but not so much in Minnetonka as other communities they serve. She did not think the real tough times are over. Things are being done differently than they ever have. Homes Within Reach staff have been conducting more counseling and one-on-one meetings with applicants. It seems to be

helping expand the applicant pool tremendously, instead of letting the loan officer be the driver.

Wischnack added that the 2009 budget was documented properly. The stipulation regarding the 24-month funding period is documented in the budget. There could be a policy that the city council could adopt if EDA commissioners so choose. This would be a way to document the time frame for WHAHLT and include in the documentation the award amount after the city council makes that decision.

St. Peter's recommendation would be to adopt a motion setting the expiration date so that it is a policy decision and individually deal with any deviations during the award process.

Wagner assumed the motion would be for funds going forward. St. Peter answered affirmatively. Wagner supported the policy.

Wagner moved, Wiersum seconded a motion to allow WHAHLT to have 24 months to spend down grant funds with the opportunity to request a 12-month extension. Wagner, Wiersum, Yaeger, Cousins, Duffy, Robinson, and St. Peter voted yes. Motion passed.

Wischnack explained that the Livable Communities Fund does not have a figure because detail budgets are not complete at this time. St. Peter calculated the available fund balance to be \$2.311 million minus \$502,500. Wischnack stated that the projections last year had already deleted the funds to provide a more accurate idea of the funds remaining.

St. Peter asked what the 2009 interest income will be. Wischnack answered that it will not be available for two months. She estimated it would be less than last year. Her guess is in the \$50,000 range. St. Peter confirmed with Wischnack that there are no other contingent items relating to the account.

Wischnack reviewed the summary of the development account, including the village center engagement process. Because the village center process would be one-time projects, it would be more appropriate in the development fund. Factors involved in prioritization include development interest, public infrastructure impact within the development area, age of existing development, and deficiency of private redevelopment. Possible projects include Highway 7/County Road 101, Shady Oak at Excelsior Boulevard, and Ridgedale.

Wischnack discussed line items in the economic development program. Grants would funnel through the program, but net back to zero.

Wagner asked if Glen Lake items, including the plaza have been pulled out of the budget. Wischnack stated that it is not being reflected in the 2010 budget. She

did not feel confident that the city council has made a decision, and she did not want to reflect the amount until a decision has been made.

St. Peter asked Wischnack to identify the revenue items. Wischnack confirmed that United Health and Glen Lake are two of the grants. Wischnack updated the status of funding of the HTC House.

Wischnack overviewed the HRA levy, and Durbin reviewed the proposed program options.

Wischnack proposed that a homebuyer's assistance could be \$100,000; renovation could be \$150,000; and senior regeneration could be \$120,000. All together, a \$370,000 HRA levy equates to \$12 for the average home in Minnetonka. The 2009 levy is \$100,000 which is \$4 for each home.

St. Peter asked what AMI is used this year. Durbin responded that the area median income this year is \$83,900 for a family of 4. The source is the U.S. Department of Housing and Urban Development.

Yaeger asked if the programs existed now or are being proposed to be created. Wischnack clarified that all of the programs would be new. There is a rehabilitation program right now, through the Community Development Block Grant program that can be utilized by a person with 80 percent of area median income.

In response to St. Peter's question, Durbin stated \$50,000 is committed in 2009 to the Emergency Repair Program which is approximately 10 households.

Duffy felt it is a good idea and it would serve the residents of Minnetonka. He wanted to get a sense of how the limited program has worked before. He asked if the funds are depleted right away. Durbin explained that the emergency rehabilitation program is slow but steady. Recently, there has been an increase in interest for applications. Because these are federal funds, there are a lot more requirements associated with the application. Any time the larger \$20,000 program has been opened, it was closed in 3 days or 4 days because of being inundated with applicants. Because it is federal funds, the larger program has additional requirements such as lead-based paint abatement.

Duffy asked what type of criteria would be used to educate residents of the available funds and prioritize the applications. Wischnack said it would depend on how much interest each fund has received and qualifications.

Wiersum was curious to know how the Homebuyer Assistance Program is similar and different than the Plymouth program. Durbin stated that the biggest difference is the amount of funding Plymouth provides to each residence. Plymouth provides up to \$20,000 for a down payment and closing cost

assistance. The 30-year term is the same unless it is sold in that time. The funds would come back if sold within 30 years and used again. In a typical year, about \$120,000 is put into Plymouth's program. Another \$40,000 is added from repayments.

St. Peter read articles where other communities have done similar things and had a variety of programs. Accrued interest may be applied at decade intervals to encourage the long-term resident. It is forgiven at 30 years. It does look to turnover in housing and uses that as a source of the revolving fund so a balance is built up over a period of time.

Wiersum asked if the program is designed specifically for first-time homebuyers. Durbin answered affirmatively. A first-time homebuyer is someone who has not owned a home in the past 3 years. The city could set its own parameters for its program.

Yaeger recalled discussion last year when the HRA levy was initiated and ended up with \$100,000. The big picture is being skipped over. It would be increased to \$470,000 by talking about individual programs. He did not see the willingness of taxpayers in Minnetonka to support higher taxes or the proposal. The EDA needs to think through whether it wants to increase \$100,000 to \$470,000.

Wagner asked staff to walk through the possibility of more small loans rather than less large loans. Wischnack explained that staff spoke with realtors and contractors to get ideas on how young buyers will get into a residence. Major ticket items like window repair, roof, or HVAC systems stop a buyer because it overwhelms the amount needed to invest in the residence. Richfield has a different kind of housing stock and wants to promote investment and reinvestment. Minnetonka still wants reinvestment, but is trying to attract a different buyer. The age of a residence and aesthetics of the kitchen were noted as having a lot to do with choosing a home to purchase.

St. Peter noted that Richfield has a required point of sale inspection.

Wagner asked for the estimate of the amount of staff time to implement the new programs. Wischnack acknowledged that new programming would take additional staff time. The solution would be cross training between departments. Building inspectors and planning staff have talent in those areas and, if trained properly, would be able to meet with applicants and access the programs. Senior regeneration stretches staff time a little more. There would not be that many loans to deal with, so that would help manage the funds. CDBG funds are also difficult to manage.

Wiersum thought the community needs to attract young families. A homebuyer-assistance program is logical and makes sense. The comment that Durbin made related to the amount of forms and work necessary to complete an application

with the amount of funds available would be an impediment to the program. If the dollar amount is made too big, only a few people would be helped, but there needs to be enough funds to make the amount of work necessary to apply for a program. Given the goal of wanting to attract young families into affordable homes in Minnetonka, that is the most attractive of programs. The HRA levy would be more money, and he is very sensitive, at the local government level, of even considering requesting any more money from taxpayers in this environment.

Cousins agreed with that a household should be prohibited from accessing both the homebuyer-assistance program and the renovation program, and questioned how that could be accomplished. She has heard a lot that the homebuyer-assistance program money is for renovation of the residence in order to get it ready for a first-time home buyer. Wischnack clarified that the homebuyer-assistance program is a down payment assistance program, not for any rehab of the residence.

Wischnack said the next steps would be to provide information on how a program would be structured. The current purpose is to gain the EDA's recommendation regarding the levy in general. Program specifics would follow at another meeting.

Cousins was concerned that the HRA is always about housing and not about redevelopment of commercial spaces and public spaces. Wischnack stated that any of the programs could be retooled to be business assistance programs. Commercial and public businesses need help with sign and awning grants, etc.

Yaeger said that the senior regeneration program needs to be completely relooked at. He questioned where the funds come from to purchase the residence. Only allowing \$30,000 for the renovation part; there is \$320,000 missing from the equation. He asked if the wording of "single-family homes" intended to exclude townhomes and condominiums. He questioned why "willing senior" was included. Someone who is planning to sell his or her home would probably be willing to sell to anyone, whether the city is the buyer or not. He would like to see more explanation and detail on the senior regeneration program if that is one that will continue in the consideration process.

Wischnack explained that the money to purchase the residence would come from an interfund loan to fund the purchase and then replace the funds as soon as the residence has sold. There is a set time parameter to replace the funds. It focuses on single-family residences, but townhomes and other types of units could be considered. The whole point of the program would be for "willing seniors" residences' to become available for young buyers. The program is modeled after Roseville's senior regeneration program. Yaeger asked if the age of the buyer could be restricted. Wischnack said that Fair Housing practices would be referenced.

St. Peter noted that staff has put together a broad series of recommendations. It does not mean any or all of them should be participated in.

Wagner asked if the realtor group favored one program more than another. Durbin said that realtors found the home-renovation program the most beneficial. Wagner was glad the EDA was having a discussion regarding the opportunity city study. He was intrigued, given the age of the housing stock in certain neighborhoods, that there is an appeal for a program that would tear down residences and build new ones because the residence had been in such bad shape. The programs, he said, can be considered for a five-year plan. He would like more discussion on the mechanics of the home-renovation program. He is a fairly strong supporter of the village center studies, and should be, at least, partially funded by the HRA fund. Since there are a lot of home-buyer programs right now, that could be utilized in year two, three, or four.

St. Peter said the Glen Lake Plaza expenditure is something to hold off on and focusing on the village center studies and other studies from the HRA levy is something that he sees on an ongoing basis. He said the most commonly heard comment is the first-time Minnetonka homeowner, and that would be the next program that he would look at. He said likes the other two programs, and they are needed as tools due to the aging housing stock. There are 20,000 households in Minnetonka. More than 80 percent are more than 20 years old. Probably 20 percent are approaching 50 years old. There is a need to maintain them because they are the attractive properties for developers to purchase, bulldoze, and construct new houses. Long term, the city needs a mechanism to deal with that.

St. Peter stated that the programs do not have to be as generous as they are laid out. Low-income loans that are more on a step basis after certain time periods could become a revolving-type of account. The first-time homebuyer is the longest lead-time-type of program that would have the longest impact on the city over the next 10 to 20. He suggested the levy consist of \$100,000 for the area studies and the miscellaneous studies that will be done over the next calendar year. He suggested somewhere in the \$100,000 to \$200,000 range for the first-time homebuyers assistance for 2010 as part of the budget. Simply set it up as a pilot program to see what the acceptance level is. The EDA could develop it more, if it gets to a total that the city council would fill in the more detailed policies and procedures and set qualification requirements. He did not like looking at increasing taxes and raising government involvement, but, if that is a policy goal, then assistance may be needed for a young family to purchase in Minnetonka. Lenders have tightened requirements for down payments. Twenty percent to 40 percent is now the norm for a down payment. First-time homebuyer assistance in the \$20,000 to \$35,000 range would give them a leg up. Some feedback is needed from lenders before the program is adopted that the lender will legitimately count program funds as part of the qualification process. If the funds

are not out-right gifted, the lenders count that as additional debt on the property instead of a down payment.

Wiersum agreed doing a study of the village center areas is something the EDA wants to do, and would be consistent with the comprehensive guide plan. It is within the EDA's purview and needs to be done. Using HRA levy funding would be appropriate. He largely agreed with the comments regarding the homebuyer assistance program. As the EDA looks at programs in challenging housing and economic environments, the most bang for the buck needs to be the goal. Getting more young families into Minnetonka is the priority. He liked the idea of revolving the funds and having some forgiveness built in for a realistic period of time. There is no longer the assumption that property values will increase. Housing values will come back at some point. Trying to design a program now might not make sense in a year or two from now. He did not want to lose sight of the goal to attract young families to Minnetonka to replace the large number of aging families.

Wagner appreciated the first-time home buyer program comments. He wrestled with competing issues. The city has a decent number of people that are able to purchase townhomes in Minnetonka. The difficulty comes when purchasing a single-family residence the first time. He would like to leave both programs on the table for discussion to determine what is the best program to further the city's goals. He heard there is some level of desire to test some program in 2010, but not all three and that the EDA would like to add in the development costs for the Village Center to allow more to be done for the commercial side of it as well.

Wagner moved, Yaeger seconded a motion to recommend that the city council adopt resolution 2009-003 approving a preliminary HRA levy amount of \$50,000 for 2 village center studies; not to exceed \$100,000 for homeownership programs; and not to exceed \$75,000 for the home renovation program.

Duffy asked if the \$50,000 is adequate funding for the village center studies. Wischnack identified the two areas to receive funding to be Highway 7/County Road 101 and Shady Oak Road/Excelsior Boulevard. The LISC process would be approximately \$25,000 for each area. Duffy's concern is that both of those areas are heavy commercial areas, and is concerned \$25,000 is not be enough for each area.

Wiersum suggested boosting the study amount to \$75,000 to allow more wiggle room. He preferred allotting \$100,000 for one of the housing programs. An HRA levy of \$175,000 would be more modest than proposed. He is very concerned with raising taxes this year. As a councilmember, he intended to keep things flat this year. It would be prudent, the right combination of commercial versus residential, and the most bang for the buck. That is his friendly amendment for Wagner's motion. Wagner accepted the friendly amendment.

Cousins asked if the \$100,000 from WHAHLT should be included. St. Peter explained that WHAHLT is all in the Liveable Communities Account. There is no levy for 2010 that would benefit WHAHLT.

Cousins wondered if there would be enough funds for the homebuyer assistance program, and if home renovation programs should be looked at. The realtors felt renovation was the more critical piece. The renovation program would be able to assist both first-time home buyers and existing owners depending on how it would be arranged.

Yaeger will agree with the proposed friendly amendment. His reason for seconding the initial amendment is because he was fearful the total amount would be higher than \$225,000. He will gladly lock in at \$175,000.

St. Peter also supported increasing the amount to \$75,000 to make sure the studies would be done correctly. Highway 7/County Road 101 could be two study areas. As to Cousins' comments regarding renovation, he saw that as a second or third level priority. The first is move-up homeowner is the priority rather than the new homeowner. Many would not be able to afford a single-family residence in Minnetonka even with the first-time homebuyer assistance. The new lending standards and requirements add to the difficulty. He would like to go as high as he could on the HRA levy, but he agreed that the recommendation should be realistic. Promoting move-up, long-term buyers is more of a priority than renovation. The market will take care of appreciation and inflation in housing values. Realtors would like the kitchen made over in just about any home. The ability to fund the down payment and closing costs keep people from purchasing a house. It would be better to describe a needed program as one that assists a first move-up buyer rather than first-time home buyer. It would be limited to qualify under the fair housing rules. It would qualify as a legitimate grant. It can be steep enough so that funds would be recovered because buyers would probably not live there for 30 years. He is approaching 24 years in his move-up house. He supported Wiersum's friendly amendment.

Robinson supported the friendly amendment to reduce the proposal to \$175,000. She commended staff for coming up with the three programs. It took a lot of work and research. Between previous conversations, the long-range strategic plan, other studies, and feedback from the city council, she was glad that \$175,000 would still be used for a program initiative. Studies are good and can eventually lead to programs, but studies are still just studies. It is very good work. She liked the fact that they are going in the direction of creating programs that will bring in young homeowners to Minnetonka.

Duffy was comfortable with \$175,000 on a tax levy. It is not a good time to be raising taxes. The long-term outcome also has to be looked at. Commercial renovation opportunities that are available right now with light rail stations and Highway 7/County Road 101 create a good time to be investing in those areas.

He did not think those opportunities should be missed. Attracting young families as well as attracting people to come to Minnetonka for various reasons are the city's goals. All of the items on the list are good ones. Obviously, they all cannot be done at once. He agreed with St. Peter that the homeowner's assistance is probably the best bang for the buck, but they have to keep in mind that renovation is a critical one because the housing stock is aging. The funding amount should be reevaluated every year. None of the programs should be discarded right now. Discussions with realtors should continue.

Wagner accepted Wiersum's friendly amendment to his motion. Yaeger also accepted the amendment.

Wagner moved, Yaeger seconded a motion to recommend that the city council adopt resolution 2009-003 approving a preliminary HRA levy total amount of \$175,000. \$75,000 of it would go to village center engagement process and \$100,000 to homeownership programs. Wagner, Wiersum, Yaeger, Cousins, Duffy, Robinson, and St. Peter voted yes. Motion passed.

## **5. TIF DISTRICT MODIFICATION SCHEDULE**

Wischnack gave the staff report.

St. Peter noted that City Attorney Desyl Peterson would recommend adopting the resolutions separately. Wischnack agreed.

Wagner asked if the Beacon Hill District project area could be expanded in the future. Wischnack answered affirmatively with a plan amendment. The hearing for the city council to review the resolutions is tentatively scheduled for September 14, 2009.

Wiersum moved, Robinson seconded a motion to recommend that the city council adopt resolution 2009-004. Wagner, Wiersum, Yaeger, Cousins, Duffy, Robinson, and St. Peter voted yes. Motion passed.

Wagner moved, Cousins seconded a motion to recommend that the city council adopt resolution 2009-005. Wagner, Wiersum, Yaeger, Cousins, Duffy, Robinson, and St. Peter voted yes. Motion passed.

## **6. CDBG REPROGRAMMING**

Durbin provided the staff report. Wischnack recommended that the EDA reprogram \$100,000 of CDBG money and put it into the clearance of the property. The site is very visible from the highway and offices to the east, and a lot of complaints have been received. It has been an on-going issue for the city to mow the site and assess that cost to the property and the benefit of making the site ready for redevelopment makes it worthy of CDBG funds. The complications

created by the methane have prevented developers from investing in the site. There has been an attempt to secure financing for a restaurant, but it has fallen through or short of reaching what would be needed for redevelopment.

Wagner asked if current programs would lose the money being reprogrammed. Durbin explained that money would be reprogrammed from an account for a \$20,000 owner-occupied rehab program. There is quite a bit of money sitting in the fund. The program has not been opened for over a year due to the time-intensive nature of getting through the applicants. Staff proposed to reprogram those funds. HUD requires spending down the account, so the reprogramming would help meet compliance with HUD regulations. Wischnack clarified that there are no applicants waiting for dollars from the \$20,000 owner-occupied rehab program.

Wagner confirmed with Durbin that the funds would not be repaid. Wagner understood that the building is in such bad condition that, regardless of the action the EDA takes, the building will be declared hazardous and have to be torn down. Durbin answered affirmatively. The chief building official for the city has visited the site numerous times. He is likely to be declaring it a hazardous building and require it to be demolished.

Wiersum noted the photographs of the site are not very attractive. The property owner is not living up to their responsibility. He was not keen on allowing a property owner to make their problem the city's problem. He asked what has happened with nuisance notifications. Wischnack explained that the property owner sometimes provides genuine responses and sometimes city staff has had to board up the building after vandalism and assess those costs back to the property. At some point, a property is assessed so much that its resale and redevelopment ability is impacted. The goal is to get it redeveloped. The property owner is banking on selling the property, and it has not happened because of the costs involved to prepare the site for redevelopment. Demolition is a big-ticket item and is standing in the way of redevelopment. Some properties cannot be redeveloped without assistance. The BMW property also had methane issues and received assistance. Demolition would provide a temporary fix on the nuisance issue, but the goal is to also get redevelopment to occur.

St. Peter asked if the current property owner recognizes the value of demolishing the building. His concern is that \$100,000 of taxpayer money is a lot. The site is attractive for a restaurant. He asked if there is any realistic or reasonable opportunity for the city to get its money back. Wischnack explained that the city incurs costs to declare a structure hazardous. Public hearings, notices, and inspections need to occur for that to come to fruition. The cost would be assessed to the property with administrative penalties. Pretty soon the bills are higher than an owner can afford. Staff was looking for a win-win situation. If the EDA is not inclined to support the recommendation, other routes will be followed. This is a pretty ingenious idea to spend federal CDBG funds.

St. Peter was looking for the lowest cost option. If the hazardous building route was taken, the property assessed, and the owner was not be able to pay the assessment, then it would be a pretty good reason to use CDBG funds. The recommendation is the most expedient solution, but he was not convinced it is the best solution. Wischnack responded that a hazardous building action would take a long time. It would be next summer before any clearing occurred.

St. Peter stated that CDBG funds would not be taken from anyone, but, theoretically, the funds would be taken away from potential owner-occupied housing applicants if the fund was opened up. Wischnack stated that it would take 12 or 13 requests to spend down the amount of money HUD requires. There would not be enough staff time to process that number of applications in the required time frame.

Cousins wondered how much the property is worth and if the owner has said that they will not demolish the building. She wondered if there would be a way to get owner participation if \$50,000 of the program funds could be used for the rehabilitation program. She asked what has been explored as far as owner participation. Wischnack stated that a lot of options have been explored with the property owner. The whole point is that he wants to resell it and is not going to demolish until he resells it. The problem staff has is getting approval for an expenditure to get it done. Staff would negotiate with the property owner to pay for a portion of it or work out an arrangement, and will continue to do everything possible to make it fair and equitable. Options for the property owner to pay some of the money back would be worked through.

Wischnack stated that if demolishing the site and getting the money back is what the EDA prefers, then the hazardous building action is the way to go, but that would stand in the way of redevelopment for some time.

Duffy had the same concerns. It is an attractive site with visibility from I-394. He asked if the site has other concerns such as not having enough room for parking or the site is too narrow. Wischnack responded that methane is the huge issue. It is expensive to deal with and it is a very difficult process to understand how to mitigate for methane. It is not something people do every day and specialty contractors have to do the work. Staff is learning amazing things from the BMW construction, and is using it as an opportunity to educate different staff members. There are other sites along I-394 that will have to deal with methane remediation. BMW took over 2 years from the time the buyers were interested in the site to starting construction. There are grants to do methane remediation, but that does not make someone want to do it.

Duffy reviewed that the city would offer assistance with methane removal and demolition. Wischnack clarified that the city has received grants that would cover

the cost of methane remediation for the site. Dealing with the methane still remains the number one concern for a buyer.

Robinson asked how the methane got there. Wischnack explained how organic materials decay underneath the surface. In this case, there is old fill from road projects, and as it decays it creates methane. The methane needs to be released through the building construction.

Robinson agreed with Cousins, and wished the money could be recaptured. Eventually, the owner would be able to sell the property and gain a financial advantage. The owner is responsible for the property, but, it is such an eyesore and hazard, the city has to step in. She wished there would be a way, possibly when the property sells, that some money could be returned.

Wagner drives by the site every day. It is very unsightly; however, Stuart Anderson Cattle Company closed in 2004. The property was purchased in 2006, and the owner knew of the methane. The city council has approved a redevelopment of the property. He is convinced that it is the responsibility of the property owner. He does not want to remove funds from a demand program. If there is another idea of a loan to help facilitate redevelopment he would consider it. He did not support the recommendation.

Duffy was curious to know the tax-assessed value of the property in its current state and what it would be assessed after the methane removal and building demolition. Obviously, it would be worth a lot more to the owner to sell it with the methane remediated and building removed. He agreed with recapturing the money if possible as a way of reinvesting it back into the city.

St. Peter observed that the price to do so would be a lot of staff time. It will take probably a year. It could be condemned as blighted property with a public nuisance health hazard. That would allow the city to recapture all of it because the city would then be the owner. It would take the property off the tax role for one to two years. He drives by the property regularly and a person visiting him asked what happened to Minnetonka because of the boarded-up appearance of the site. The other alternative might be to let the property owner know that there would be no variances for the site unless the funds are paid back. There are indirect ways to get back the funds.

Wiersum appreciated Wagner's statement. Getting the building knocked down and cleaned up is in the city's best interest and in the best interest of the residents. At this juncture, before supporting the proposal, he wants know what alternatives exist. If the hazardous building route would be taken, then how much time and money would be expended. He knew some of the lawsuits that the city is facing, and how expensive they may be. He wants to understand how much it would cost to pursue the hazardous building route as far as staff time and everything else so he may make a business decision on the best way to go. He

did not feel prepared to make a good decision. He preferred to get the facts, understand them, and learn the true alternatives ranging from taking of the property to tearing the building down to the time and money involved with taking the hazardous building approach.

Cousins agreed with Wiersum. The city would recoup more money by reselling the property. Wischnack reiterated that hazardous building actions do not usually involve the city taking ownership of a property. The city would declare the building a hazard and if there is no reaction by the property owner, then the city may take the initiative to tear down the building and assess the property for the demolition. In the past, the city has not taken ownership of a property during a hazardous building action. Wischnack stated that it would be handled as a hazardous building action, in accordance with the city attorney's advice.

Wagner noted that the city would assess it on taxes over multiple years. The city has to fund it for approximately 10 years.

Cousins asked how the city could give an incentive for the owner to take care of the property. She asked if the city could threaten to make it a hazardous building. Wischnack answered that staff is looking for direction if the EDA supports reprogramming CDBG. All of the other courses of action will be reviewed and handled by the city council. If more information is needed, staff will provide it.

St. Peter's inclination was to table action to allow time to find the answers to questions. He felt there are a number of reasons to support doing it, but rehabilitation is something he is also concerned about. He would like to see it gone tomorrow, but that would not justify taking \$100,000 out of another program that would benefit 7 to 12 homeowners in Minnetonka. He was not convinced that is the best alternative.

Wiersum would make the motion to table if that is appropriate or if it would be more expedient for staff to go straight to the city council. He asked what staff would prefer at this juncture, assuming the EDA would not approve the recommendation. Wischnack favored the most expedient course of action. If not reprogramming monies, the rehab program needs to be opened. There is different paperwork involved in a CDBG program. She favored the EDA making some kind of recommendation to the city council about whether or not to reprogram the funds. If the funds are not reprogrammed, then staff would move on getting the rehab dollars readvertised and go the hazardous building course which would go to the city council.

Wiersum asked if the EDA recommended not reprogramming the funds by the next EDA meeting, then would the process have moved forward already. Wischnack stated that it is possible that staff would put something on the city council's September 14, 2009 meeting agenda. Advertising for the program would have to be done before the next EDA meeting. There are two deadlines to

meet prior to the next EDA meeting. That does not mean that more information will not be provided. Staff will still put information on the EDA's next agenda.

St. Peter requested clarification of the timeline. Wischnack stated that 30 days is needed for notice to open up the program. Durbin provided that the funds need to be spent by May. The rehab program does take quite an amount of time to get the applicants in, approved, lead-based paint and additional items associated with the applications before the expenditures actually are distributed. The city will not be considered compliant until all of the funds have been distributed.

Wiersum moved, second by Wagner, to decline reprogramming the CDBG funds proposed for demolition of the building.

St. Peter wanted to table action to have the opportunity to look at it again. Staff and legal time in pursuing the other route could cost a lot, and some of the CDBG funds may be lost because of it.

Wiersum did not have a problem either way. He heard staff request a decision tonight. If a decision had to be made tonight, after listening to the commission and his personal point of view, he would chose to not reprogram the funds.

Wischnack stated that staff will report back to the EDA either way to update commissioners on what is happening and some of the finance implications.

Wiersum withdrew his motion.

Wagner withdrew his second. He was fine with having more information, but as of now, he could not support it. There is no compelling business reason outside of taking an unsightly building down.

Cousins said that if money is going to be spent in legal fees to complete the hazardous building process, then should the city be offering the property owner the funds within the next 6 weeks or 2 months. She asked if that would be a good-enough incentive for the property owner. Wischnack explained that those negotiations have been done and will continue. If a deal works out, then staff will report that to the EDA.

## **7. STAFF REPORT**

Durbin recapped the joint open house for Southwest Transitway. The DEIS process focused on the light rail alignment decision and the station area study focused on land uses. She provided a brochure that related to the station area study itself. She emphasized that the station area study illustrations are concept in nature, and this is the first step in looking at the possible redevelopment areas. Approximately 100 people attended.

Durbin reviewed the ridership and cost estimates. The locally-preferred alignment selection is scheduled for late September. All of the information is available on the Southwest Transitway website. Over the next month and a half there will be an additional public hearing in mid-September and a recommendation from the policy advisory committee is tentatively scheduled for September 30, 2009.

Yaeger clarified with Durbin that the annual ridership for 3C2 should be 28,000 to 30,000.

Durbin reviewed the Opportunity City Pilot Program and Minnetonka Mills Corridor Development report presentations at the August 3, 2009 city council meeting. The reports are available on the city's website.

Durbin spoke briefly regarding fair housing, and stated CDBG funds are used. A report on impediments and solutions are included in a new report.

Durbin requested feedback on the city-wide open house which is scheduled for October 6, 2009. Last year, the station area study for light rail was the focus.

Wischnack reminded commissioners of the Fair Housing meeting, Sensible Land Use Coalition program, Southwest Transitway public hearing, and the next EDA meeting.

## **8. OTHER BUSINESS**

None

## **9. ADJOURN**

Duffy moved, Wiersum seconded a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 8:52 p.m.