

THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF BROOKLYN PARK
JULY 20, 2020 MEETING MINUTES

I. ORGANIZATIONAL BUSINESS:

1. CALL TO ORDER: President Jeff Lunde at 7:00 p.m.

ROLL CALL PRESENT: President Jeff Lunde, Vice President Susan Pha, Treasurer Lisa Jacobson, EDA Secretary Tonja West-Hafner and Commissioners Terry Parks and Wynfred Russell, Staff: Executive Director Kim Berggren, Economic Development & Housing Director Breanne Rothstein, Development Project Coordinator Erika Byrd, EDA Attorney Jim Thomson and Program Assistant Theresa Freund.

ABSENT/EXCUSED: Commissioner Mark Mata.

2. PUBLIC COMMENT AND RESPONSE:

2. A Response to Prior Public Comment: None.

2. B Public Comment: None.

3. APPROVAL OF AGENDA

MOTION LUNDE, SECOND JACOBSON APPROVING THE AGENDA AS PRESENTED. MOTION PASSED UNANIMOUSLY.

II. STATUTORY BUSINESS:

4. CONSENT:

4.1 None.

5. PUBLIC HEARINGS:

5.1 None.

6. GENERAL ACTION ITEMS:

6.1 Consider Approving the Term Sheet between the Brooklyn Park Economic Development Authority and Pulte Homes for the Development of a Detached Villa Housing Development at 7479 and 7495 Brooklyn Boulevard.

MOTION LUNDE, SECOND RUSSELL TO WAIVE THE READING AND ADOPT RESOLUTION #2020-11 APPROVING THE TERM SHEET BETWEEN THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY AND PULTE HOMES FOR A DETACHED VILLA HOUSING DEVELOPMENT AT 7479 AND 7495 BROOKLYN BOULEVARD. MOTION PASSED UNANIMOUSLY.

III. DISCUSSION:

7. DISCUSSION ITEMS

7.1 Status Update – Kim Berggren highlighted the following:

- Staff has been helping to market a new hibachi restaurant called Miyabi Grill over by the West Broadway and Brooklyn Boulevard area. I encourage commissioners to give the restaurant a try.
- We have been doing some small business focus groups that is a continuation of our work to make sure we are properly serving and adequately serving our smaller businesses in the community with our programming.
- On page two there is substantial information about what the Brooklyn Park Development Corporation has recently approved in terms of their loan products. That group has spent some time and staff has worked to redesign our existing programs to be hopefully better utilized by our local businesses. You will see the details of those programs listed and the things that have changed. We will be putting together a more robust communication plan to get the word out on those programs.
- I would like to share with you that we were able to secure a CARES grant through the county that will be used to help market technology assistance for the businesses that are located around Highway 252 and 85th Avenue North. This is part of the county's strategy to support business districts. Staff submitted two applications and this one was awarded. Several commissioners over the years have suggested that we do more to help those businesses that are tucked back behind Festival Foods to create more awareness about their location. There are some great restaurants and other businesses back there. Staff wanted to make commissioners aware that we will be working with the county's consultant on that project. It is fully funded through the grant funding from the county, which is from the federal government.
- We were able to secure a \$15,000 grant from Boston Scientific to help with the BrookLynk Program getting the service online for young people. They are on track to serve a good number of young people through both placed internships and a lot of online professional development work for those that are involved in that program.
- We are also reporting out to you on the \$30,000 worth of nonprofit emergency grant funding that was used as a response to COVID early on. We were able to fund multiple organizations and over 2,000 residents were served with those dollars.
- Staff is continuing to work toward the small business center or business incubator project using the grant funding that was secured from Met Council. One of the strategies we would like to propose is that we pull together an EDA steering committee to help and check in on that project with more detail on a few occasions. We are thinking maybe October, December and then in the spring. We are suggesting that if maybe three EDA commissioners would like to spend a little more time in that space, we could convene that steering committee. The request at this point is if you are interested, let President Lunde and staff can go from there based on how many commissioners are requesting to participate in that

effort. Staff will continue to bring any substantial action to the EDA of course related to that project but just given the complexity and the decision making that needs to happen over time as we do the study we thought having a steering committee might help that process out.

- Finally, the transit-oriented development work around LRT planning is continuing. Metro Transit is hosting an event this week on July 22. Staff wanted to share that commissioners or others can join and learn about development in the corridor and opportunities on how TOD happens from a financial perspective. There will be panelists talking about that. I should also share in the context of LRT work we are continuing to meet as the Connect Blue Line Now! Coalition and coordinate with the Blue Line Coalition, which is the coalition of nonprofits. You will continue to see activity from that group and if President Lunde wants to share any more on that, he could but I wanted to make sure that folks know that work is continuing to get the project to advance.

Commissioner Susan Pha stated she would like to be on the steering committee for the business incubator. I feel like it has been awhile since the rollout of the Nonprofit Emergency Grant Fund. All the nonprofits that were awarded the grant made very good use of the funding. I have heard great things from community members that benefited from the grant and benefited from the services of the nonprofits. Thirty thousand dollars is not much and I would like us to offer another \$30,000 or more because COVID19 has not gone away and there are people that seriously need the services of the nonprofits. Other cities have given much larger portions. Some are bigger cities and some are similar size to Brooklyn Park and they have done other things. I would like us to continue to do more by revisiting this soon and see what that could look like.

Kim Berggren responded saying we are in the process now of proposing a strategy around the use of the CARES Relief money that has been allocated to the city. That could be a proposed use in that recommendation. We are gearing up to get to the Council next Monday.

President Jeff Lunde stated all the cities along the light rail line are working on a joint letter to the governor and others to restart the process. I think Minneapolis is considering joining on the letter or it may be only a suburban letter. We are making it blunt and simple in terms of what we are looking for. We have waited long enough. The letter will talk about the lack of access to transportation. Staff is coordinating the signing of the letter between the cities. We will make sure everyone on the council will keep aware of all aspects of that.

7.2 Housing Update – Erika Byrd stated this is a rather long update, so I am not going to touch on everything.

- There are several new housing developments and opportunities listed.
 - I would like to mention the Dominion senior housing project. In May the City Council gave preliminary approval for the city of issue conduit private activity bonds. The city and the developer in June submitted that application to Minnesota Management and Budget. Staff heard back last week that the application was not successful because there is a lot of

demand for those private activity bonds. Dominion is hoping to seek a bonding allocation in a subsequent application round in six months.

- I have a few updates on the apartment rehabilitation project and how they are moving along.
 - Brooks Landing and Brook Gardens are almost wrapped up. They are doing some cleanup and finalization of the punch list items. Staff will be working with the management and owners to set up a tour. We are hoping to do that in a month before September.
 - Aeon is looking to start a project at Huntington Place installing additional cameras. Police and EDA staff are meeting with their asset managers and property managers to work out exactly how to best do that and where the cameras should be placed. Aeon is hoping to get that work started in August.
- Metro HRA, which administers Section 8 housing vouchers for Brooklyn Park. They have implanted payment standards by zip code. This is a change for how they calculate fair market rents to what they are calling small market rents. Staff will be monitoring how exactly that will play out in Brooklyn Park.
- Governor Walz last week issued an Emergency Order 20-79, which modifies the Eviction Order. Currently there is a statewide eviction moratorium that was extended through August 12th through the extension of the peacetime emergency. Additionally, last week we have this new Emergency Order that applies just to evictions and allows for landlords to evict a few more cases particularly around lease violations. Under this order property owners can't still evict for nonpayment of rent but evictions are allowed particularly around endangerment of people's safety, certain illegal activities, property damage or if a renter or relative attempts to occupy the apartment after the lease is up. This will go into effect August 4th and will also run concurrent with the peacetime emergency. It will expire August 12th unless the peacetime emergency is again extended.
- Hennepin County is providing emergency rental assistance for low income residents that have been harmed by COVID19. Additionally, CEAP has pooled funds that are also for COVID19 affected residents who are having difficulty paying their rent. Staff has done a little bit of work this month to connect with Hennepin County, CEAP and property managers around what we could find out about how these funds are being used. Overall we found that 12% of apartment units were late on rent, when the funds are used residents are finding it helpful but there are concerns about slow response and processing time and one of the barriers people are running into is not being eligible for the program. Particularly because residents are not self-reporting an income loss due to COVID. Because we know in July the extra unemployment benefits will be ending, we suspect that anyone who applied but had not been able to show that income loss maybe in a different situation. Staff is encouraging people to reapply and will continue to do that going forward as we know we are in a critical time to get that information out.

Commissioner Lisa Jacobson stated she understands that the processing is behind and for the person who needs the assistance that is a barrier. Then if they are not checking yes to the right questions, they get turned down when they should really be getting the assistance. Now they are at another barrier at a time when people fear being evicted. What do you anticipate a way to fix the system? Is it to get a third party in to maybe triage the applications from CEAP that are turned down and be an advocate for those renters on their behalf? Is that a possibility?

Erika Byrd stated she was not in the meetings directly but what she has heard is that it took both organizations quite a bit of time to establish things in the beginning. They are more confident they could catch up.

Kim Berggren added that staff has been trying to keep a pulse on what is happening. We have been talking with our housing advocate groups, CEAP staff and the county staff on how they are administering their program. We will continue to do that and do what we can to influence what is happening so that more people are getting funded. This is a challenge because a lot of our renters we know could not afford their rent before. If they cannot demonstrate, indicate or claim COVID impact then they are going to wash out of the program. There are also some complicated factors around whether the funding requires maximum incomes. Maybe that can be created to be more flexible. Staff can work with CEAP on it as they are really the ones that are understanding why people are getting turned away and will be able to speak more specifically on that. One of the things we will be able to talk about more as we talk about the future spending of CARES Relief funding is trying to fill the gaps that we are seeing in the current programs with the city's CARES Relief funding so more people can access the funding more quickly. We do not have much time to spend the funding.

Commissioner Lisa Jacobson stated I would like to try to do come up with a comprehensive solution due to the trickle-down effect. We have residents who are facing eviction and that affects schools and businesses. We have other partners in the community that might be able to help and come up with a solution so that maybe we can ease that burden for some of our residents who probably are really scared right now as we are at July 20th. I trust that staff is working hard on this. I want to make sure that we identify where the gaps are and that we try to find ways to fill those gaps.

Kim Berggren reported that one of the challenges the council will have in considering how you want to choose to spend the CARES Relief funds is that the risk level you want to take around trying to be more creative with those funds versus doing what we know and have proof from the federal government on what is eligible. We will be trying to straddle that as we talk about the CARES Relief funding next week and then the following week as well.

Commissioner Susan Pha stated I was wondering if you could give me a quick update on the small rental rehabilitation loan program. This is a new program that we have allocated funding for and I am concerned there may be a lot of people who have not heard about it. I know there is a need and with COVID19 I am wondering if these funds are being used. Have we received any applications and has there has been any allocation of the funds so far? Kim Berggren responded we have just launched the

program, so I do not know if we have had a lot of activity. Breanne Rothstein added that staff has received four formal applications already. We just started marketing the program a few weeks ago. To date we have had fifteen inquiries for the loan program. We have been using boosted social media posts targeting areas of the city for that marketing. We are using a little bit of creativity on how we get the word out. We are also relying heavily on our rental inspectors and our rental inspection database as we have that information. Staff thinks it is going well so far. Our goal is to deploy the full amount by the end of the year. This is an aggressive goal especially now.

Commissioner Tonja West-Hafner thanked staff for the updates and potentially getting us a tour of the rehabilitated properties. I think that is important for us to see where our investments are going and what is going on in the city.

I appreciate the thought process behind trying to find the gaps in the CARES Relief money. I think the hard part is going to be the fact that the money must be spent by the end of the year, it is very specific. Kim hit on it on how creative or how willing to risk things we are trying to get things to happen. I know that the county has been very conservative, very cautious and they have a legal person working only on this. So, when you see that it unfortunately creates barriers for people that are potentially in need it is also something where if you don't do it right you will pay it back. I believe we are getting six million dollars. That is a lot of money and if we do not do it right. I am for fixing any gaps and for our staff talking to the county staff if there is something we can be doing better or helping. I have talked to staff already to not be bashful if you think something needs to change but just know that there is going to be some good restrictions on this on what we can and can't spend that money on and how quick it is going to have to get out the door. Or need to get out the door. I almost wish we could go to the federal level and complain. Because they need to extend the time period and they need to stop just dumping money on us. I do not think there is the bandwidth anywhere to keep up with everything and especially with all the rules you must follow. I commend staff for all the work they are doing, going to do to try to get something together for us to look at.

President Jeff Lunde stated I am interested in the nonpayment of rent. I know that the National Multifamily Housing Council has a rent payment tracker database where you can see what managed apartment units are reporting. I heard they are saying that the nonpayment of rent only went up slightly. Another thing I heard and Ms. Berggren talked about is that if someone wasn't paying their rent before COVID it is hard for them to make the justification that COVID affected their ability to pay rent and that is one of the challenges. I would be interested if there is a way to query our apartment owners to see where they are at. Our apartment mix is different from the national averages and even the state of Minnesota. This would help us as decision makers to know if it dropped by three or four percent over normal.

President Jeff Lunde stated I will be meeting with Congressman Dean Philips' staff. To the point of Commissioner Tonja West-Hafner if there are specific things we can identify that are barriers to deliver CARES Relief funds, they really want to know about it and as soon as possible. They are

still making changes and so if we find something specific and give it to them, they will see about getting changes quickly. They will need examples like we cannot do this because of this, can you make this change and they will make it. Congressman Phillips and the bipartisan group has really been focused on quick changes so that the money we are getting can be used quickly. I am asking staff if you hear specifics let me know and I can bring those to my meeting or pass them directly to Congressman Phillips' staff.

IV. WORK SESSION

8. WORK SESSION ITEMS:

- 8.1 Housing Development Opportunities Discussion – Breanne Rothstein, Economic Development and Housing Director stated tonight staff would like to talk about a number of items during this work session to get EDA direction before moving forward with more formal plans and staff and applicant time. We would like to introduce commissioners to some ideas and get your feedback before we move forward.

The city has received more development inquiries in the past few months and staff is seeking direction not necessarily on specific proposals because we don't have a ton of information and we haven't done the full financial and site plan analysis. We are looking for some general feedback on funding strategy that includes reviewing our mixed income housing policy and then hopefully explaining what the next steps would be in these two projects.

Just a reminder that the mixed income housing policy was adopted by the City Council back in 2017. Mixed income projects particularly regarding apartment communities is the ideal scenario for the city rather than fully affordable. It requires a percentage of affordable units in every new development. Those vary by the level of affordability. The different levels that a developer would need to meet are that: 5% of total units would have to be affordable at 30% of the area median income, or 10% would be affordable at 50% or 15% affordable at 60% area median income. That is a requirement and city ordinance that developers of any new projects must meet.

Some key specifics about that policy is that it applies to all projects with more than ten units and that the affordability period must be a minimum of twenty years and that the units must be disbursed throughout the building. Any new project cannot discriminate based on any rental subsidy or assistance being provided by the individual occupant. So basically, they must accept Section 8 or other housing vouchers or housing subsidies.

For the use of tax increment financing the threshold for affordability is different. That is one of the discussions we want to have tonight is the use of tax increment financing which also includes the housing set-aside versus other funding sources to fill these gaps. Or whether we want to push up toward the TIF caps so that that could be an eligible funding source.

Breanne Rothstein stated the intent of the discussion tonight is not to evaluate the merits of a specific project but just to get some feedback on policy as we move forward on the development of these concepts.

Enclave Development has approached the city to complete a market rate apartment home community just south of 96th Avenue North, north of 610 and east of Zane Avenue North. There will be 175 homes and because it is a new project it must meet the mixed income housing policy. They had originally thought of evaluating the project at the option #1 providing 5% of units affordable at 30% area median income (AMI). This income level is \$27,120 and is based on a family size of 4. This option does not allow the use of TIF or the housing set-aside which is TIF dollars.

There are a few options for moving forward.

- Evaluate other potential funding sources from the EDA tax abatement or general fund which are both viable options. The advantage of this is that this project would produce a small amount of deeply affordable units, which is what the standard is of 30% of AMI and is very rare. They do not get developed very often without significant other funding sources and this is one advantage of evaluating that.
- Go back and require more affordability to make TIF an eligible use of that subsidy or the housing set-aside. This would require 20% at 50% of the area median income or 40% at 60% of the area median income. You would get more units at an affordable level, but the affordability is not as deep or strong.
- A long-term strategy would be to seek legislative action to loosen up the TIF legislation and there is some momentum in this space right now in the housing community. There are several cities that are seeking a change or request to allow TIF to be used for those 30% area median income and not have to require up to 20% of the total units. The gaps get large on those projects and they are looking at lowering that percentage if projects are providing a deeper affordability.
- Another approach would be to say to the developer figure out how to fund these yourself. That is also an option.

Obviously when we evaluate performas we are looking at all of their costs against how much rent they are going to collect in order to make a project financially feasible and we use Ehlers to do a very detailed evaluation of that gap before we make a recommendation for funding. I would just say that there is not a lot of ways to fill that gap beyond these options listed here.

I have included a rendering of a similar project Enclave is doing in Savage as an idea. This is not necessarily the project that would be here. They are proposing a market rate project which would have the typical amenities. The rents captured would not be at the 610 West level, but they would be in that range for the market rate units.

The second project and again this is preliminary interest we have received from a developer and we have not spent many hours evaluating the proposal, over thinking it or doing an analysis on it yet. It is on the Welcome site, which is a site we have talked about before at work session. This developer is interested in developing only two and three bedrooms which is something that was discussed in previous iterations of proposals on this site. Frankly, the plans that have been developed for the Village Creek area as well as the SNAP Study really call for housing types that are different than what is there now which is primarily one bedrooms. The other

unique aspect of this proposal is they are proposing loft style units. The second and third floors would be traditional two bedroom and three bedrooms. The first floor and the fourth floor would be loft style units. The square footage of the main footprint would be smaller than a typical two or three bedroom and they would have a second or third bedroom lofted above. This struck us as unique in a sense that it is smaller square footage which would drive the ability to charge lower rents. They will be more affordable two and three bedrooms than you would typically see in the market and therefore the gaps are smaller. This makes a two and three-bedroom project more feasible. I would say there is still a large gap, but it brings it in the realm of reason. That is why we are looking for feedback from you tonight because it is something different.

In terms of your financing options for this it would be proposed at 40% of the units would be affordable at 60% of the area median income. This would be housing TIF eligible. This photo is a representative project of the developer who has expressed interest in the site. This is just a four-story version. The one that is envisioned for Welcome would be five stories with a loft on the fourth story. So, half of it would be five stories and the other half four stories. It also is envisioned as a mixed-use project with a limited amount of commercial on the first floor. Again this is a project that was proposed at a different site that wasn't able to get financed through the city it was being proposed in. It would be adapted for this site but is only an idea.

Breanne Rothstein stated that in terms of the direction we are seeking from the EDA tonight it is really guiding further work on the development of proformas and concepts for both sites. Certainly, we would have to do community meetings in accordance with our multi-family housing outreach policy. We would then bring forward more vetted and more fully developed term sheets for your consideration. Again, we are looking for direction on proceeding with further analysis and more detail on both of these projects as well as the input of the level of affordability and if there is a desire to provide fewer units at that deeper affordability or push to have the affordability makeup be consistent with our TIF so that we can use that as a funding source.

If we use TIF, these would be new housing tax increment financing districts that are only on the parcel. Traditionally the city's TIF districts have been redevelopment districts which are generally larger areas and have more options. A housing TIF district must meet strict affordability requirements and it is only on the site that is being developed with housing. You are capturing the future tax revenues and most of the deals are done as pay-as-you-go. You reimburse the developer according to an agreement as the taxes are generated. It is very rare to use any bonds for housing projects. We also have the housing set-aside fund which does have quite a bit of cash in it for the purpose of developing affordable housing. Any strategy might use a combination of cash as well as TIF.

President Jeff Lunde and commissioners asked questions on the two projects and sites. They provided feedback to staff on their views and concerns.

- V. ADJOURNMENT:
Meeting adjourned at 9:10 p.m.