

MINUTES
MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY
MONDAY, APRIL 5, 2010

1. CALL TO ORDER.

Mayor Schneider called the meeting to order at 7:53 p.m.

2. ROLL CALL

EDA Members Dick Allendorf, Amber Greves, Brad Wiersum, James Hiller, James Hiller, Tony Wagner, Bob Ellingson, and Terry Schneider were present.

3. APPROVAL OF AGENDA

Community Development Director Julie Wischnack gave a summary of the changes to the EDA.

Items C and D were re-ordered on the agenda.

Greves moved, Wiersum seconded a motion to accept the agenda. All voted "yes." Motion carried.

4. APPROVAL OF MINUTES: None

5. BUSINESS ITEMS

A. Election of Officers

Allendorf said he asked himself who on the council had the best background to fill the positions of president and vice president in order to provide a seamless transition. He suggested that the two councilmembers, Wagner and Wiersum, who had served as liaisons on the prior EDA would be the most qualified to provide the seamless transition.

Wagner said he had talked with City Manager John Gunyou earlier in the day about how other cities handle the duties of the EDA. Would it be best to be consistent to follow the mayor/acting mayor format versus having council members switch seats during meetings? He said he was open to Allendorf's suggestion but no matter what format was adopted he and Wiersum would not be hesitant to inform the other members about the history and feedback.

Hiller agreed with Wagner that the best option would be to follow the current council procedures because there were no special duties of the president and vice president of the EDA other than running the meetings and signing documents.

Schneider agreed the simplest thing to do would be to have the mayor and acting mayor serve as the president and vice president of the EDA.

Wiersum agreed with Schneider that having the mayor and acting mayor serve as president and vice president made the most sense.

Greves asked if the president or vice president would serve as the liaison to the EDAC. Schneider said any of the council members could serve as the liaison.

Wiersum moved Greves seconded a motion that the mayor and acting mayor serve as the president and vice president of the EDA. All voted "yes." Motion carried.

Schneider noted that an article had run in the Minnetonka Memo asking for applicants to the EDAC. He also has two or three candidates from past applications that are good candidates. He would talk to Wagner or Wiersum about serving as the liaison.

Wagner said given schedules it might be a good idea to have two liaisons in case the primary liaison was not available.

Schneider said part of the Memo article stated something that wasn't what he was envisioning for the EDAC. The article indicated the meetings would not be regular but would occur as needed. He said his intention was there would be regular scheduled monthly meeting but the EDAC would only meet when it was necessary. Wischnack said she had already saved the EDA dates that had been scheduled before the change.

B. Review of Bylaws

Wischnack noted when the EDA first was established there were bylaws that were adopted. She suggested the bylaws should be reviewed and changed if necessary.

Greves asked if Wischnack had any potential wording in mind for the purpose in the bylaws. Wischnack said the purpose could be worded similarly with what had been established in the policy. Greves said some of the topic areas probably had not changed but topics like the HRA levy or affordable housing could be added. She said the point of a purpose statement would be to make the legal authority of the EDA clearer as well a statement about the EDAC's advisory function. Clarity would help with future direction. Wischnack said staff would propose some language at the next EDA meeting.

Hiller asked Schneider to clarify if the EDA meetings would be regularly held with the council meetings. Schneider said that was correct. The only exception would be if a controversial redevelopment issue came forward that would require a longer meeting. Hiller asked that the staff reports and information make references to the EDA and the EDAC clear so that people can understand what group is being referenced.

Wiersum suggested adopting a rule that if a regular council meeting goes beyond a certain time, the EDA meeting would be held the following Monday. Schneider suggested if the EDA agenda was perfunctory with noncontroversial items and there was a busy council meeting agenda, the EDA meeting could be held before the council meeting. If there were major items on both agendas, then the meetings could be split and held on different Mondays. Gunyou noted that staff tries to manage the agendas so that there are not a lot of controversial items on the same night. Schneider said it would also be helpful if any of the EDA members had issues with a particular item to let staff know ahead of time so staff could better prepare to manage the meeting. Gunyou said from a logistical standpoint it would make sense that when he does his regular calls to each council member, the council member would let him know if they have a major issue with an item.

D. Affordable Housing Indexing System

Community Development Supervisor Elise Durbin gave the staff report. She noted a change suggested by Wagner that was included in the change memo.

Wagner said the reason he was suggesting the change was because of an EDA discussion about a year ago. At that time there was a young couple who wanted to buy the Enclave affordable unit but their bank would not give them a loan because as soon as the paperwork was signed, the property would have been valued less than the loan. He said when the restrictive covenant was first envisioned, the covenant could increase as much as the market did but it was decided that was too much. A fifty percent limit was then imposed. Now the market has changed and has gone the other way. Wagner said the whole purpose was to maintain affordability while allowing people who need that affordability to live in the city to be able to stay in their properties. He found it concerning to cap the downside at seven percent but someone could still owe more than the property was worth as soon as the property was purchased. His proposed change would keep the indexing system as it currently is while allowing people who purchased property five or six years to sell it for at least what they bought it for instead of forcing them into a loss.

Wiersum said he thought Wagner's suggestion was a good one. The real purpose of the indexing system was to ensure continued affordability. The market would still prevail because a property won't sell for more than it's worth. He said the proposed change would provide the opportunity for someone to sell their property for what they paid for it as long as they could find a buyer. This would not defeat any of the objectives of the policy.

Schneider said the proposed change made sense and would be easier to manage than trying to cap a percent.

Wagner moved, Wiersum seconded a motion to modify the indexing policy as follows: for all units currently under the affordable housing indexing system as of April 5, 2010, the maximum resale price will be calculated on an annual basis, per the restrictive covenants filed against the property. If the annually calculated resale price of the unit falls below the purchase price the current homeowner bought the unit for, then the purchase price will be used as the maximum resale price. All voted "yes." Motion carried.

Wischnack noted all the owners would be notified within the next month of the change.

C. Tax Increment Financing Request from Presbyterian Homes

Wischnack gave the staff report.

Wagner asked if the city allowed the district to lapse for 30 days, would the affordable units be considered as new affordable housing units. Durbin said Beacon Hill was not included as being counted for affordability when the affordable housing goals were negotiated with the Metro Council. The units therefore could be counted.

Greves noted that the legal maximum term for the TIF district would go until December 31, 2021. She asked if the rationale for tapering off the increment starting in 2015 was for the city to be able to use the funds for something else. Wischnack said the previous EDA did not want to over commit the city and it couldn't be anticipated when the funds would be needed. After five years there would be an out. Greves asked if the term could still go beyond 2015. Wischnack confirmed that was correct. Wagner said the EDA also discussed if there was a need to build up a balance in case a project came forward in 2017 or 2018. Gunyou noted tapering the increment down would be better for the current residents. Typically the funding would expire and the units would go back to the market rate. By phasing it out over time, there would be less of an impact.

Allendorf said typically when he sees an item that appears to be a no brainer it is because he hasn't looked at the alternatives. He asked what the alternatives were for the immediate use of the extra increment. Steve Bubul from Kennedy and Graven said because the tax increment involved a housing district, the use was broad and the funds could be used for other income qualified housing projects that were outside the district. One requirement was that the project that received the assistance in the first place has to maintain its affordability. If the city allowed the existing contract to expire and there were no more affordability requirements, then the city could not use the increment and there would be no choice other than closing the district and allowing the funds to go back to the county. He said this system allows the district to remain open and the declining percentage means over time there would be affordability in place with extra dollars that could be used for other affordability housing projects. Allendorf asked Bubul if it was a no brainer to approve the item. Bubul said it appears to be a wise public policy decision given the city's goals for affordable housing.

Wiersum asked what the typical tenure was for a resident in the Presbyterian Homes. Presbyterian Homes Vice President John Mehrkens said the average length of stay was nine years for an independent living resident entering the continuum of care. Wiersum said he agreed the decision was a no brainer. He said he had a concern with the sticker shock aspect. Before the five years runs out, he would like the city to look at extending the term or finding an alternative use in order to be considerate of the residents who rely on the affordability.

Hiller asked for clarification about information indicating that the increment would start at 90 percent and move down incrementally to 50 percent at year 2020 while still maintaining the same affordability. He asked if the total amount of units would stay the same or if the amount per unit would decrease over time. Wischnack said the idea was for the affordability to remain but it was important to keep in mind the developer could cancel the agreement. The way the agreement is structured is in order to get 50 percent of the increment, there has to be 62 affordable units.

Schneider said the city was trying to avoid having a drop dead date where people who are occupying the units would no longer qualify. By allowing the applicant some flexibility, when the 60 and 70 percent level is reached, the city might allow the developer to drop off a few units and let those rent at the market rate in order to keep the rest affordable. He said that would be better than an all or nothing approach. Bubul said one issue was the statutory affordability requirements had to be maintained because the district is a housing district. He said there was some hope that because over time there had been quite a few legislative changes beneficial to affordable housing, a possibility is there might be some changes that

would allow the district to stay open in order to fund other projects while the increment was being collected.

Wagner asked if one of the restrictions was that the funds could only be used for adjacent land to the existing district. Bubul said the funds could be used anywhere within the whole project area.

Hiller moved, Wiersum seconded a motion to approve the addendum to a private redevelopment contract for Beacon Hill. All voted "yes." Motion carried.

6. STAFF REPORT

Schneider said he preferred to have the staff report at the beginning of the meeting agenda, as is done in council meetings. Wischnack said typically the EDA staff report was not about a specific project action. The staff report was more for updating the EDA about other economic activities that were occurring and to notify the commissioners about meetings. She said the EDA staff report probably would be discontinued once the EDAC was up and running. Schneider said his expectation was the EDA would give the EDAC specific charges not necessarily related to specific projects. Wischnack suggested including a work plan update at every meeting. Wagner said historically the reason the report had been placed at the end of the agenda was typically the report was more informational and it allowed people who were at the meeting for a specific project to leave once their item was complete.

Durbin reported the dollar a ride changes started last month. The system is now countywide rather than just Minnetonka based. The hours have not changed. She said she had received one concern about the fixed route service. She also reported that the request for proposals for transit study went out the previous Thursday. The responses have to be received by April 30.

Greves asked what the due date was for the New Starts applications. Durbin said applicants can submit their applications at any time. She said the plan was to submit the application later this summer but there has been dialogue with the FTA and portions of the application likely would be submitted sooner.

7. OTHER BUSINESS: None

8. ADJOURNMENT

Wiersum moved, Wagner seconded a motion to adjourn the meeting at 8:42 p.m. All voted "yes." Motion carried.

Respectfully submitted,

David E. Maeda
City Clerk