Minnetonka Economic Development Advisory Commission
Meeting Minutes

May 25, 2017
6 p.m.

1. Call to Order

Chair Isaacson called the meeting to order at 6 p.m.

2. Roll Call

EDAC commissioners present: Michael Happe, Lee Jacobsohn, Melissa Johnston, Charlie Yunker, and Ken Isaacson were present. Jacob Johnson arrived shortly after roll call. Jerry Knickerbocker was absent.

Staff present: Community Development Director Julie Wischnack, Economic Development Housing Manager Alisha Gray, and consultant Stacey Colvin with Ehlers and Associates.

3. Approval of April 27, 2017 Minutes

Happe moved, Yunker seconded a motion to recommend that the EDAC approve the minutes from the April 27, 2017 meeting as included in the agenda. Happe, Jacobsohn, Johnson, Johnston, Yunker, and Isaacson voted yes. Knickerbocker was absent. Motion passed.

4. Review EIP

Gray reported.

Happe said that the EIP document is great. He appreciated staff creating the EIP document and keeping it updated. It is a great resource.

Happe moved, Yunker seconded a motion to recommend that the city council adopt a resolution approving the EIP. Happe, Jacobsohn, Johnson, Johnston, Yunker, and Isaacson voted yes. Knickerbocker was absent. Motion passed.

5. Newport Midwest “Mariner”

Gray reported.

Chair Isaacson recalled that during the last review, commissioners felt that the request for assistance is appropriate for the project as described. The structure of the assistance was unknown at that time.
Becky Landon, with Newport Midwest, introduced herself and was available for questions.

Chair Isaacson asked if deferring the developer’s fee was considered to cover a portion of the requested assistance. Ms. Landon explained that the entire developer’s fee would be deferred for the market-rate portion. The developer’s fee for the affordable side would not be deferred for two reasons. The first reason would be to allow deferment of the developer fee until the spring when the project would be out for bid in order to cover an unexpected increase in construction costs or interest rates. The second reason is that the MHFA’s scoring criteria works against the applicant if more than a small sliver of the developer’s fee would be deferred at this time.

Chair Isaacson asked if Ms. Landon and an equity investor would be comfortable with 100 percent cash flow. Ms. Landon was not sure if an equity investor would be comfortable. There are different provisions built into a cash flow for the owner to get some sort of incentive to keep the building full and keep the operating expenses on budget. She noted that the county would want to be included in the cash-flow provision as well. Chair Isaacson agreed. He was supportive of the concept. It would be an appropriate use of funds. He wants to help facilitate and help the applicant be successful with the affordable piece. He was concerned with stripping off 100 percent of the cash flow. He wanted to get others’ input. Every dollar of additional effort would pay debt. Chair Isaacson wants to be supportive and structure the debt so that it would allow the applicant to own it well.

Ms. Landon said that the developer does not have a strong preference of which lender would be in which position. That would be up to the funding partners to decide. It would make sense for a lender who provided a large amount to have priority. The cash flow is usually on a pro-rated basis. Chair Isaacson thought this would potentially provide funds for the city. It would be a recycling fund, so when it would pay back debt it would provide a pool of resources available for future projects. It would be self-sustaining to some degree.

Johnston asked how far the term of the loan would be extended. Chair Isaacson thought the loan term would have to be concurrent with the first mortgage. It could be paid back sooner, but the term would be 35 years.

Stacey Colvin, with Ehlers and Associates, consultant for the city, stated that she has seen 100 percent cash flow done in the past. It all depends on how it would be structured, the lender, and the tax credit provider. The hope is that the project would receive tax credit. The funding source is great and provides an opportunity. The hope is that after the term, the city would receive something back.

Chair Isaacson and Ms. Colvin agreed that the definition of “cash flow” is key.
Chair Isaacson recommends that the commission follow the tax credit allocators’ “cash flow” definition. It is widely used across the state. Ms. Colvin said that it could save thousands of dollars in legal fees. Commissioners agreed.

In response to Chair Isaacson’s suggestion, Wischnack stated that staff will check with the MHFA before the city council reviews the item to see if it would have a problem with a sunset provision being included. Chair Isaacson agreed.

In response to Chair Isaacson’s question, Ms. Colvin explained that the dollar amount would be included in the developer’s agreement instead of the resolution. Wischnack would keep that on the to-do list. Chair Isaacson agreed.

Happe confirmed with Chair Isaacson that the subcommittee supports staff’s recommendation.

Johnston moved, Yunker seconded a motion to recommend that the city council adopt a resolution approving items for Newport Midwest Mariner. Happe, Jacobsohn, Johnson, Johnston, Yunker, and Isaacson voted yes. Knickerbocker was absent. Motion passed.

6. Staff Report

Gray reported:

- The legislature is in the middle of a special session, so staff is waiting to find out how funding stands for SWLRT projects. There is a new video of the Green Line extension that shows how the stations would be laid out.
- The city council will review the proposal submitted by Metro Transit related to public bus services June 12, 2017.
- There are a lot of projects under construction.
- Zvago opened. The deck overlooks Glen Lake and looks great.
- Legacy Home Care is proposing an eight-unit care facility on Eden Prairie Road.
- A new trail is proposed to be constructed to connect Lone Lake Park to the existing trail on Nine Mile Creek.
- The city council approved a liquor license for Total Wine.
- The city council tabled action on a liquor license application for Target on County Road 101 and Highway 7.
- Three restaurant pads should begin construction later this summer at Ridgedale Center.
- Lecesse should begin construction soon.
- Jay Jensen contacted staff to notify the city that due to the devaluation of housing credits, the developer will not be able to continue with the Music Barn project, but the developer will complete the Elmbrook Townhome rehabilitation.
7. **Other Business**

The SLUC luncheon and boards and commissions dinner will take place May 31, 2017.

The next EDAC meeting is scheduled for Thursday, June 15, 2017 at 6 p.m.

8. **Adjournment**

Jacobsohn moved, Yunker seconded a motion to adjourn the meeting at 7 p.m. Motion passed unanimously.