

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF ST. CLOUD, MINNESOTA  
Regular Meeting Minutes  
Wednesday, May 27, 2009**

Chair Nancy Gohman called the meeting to order at 7:00 p.m., Wednesday, May 27, 2009. The meeting was held in the City Hall Council Chambers, 400 2<sup>nd</sup> Street South, St. Cloud, MN. The pledge of allegiance was spoken, followed by roll call.

1. Roll Call – Commissioners present: Nancy Gohman, George Hontos, Joan Jaye, Bob Johnson, Mike Landy, John Pederson and Peter Ruth. Absent: None.

**Consent Agenda:**

2. Approval of Agenda – Commissioner Landy moved for approval; Commissioner Pederson seconded the motion. No questions or additions.

3. Approval of Minutes of Regular Meeting, April 22, 2009 – approved as presented.

4. Approval of Contract Award to Kue Contractors for the Quarry Ridge Townhome Renovations – Contract awarded to low bidder in the amount of \$369,706 for renovations; nine contractors submitted bids.

**Open Forum:** There was no one wishing to speak.

**Old Business:**

5. Commissioner Ruth recused himself from discussion and voting of all items under Item 5 regarding the 5<sup>th</sup> Avenue Development stating he did not feel he could be objective for a number of reasons.

Bruce Thielman, Executive Director, introduced Bob Toftey, HRA development attorney, and Stacie Kvilvang from Ehlers & Associates to give details to the items under approval. Ms. Kvilvang showed a power point presentation explaining the creation of TIF District 86, giving the details and qualifications needed for this creation, as well, as showing location. She said the maximum duration of a redevelopment district is 25 years after the receipt of the first increment that will be in 2011; the District will decertify in the year 2026.

Mr. Toftey explained the Development Agreement for the project. He explained the purpose of the development agreement is to set out the obligations of the developer as well as the obligations of the HRA to encourage the three phases of the project. Mr. Toftey stated that in the agreement under each phase is the number of square feet, the number of market rate apartments and the number of underground parking and surface parking units. He said it is important in the definitions included that any material changes will need to come back to the Board for approval. Mr. Toftey said at this time the only funding source identified for the future parking ramp is approximately \$460,000 from the tax increment that is to be generated from the commercial space of the 300 West block. He said there will be no tax increment paid to the developer until a phase is complete, a certificate of completion is issued, there is documentation for

the eligible public development costs, and the company has entered into an assessment agreement for that phase with a minimum assessed value as agreed upon at the time the note is issued. Mr. Toftey said the HRA is under no obligation to issue the note later than 5 years after the certification which will be in June 2014.

Chris Coborn, representing the developers, said his group has every intention of following through with each phase of the project until it is completed. He said without the TIF assistance he did not feel this project could go forward.

A. Hold a Public Hearing on the 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 – Chair Gohman opened the public hearing at 7:31 p.m. Jim Davis, representing First United Methodist Church, spoke on behalf of this project. He said the church projected to be torn down is a part of Phase 3. Mr. Davis said without the sale of their property to this project they would not have a buyer for the church and did not know how they would be able to build a new one or renovate this one.

Pegg Gustafson, Downtown Council, also spoke on behalf of the project, seeing it as a gateway to Downtown and future growth to Downtown.

Julianna Elchert, 513 7<sup>th</sup> Avenue South, had a number of questions, including the parking requirements. Frank Dunbar, consultant to the development team for the project, responded that Phase 200 West would meet the requirements; however, 200 East and 300 East would need a solution.

Public Hearing closed at 7:42 p.m.

B. Approval of Resolution 2009-13 - 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) – Commissioner Johnson moved for approval; Commissioner Landy seconded the motion. Commissioners Gohman, Hontos, Jaye, Johnson, Landy and Pederson voted in favor of the motion; Commissioner Ruth recused. The motion carried.

C. Approval of Resolution 2009-14 - Approving a Contract for Private Development with 5<sup>th</sup> Avenue Development, LLC - Commissioner Hontos moved for approval; Commissioner Jaye seconded the motion. Commissioners Gohman, Hontos, Jaye, Johnson, Landy and Pederson voted in favor of the motion; Commissioner Ruth recused. The motion carried.

D. Approval of Resolution 2009-15 - 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) - Commissioner Landy moved for approval; Commissioner Hontos seconded the motion. Commissioners Gohman, Hontos, Jaye, Johnson, Landy and Pederson voted in favor of the motion; Commissioner Ruth recused. The motion carried.

6. A. Hold a Public Hearing for the Sale of Two 19<sup>th</sup> Avenue North Residential Lots to Habitat for Humanity – Les Henson, Community Development Manager, asked the Board if they had any questions. There being no questions, Chair Gohman opened the public hearing at 7:57 p.m. There being no questions or comments from the public, the public hearing closed.

B. Approval of Purchase Agreement from Habitat for Humanity for Lots #1 and #2 of 19th Avenue North Homes. Commissioner Landy moved for approval; Commissioner Hontos seconded the motion.

All Commissioners, Gohman, Hontos, Jaye, Johnson, Landy, Pederson and Ruth voted in favor of the motion. The motion carried.

**New Business:**

7. Discussion of the Proposal to Transfer Economic Development to the City – Mr. Thielman explained how the HRA has been organized by the City, as it is now, for the past 43 years. He said many staff members were present at the meeting to hear from the Board members where the Task Force assigned to this change are at in this process and what they should expect. Jerry Von Korff, legal counsel, stated he had met with and explained his firm's representation and role with the HRA. He said he told City staff in order for his firm to do what they needed to do on the legal end they would need to know what was staying with the HRA and what was going to the City. Mr. VonKorff said he and HRA staff did not feel they knew this answer. He said the agency is relatively complex and some of the funds interlock. Mr. VonKorff said he was not able to say to City staff what is meant by Economic Development being transferred because of all the various functions and job duties. He said he referred the City staff to the Finance Departments of each office.

Commissioner Landy said it was his understanding when this was originally brought up by Commissioner Hontos that the City and the HRA would be looked at as a single body and how it could be modeled to obtain the best way to improve economic development in the area.

Commissioner Hontos said he has been on the Council for the past 7 ½ years and has always been trying to advocate how to do a better job as a community in economic development. He said it is not about saving money or that HRA staff is not doing a good job, he just feels the structure of the HRA does not allow as much time to focus on economic development that is needed and if the City can do this. Commissioner Hontos said he felt the Mayor and Task Force should continue to move forward with their process, and meanwhile, the HRA Board and staff should be looking at what the HRA would look like without economic development. He said it is complex and needs legal guidance, but as a Board they have a fiduciary responsibility and should be channeling their efforts on how to it would look without the economic development. Commissioner Hontos stated this has been going on since he started with the HRA Board and he feels it is time to look at the structure, convene to decide how to do it better for the community.

Commissioner Pederson said he understood this Task Force to be a group of experts to take a look at the process and how to improve. He said he was concerned with some information received from HRA staff, stating that most of the overhead and administration is being carried by economic development. Mr. Thielman responded in order to maintain the level of support the agency provides to the community now economic development is needed. Commissioner Pederson said he found it hard to believe that housing authorities cannot use other funds to provide overhead and administration needs since it seems there are many in the State that do. Mr. VonKorff said one thing he discovered in speaking with City staff was that the definition of economic development has not yet been clearly defined.

Commissioner Johnson said he felt everyone would like to see economic development carried out with good results. He said one solution that was jumped to is that economic development should be moved from the HRA to the City and he would prevail upon the Committee that has been set to determine if a solution is to do this. Commissioner Johnson said he would propose to ask the Mayor again and the Committee to what the issue is around economic development and its needs to become more efficient, effective and more active, and, what the potential solutions are to the problem, and then from this, base their recommendations.

Commissioner Jaye agreed that if she had known this Task Force would be created to move the economic development over to the City she would not have voted for it. She encouraged the Task Force to think outside the box and look at the issues and solutions, what hasn't happened that should happen, and what the ultimate goals and steps are to make it successful.

Commissioner Ruth made a motion to direct staff to work with the City and the Task Force as they develop proposals; Commissioner Pederson seconded the motion. Commissioner Landy said he was against the motion for the reason that this Task Force Committee is an independent task force and felt they should look to the HRA and the City for whatever information they need, but would rather have an independent opinion.

Dave Gruenes, resident of St. Cloud, is chairing the Task Force Committee, however, he said for this meeting he would be speaking for himself and not the Committee. He said the emphasis for the Committee is what can be done for the community to promote more economic development. Mr. Gruenes said the Committee has a proposal from the Mayor to transfer the economic development functions from the HRA to the City or an economic development authority in the City. He said as a task force they will carefully consider this, but will still think outside the box. Mr. Gruenes said he made a list of all the government funded or not-for-profits who do economic development in the City and came up with 13 – 15 organizations who may or may not be speaking with each other. He asked secondly, what is the strategic plan for economic development for the City of St. Cloud, to which he found there is not one. Mr. Gruenes said there is a comprehensive 30 year plan but no clear goals or accountability. He said this task force may have recommendations for this, also. Mr. Gruenes said he feels the Committee is a good representation of citizens concerned with the future of the City. He said as a Task Force they are not bound by the open meeting law, but will leave their meetings open, will work with City and HRA staff, but in the end will make a recommendation based on the opinion of what is best for the City. Mr. Gruenes stated he does not believe this recommendation is a criticism of the work of the HRA, but rather that it may need more staff working on it or different ways for various organizations to work on economic development in the community. He welcomed anyone to contact him with questions. Commissioner Johnson asked how this group could make a recommendation that is the best for the City of St. Cloud when the task force work is “how do we move the economic development element out of the HRA and over to the City and have the HRA focus on housing and neighborhood issues” (stated by Mayor Kleis). Commissioner Johnson questioned that this being the charge, moving economic development, how options for enhancing economic development in the community can be done with the charge “move” in it. Mr. Gruenes said he does not feel the word “move” will make the Committee’s decision. He said if they look at everything and feel it does not make sense this is what they will report to the Mayor. Mr. Gruenes said, however, this is a charge from the Mayor, is clearly complex and will very deliberately be gone through, but at the end of the day the Committee will only look at what is best for the City.

Commissioner Hontos said he appreciated Mr. Gruenes and his opinion and work with this. He said, however, he feels staff should move forward in looking at how the HRA would work without economic development if it is to move. Commissioner Hontos said he would never support an economic development activity under the planning director. He said there needs to be a clear line between economic development and planning. Mr. VonKorff stated he agreed with Commissioner Hontos in that currently there is no locus to address. He said information received from staff should be ignored at the Boards peril. Mr. VonKorff said it does not mean the information should not be scrutinized, however, from the information he knows of housing authorities the answer to the viability question is not definitive and deserves exactly the type of scrutiny Commissioner Hontos stated. He said when he answered questions for the City he had a position to represent, whereas, the Board has not formed a position on what they want the Agency to look like or what is needed to make it go if the economic development leaves. Mr. VonKorff said at this point no one is addressing this from a policy standpoint other than HRA staff. Karen Rizer, Finance Director, asked if the next step could be for the Board to have a study session

with staff where economic development could be defined. She said with all the programs currently administered within the Development Department there is a cross between community development, CDBG and economic development so it is difficult for her to budget anything with this being unclear.

Chair Gohman asked for a vote on the motion on the table. Commissioners Ruth and Pederson voted in favor; Commissioners Gohman, Hontos, Jaye, Johnson and Landy voted against. The motion failed.

Commissioner Jaye requested agendas and minutes of future task force meetings be sent to Commissioners.

Mr. Thielman suggested a study session to look at how the Agency looks now, how it would look without economic development or suggest other models of how the HRA could look.

Commissioner Hontos stated this is not a new topic and a meeting should be held but it should be whether or not to support the task force and to talk about how things could be made better. He said he understands there is crossover of programs but feels it can be dissected prior to hearing the task force recommendations. Commissioner Hontos suggested holding a meeting to talk about housing programs and see how it would look if the agency were to become a housing authority. He said this could be very beneficial to the task force in knowing the concerns they have and the positives they find. Commissioner Jaye agreed that it is important to see what other components will be impacted by removing the economic development.

Commissioner Hontos moved to hold a study session to look at the different aspects of the housing agency; Commissioner Johnson seconded the motion, adding that part of the discussion needs to be the Board connecting with a minimum the Directors of the various departments on what they are doing now, what the initiatives are, the obstacles and/or opportunities. He suggested bringing all this together and describing scenarios for change; how things might be different in preparation for being in receipt of recommendations from a task force that may blend in part with this conversation, or may not.

Commissioner Ruth asked for clarification of the motion. Commissioner Hontos stated it would be a meeting to look at the Agency in the future if it was a stand alone housing agency. All Commissioners voted in favor of the motion.

8. Executive Director's Report – Mr. Thielman highlighted his report. He said staff is continuing to work with a site selector representing a large 250 employee distribution center. Mr. Thielman said they are down to two sites and St. Cloud is one of them. He said we should know by mid-June if we are selected. Commissioner Landy questioned if there was anything as a City or anyone as a Board they could contact to help in the decision for the development to come to St. Cloud. Mr. Thielman said not at this time.

Commissioner Hontos asked for an update on the River Crest Park dedication fee reimbursement from the City. Mr. Thielman said he did not yet have an answer.

There being no further business, the meeting adjourned at 8:54 p.m.

ATTEST:

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Chair, Nancy Gohman

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Secretary, George Hontos