

**HOUSING AND REDEVELOPMENT AUTHORITY
OF ST. CLOUD, MINNESOTA
Regular Meeting Minutes
Wednesday, January 28, 2009**

Chair Nancy Gohman called the meeting to order at 7:05 p.m., Wednesday, January 28, 2009. The meeting was held in the City Hall Council Chambers, 400 2nd Street South, St. Cloud, MN.

At 7:00 p.m. the Annual Meeting was called to order and roll call was taken. The meeting was recessed to the end of the Regular Meeting out of respect of time for those in the audience.

1. Roll Call – Commissioners present: All - Nancy Gohman, George Hontos, Joan Jaye, Bob Johnson, Mike Landy, John Pederson and Peter Ruth.

Bruce Thielman, Executive Director, presented to past Board member, Jeff Goerger, an appreciation plaque for his service to the HRA Board of Commissioners. Mr. Goerger served on the Board under his term as City Council member in 2008. Mr. Goerger said thanked the Board and staff and wished them all continued success in the future.

Chair Gohman requested an addition to the agenda as Item 12 “Support of a Tax Credit Application”.

Consent Agenda:

2. Approval of Agenda – Commissioner Johnson moved for approval of the agenda; Commissioner Landy seconded the motion. Approved as presented with the addition of Item 12.
3. Approval of Minutes of Regular Meeting, December 17, 2008 – approved as presented.
4. Approval to Write off Tenants Accounts Receivables – approved for Public Housing in the amount of \$16,565.35; Germain Towers for \$3,779.52; Northway A & B for \$610.62 and Eastwood Apartments for \$183.83.
5. Approval of Habitat for Humanity Request for CDBG Foreclosure Fund Allocation – acquisition approved in the amount of \$80,000 from CDBG Fund 2008-157.

Old Business:

Mr. Thielman announced the developers for the 5th Avenue Live project had called him late this afternoon and requested to cancel Item 6 (A-D). Dan Coborn, representing 5th Avenue Development, LLC, addressed the Board and audience to apologize for the inconvenience of the change in the agenda. He said his group found there were too many changes yet to be looked at and that when the request is brought forward they want to make sure it is exactly what they want to accomplish. Mr. Coborn stated he had been a part of the 5th Avenue neighborhood since 1963 and when a project is done he wanted it to be a project is done right from the start.

6. A. CANCELED - Public Hearing on Approval of a Tax Increment Financing Plan for Tax Increment Redevelopment District Number Eighty-Six and the Approval of a Contract for Private Development with 5th Avenue Development, LLC.

B. CANCELED - Approval of Resolution 2009-01-Resolution of the Housing and Redevelopment Authority in and for the City of St. Cloud, MN Establishing Tax Increment Redevelopment District Number Eighty-Six (86) in the Central Area Urban Renewal Project (Minnesota R-65) and Approving a Tax Increment Financing Plan Therefor (5th Avenue Development, LLC Project).

C. CANCELED - Approval of Resolution 2009-02 - Resolution of the Housing and Redevelopment Authority in and for the City of St. Cloud, MN Approving a Contract for Private Development with 5th Avenue Development, LLC.

D. CANCELED - Approval of Resolution 2009-03 - Resolution of the Housing and Redevelopment Authority in and for the City of St. Cloud, MN Approving the Terms of a \$200,000 Tax Increment Interfund Loan in Connection with Tax Increment Redevelopment District Number Eighty-Six (5th Avenue Development, LLC Project).

Open Forum: There was no one wishing to speak.

New Business:

7. Approval of Change in Lot and Sales Prices to Lumber One for Meadows Edge Townhomes – Cliff Knettel, Development Director, introduced Item 7. He explained the joint venture of the project between Lumber One Avon (developer) and the HRA. Mr. Knettel said to date there are 36 units constructed or half of the planned 72 unit development. He said at this time only 23 of the townhomes have sold and because of the housing market conditions the developer is requesting to lower the sale price of the units. Mr. Knettel said the request is for the HRA to drop the lot price of a unit from \$31,000 to \$21,000 and that the developer would drop their profit margin by \$6,000. He went through options and the rationale behind them along with the staff recommendation. Mr. Knettel said MHFA has been approached for gap financing but it was not approved because the value gap assistance is not a large enough difference.

Commissioner Pederson moved for approval of the recommendation to lower the sales prices as requested; Commissioner Johnson seconded the motion.

Commissioner Jaye questioned why the proposed price is lower than the appraised price. She said she has concerns that once you drop the sales price you can't go back up and perhaps starting at an \$8,000 to \$10,000 drop would work. Mr. Knettel responded this could be tried, but in review of the market it illustrates the larger cut is needed to make sales and put the units in line with other homes in the area.

Commissioner Landy asked how much invested by the HRA would be lost. Mr. Knettel responded the lot price is intended to recover the cost of the original acquisition price of the property and the utilities. Commissioner Landy then asked how much it would cost to remove the property from the TIF district. Karen Rizer, Finance Director, responded the district is owed around \$800,000 that would need to be paid back. She said also, if there were no other units are built, the HRA would be in the negative \$550,000 at the end of the district. Commissioner Landy said if you figure that into the 49 remaining units you would have an approximate \$10,000 per unit loss and questioned if this loss would still be more cost effective than lowering the selling prices and building out the district. He said he would like to see the HRA out of the project as soon as possible rather than seeing how much more money could be lost on the district if possible. Commissioner Hontos said in looking at the numbers, if no other units are completed until 2012 and 6 more units are completed between 2012 and 2017, the TIF district would be \$400,000 in the black. He asked what the issue would be not to do anything until 2012. Mr. Knettel responded the biggest issue is for the Developer who is paying association costs and losing money on units they have already built and cannot sell.

Ted Schmid, COO Lumber One Avon, and Jim Odegard, Sales Manager Lumber One Avon, addressed the Board to answer questions and explain further their request.

Mr. Schmid stated they have marketed very hard to sell these units, but the market will not bear the cost and the sales price needs to be lowered. He said they have holding costs in excess of \$15,000 per unit already, so even though they are asking the HRA to what looks like a larger cut, their concession is almost double what they are asking of the HRA. Mr. Odegard stated also that the land costs all over the City are dropping, as well as unit costs, so there is a good chance Lumber One will have to lower the sales price even more which will come off the Lumber One profit margin again.

Commissioner Pederson said he feels strongly since this is a public/private partnership that was financed by the HRA as a government agency it is the duty of the Agency to follow through with the project and makes sure it works. Commissioner Ruth agreed there needs to be a markdown on the sales price. He did say he would prefer a shared markdown at this time in case there needs to be another markdown but would like to see the project completed.

Commissioner Landy asked if the units could be rented if they are removed from a TIF district. He said he would like to see all the potential opportunities of this and would like to sit around a table and figure this out. Mr. Knettel said all the options have been looked into but the project is bound by TIF. Mr. Schmid said their first thought was renting, but he didn't think the remaining units of those partially sold could be made into rental units; however, the remaining 36 lots could be incorporated or replatted possibly into rental units.

Commissioner Hontos went back to if nothing is done, and the HRA is out the \$550,000 as stated earlier by Ms. Rizer, since there is a \$400,000 reserve, the project would really only be out \$150,000. Mr. Knettel said cash would also be reduced \$130,000 making the total \$280,000. He said also to remember the commitment to the current owners of units were told all units would be owner occupied and not rental units, so any change in this would need to be approved by their Homeowners Association.

Legal counsel, Jerry Von Korff stated he felt the group was entering an area where they could not make a reasoned judgment without having an analysis. He said his choices for the Board would be 1) to table, 2) to allow Lumber One to start selling at the requested amount until a solution can be reached, or 3) approve as requested.

Commissioner Landy made a motion to table the previous motion and look further into options of renting the units to help out Lumber One until the market changes; Commissioner Hontos seconded the motion. The motion carried 4:3. Commissioners Gohman, Hontos, Jaye and Landy voted in favor of tabling; Commissioners Johnson, Pederson and Ruth voted against.

8. Review of Neighborhood Stabilization Program (NSP) Regional Application – Mr. Knettel gave opening comments explaining the application. He handed out the narrative sent with the application prior to the meeting. Mr. Knettel said the application deadline was 5:00 p.m. today and was submitted. He stated this is a regional application for \$2,000,000 in funding and awards should be issued in 30-45 days. Mr. Knettel said if the award comes in at the requested level it would have an impact on anywhere from 75 to 100 homes. He said the State of Minnesota is looking at \$40,000 to \$50,000 per housing unit in subsidy so the request is below what the State feels will be needed. Mr. Knettel said administrative costs can be charged up to 8.8% from the funds received. He said the HRA will be doing all the administration except for Stearns County who will use their own rehab advisors.

9. Approval of CDBG 2009 Non-Profit Application – Les Henson, Housing Development Manager, gave a brief overview of the application process and the applicants. He said there were only 4 applications and

the plan is to cover them all when the applicants are ready to move forward with their project requests. There was no approval needed at this time as stated in the agenda; it was only informational at present.

10. Approval of Resolution 2009-04 – Section 8 Management Assessment Program (SEMAP) Certification for Fiscal Year 2008 – Louise Reis, Housing Director, explained the annual requirement from HUD for the certification. Commissioner Johnson moved for approval; Commissioner Pederson seconded the motion. Commissioners Gohman, Jaye, Johnson, Pederson and Ruth voted in favor. The motion carried. (Commissioners Hontos and Landy had stepped out of the room and did not vote.)

11. Executive Director’s Report – with the length of the combined meetings for the evening, Mr. Thielman had nothing to add to his report. There were no questions.

12. Approval of Resolution 2009-05 – Supporting a Tax Credit Application for a 30-Unit Townhome Housing Project – Podawiltz Development had brought forward at the 5:00 p.m. meeting a proposal to build a 30-unit larger family development, including 6 bedroom units. There was no financial request to the HRA; only project support. Commissioner Pederson moved to approve Resolution 2009-05 – Supporting a Tax Credit Application for a 30 Unit Townhome Housing Project; Commissioner Johnson seconded the motion. Commissioners Gohman, Jaye, Johnson, Landy, Pederson and Ruth voted in favor. The motion carried. [Commissioner Hontos was out of the room and did not vote.]

There being no further business, the meeting adjourned at 8:38 p.m. for the Annual Meeting.

ATTEST:

Chair, Nancy Gohman

Secretary, George Hontos