

**HOUSING AND REDEVELOPMENT AUTHORITY
OF ST. CLOUD, MINNESOTA
Regular Meeting Minutes
Wednesday, August 26, 2009**

Chair Nancy Gohman called the meeting to order at 6:00 p.m., Wednesday, August 26, 2009, City Hall Council Chambers, 400 2nd Street South, St. Cloud, MN. The pledge of allegiance was spoken, followed by roll call.

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

Consent Agenda:

2. Approval of Agenda – Commissioner Landy requested Items 3, 5 and 13 be pulled for discussion; Commissioner Hontos requested discussion of Items [5], 6 and [13] and Commissioner Pederson pulled Items [6], 8, 9 and 10. Commissioner Johnson moved for approval of the remaining consent agenda; Commissioner Pederson seconded the motion.

3. Approval of Minutes of Study Session July 22, 2009 – Commissioner Landy stated on p3 ¶3 line 3 the word *fluent* should read *sustainable*. Item 3 moved with correction.

4. Approval of Minutes of Regular Meeting, July 22, 2009 – approved as presented.

5. Financial Reports: Public Housing Fund, Capital Grant Program Fund, Germain Towers Fund, Northway Projects A&B Fund, Eastwood Apartments Fund, Housing Choice Vouchers Fund, and Central Office Cost Center Fund – Commissioner Landy said his concerns were with the year-to-date actual in comparison to the original budget. Finance Director Karen Rizer responded the funds Commissioner Landy was referring to, in most part, had to do with timing issues and would be balanced out by the end of the year. She said legal expenses can always change depending on what comes up during the year and the budget is based on prior years. Commissioner Landy suggested a study session for further discussion of the budget so Board members would be aware of the impact of possibilities that could arise.

Commissioner Landy moved for approval. Commissioner Hontos seconded the motion. Commissioner Hontos questioned the funds with a negative cash flow and asked if each of them had reserve funds. Ms. Rizer said all the funds have a healthy reserve of operating cash with the exception of Germain Towers. Other Board members agreed with Commissioner Landy on a further budget discussion. Ms. Rizer agreed a meeting would be helpful for her also, and added, she would provide notes whenever possible to explain large differences. The item moved for approval.

6. Approval to accept 35 Veterans Affairs Supportive Vouchers from HUD for Homeless Veterans – Commissioner Hontos moved for approval; Commissioner Johnson seconded the motion. Commissioner Hontos asked if these were additional vouchers. Housing Director Louise Reis responded they were new vouchers and not a part of the current 838 regular vouchers; she said these 35 vouchers were available for and would remain for veterans. Commissioner Hontos asked if the 35 who would receive the vouchers were on the current waiting list. Ms. Reis responded it is possible they are already on the list. She said to qualify for these particular 35 vouchers a recipient would need to first be approved by the Veterans Administration and then referred to the HRA. Commissioner Hontos asked why the veterans could not be taken from the current HRA waiting list. Ms. Reis said the person has to first agree to case management

with the Veterans Administration. She said her staff will work with the VA on HRA recommendations from the current list; however, the final approval is the decision of the VA.

Commissioner Pederson asked the term of this additional funding. Ms. Reis it will run for 16 months. She said an admin fee has not been added into any of the numbers provided to the Board at this time because HUD has not given out this information yet. Ms. Rizer said the usual admin fee is \$40 per voucher per month. Commissioner Pederson said his concern is whether or not staff time is being compensated 100% for this program time. Ms. Rizer responded the funding will cover the currently advertised Occupancy Specialist position for a full-time 2 year staff person.

Commissioner Hontos said he felt uncomfortable giving the VA the final say for referrals. Ms. Reis responded she did not feel any problems would come with this. She said she and her staff have a very good working relationship with the VA and, that also, the rules and regulations needed to be followed for the program are very strict and would address any issues.

Commissioner Pederson asked if there would be money in reserves gained from this program. Ms. Reis said she anticipated additional reserves would be made; these gains would go the COC fund. Commissioner Pederson the point he was making to his fellow Commissioners is that he felt all the programs should be revenue neutral and not building reserve funds. He said in not building up the reserves, it should be possible to eventually eliminate the levy request. The motion carried.

7. Approval of Resolution 2009-17 - Acknowledging the Expiration of Tax Increment Financing District No. 8 (New Flyer) of the Housing and Redevelopment Authority in and for the City of St Cloud, Minnesota – approved as requested.

8. Approval of Roof Removal and Replacement for Public Housing Scattered Sites – Commissioner Pederson asked for the public if Items 8, 9 and 10 were all bid with the prevailing wage. Project Manager, Mike Haehn, responded all bid requests for proposals require the prevailing wage requirement.

Commissioner Pederson moved for approval of Items 8, 9 and 10; Commissioner Landy seconded the motion. The motion carried.

9. Approval of Kitchen Cabinet and Bathroom Vanity Removal and Replacement for Public Housing Scattered Sites – moved with Item 8.

10. Approval of Flooring Removal and Replacement for Public Housing Scattered Sites – moved with Item 8.

11. Approval of Write Off of Resident Accounts Receivables – approved as requested.

12. Approval of Resolution 2009-18 – Authorization for Executive Director to Accept Bridges Rental Assistance Grants – approved as requested.

13. Approval of Assignment of Net Ground Lease and Net Ground Sub-Lease regarding the Kelly Inn – Commissioner Landy questioned the term of the lease. Executive Director Bruce Thielman said he did not have that information but could get back to the Board with it. Commissioner Landy asked if the existing lease was basically being reassigned. Mr. Thielman responded yes, and that his assumption was that the City owned or shared parking around the Civic Center. Commissioner Landy said his feeling is that the land is desirable riverfront property currently being used for parking. He said if it is just being reassigned he was okay with it, but he is concerned with the potential future of the site. Mr. Thielman said the City Attorney would be reviewing it and approval would next be requested from the City

Council. He said he understood the transfer of ownership to date back in April 2008 where this document must have been missed and now the title company is requesting it to clear up the title. Commissioner Landy moved to table Item 13 until the September meeting for further discovery. He said it is his understanding that this parcel of land is the only developable downtown site on the river and he wants the Board to be sure before approval that this parcel could not be used for something else. Commissioner Hontos added that an aerial view of the land be provided with the other information. All present voted in favor to table Item 13 until the September meeting. The motion carried.

Open Forum: There was no one wishing to speak.

Old Business:

14. Discussion of Park Industries Development Agreement – Mr. Thielman read the request from Park Industries and briefly reminded the Board of this same request denied by them in February 2009. He said since last February the economy has not picked up nor has Park's business enough to substantiate the need to expand their current space. Mr. Thielman referred to his memo to the Board giving them 4 options in response to Park's request. He said his recommendation would be Option 2, helping out Park Industries and giving the HRA control of the property. He said he is currently working with a company interested in the land; however, it was too early for any guarantee of a sale.

Mr. VonKorff stated for the record that he has not given advice to the agency on this transaction and recused from doing so. He said it has been handled by the HRA development attorney, Bob Toftey.

Commissioner Johnson asked Mr. Thielman if he was recommending a sale price. Mr. Thielman said he would recommend buying back at the purchase price of \$1.00 per square foot. He said Park recently received an appraisal on the property that was somewhat higher and certainly justifiable.

Commissioner Hontos moved for consideration to cancel the current agreement and enter into a new agreement where the HRA would pay back Park Industries \$350,000 for the land today and would pay back the difference of the \$544,500 minus the \$350,000 only in the event the property is sold at that price and when the property is sold. Commissioner Johnson seconded the motion.

Commissioner Pederson stated he supported Option 1 to pay back the entire \$544,500. Commissioner Johnson responded he originally would have supported Option 1, also, however, with Commissioner Hontos motion it is a compromise that will help Park now and it is in excess of half the sale price as requested in staff Option 2.

Park Industries President, Tom Schlough, addressed the Board and thanked them for their consideration.

Commissioner Pederson asked Mr. Thielman if he would be willing to pass the lead he currently has to Park if Option 1 were to be approved. Mr. Thielman said he would work with Park however he could. Commissioner Pederson also questioned how much currently was in reserves for this development. Ms. Rizer said approximately \$500,000, so Option 1 would use the majority of the reserves.

Commissioner Hontos commented "Anything over the \$544,500 would be to the benefit of the HRA and anything under obviously that's why we're holding back the roughly \$200,000." Commissioner Johnson added, "Absolutely. The real issue is the infusion of cash into a business

right now at the \$350,000 level and I think we're probably talking about a minute amount of money relative to holding costs. [Hontos] I do think we should consider the costs of the HRA holding it for the next five years, four years or whatever the time would be. [Johnson] I am willing to agree with your amended motion and continue to second it." [Johnson] "Bruce, it's not going to cost any money to hold this, is it? [Thielman] Commissioner Johnson, the costs would be very minimal, I mean the insurance costs would be probably nothing because we would add it to other policies, and we're tax exempt so there wouldn't be of that, so basically it's just a matter of drafting documents and then we'd have to account for our staff time which would be minimal in the scheme of things. [Johnson] Absolutely. I think John made some important points earlier that we need to think about and I said I agreed with him, I do agree with him, but I think this compromise which meets the needs of the HRA and meets the needs of Park Industries and we should really go forward with this. [Ruth] Regarding the holding costs, if we give Park Industries \$350,000, we are losing the interest on that money for whatever period of time it is until the final sale. So if that's 5 years we are losing the interest on \$350,000 for 5 years so when you suggest there is no holding costs, obviously there's a very big holding cost on the cost of money. [Johnson] No one said, no, they said minimal. [Thielman] Commissioner Ruth, that's correct, although we're not earning very much money on that reserve right now, it's probably about 1%. [Ruth] That I understand. [Thielman] We have an appraisal on the other side of the ledger that says that the lands worth more already today and we're hoping for the market to turn around and have the land appreciate."

Commissioner Hontos restated his final motion with a friendly amendment: "The terms are that it's \$350,000 that would be paid to Park Industries, the HRA obviously takes ownership of it, and that the difference between and \$544,500 would be paid at the time [of] the HRA sells the property assuming that the HRA gets \$544,500 for it. Okay, anything over we would keep and if the HRA doesn't get \$544,500 obviously, you know, Park Industries would (be out). That's the direction we would go and any holding costs are deducted from the final payment to Park Industries and as far as I'm concerned there's no specific end to the contract; if it takes us 6 months or 6 years that's what it takes." All costs incurred by the HRA, including holding costs, over the life of the time they hold the property, are to be deducted from the final selling price, prior to paying back Park Industries. Commissioner Johnson accepted the change in the motion clarifying that anything over the \$544,500 the land is sold for will go to the HRA.

Commissioner Landy asked who would hold the title. Mr. Thielman responded the title would be in the HRA's name using the parameters as outlined by the Board's motion. Mr. VonKorff suggested Park's attorney work with Mr. Toftey for the correct wording. Chair Gohman asked if the agreement would come back to the Board for approval once finalized. Mr. VonKorff said this would be at the Board's discretion. He suggested having it drafted by Park and the HRA attorney's, emailed to Board members for review, and if there are no concerns, Mr. Thielman can be authorized to finalize it.

Mr. Schough asked if an end date could be considered. Mr. Thielman stated he was looking at protecting the HRA by not having to pay out the difference for the property if it doesn't sell by having an end date.

Commissioner Hontos said he wanted it clear after the proceeding discussion that a contract will be drafted consistent with the motion made. He said in the motion there is no end to the contract.

The motion carried unanimously (Joan Jaye absent).

15. Approval to Accept Grant Award in the amount of \$1,100,000 under the Homelessness Prevention and Rapid Re-Housing Program – Ms. Reis stated a \$1.1 million grant was awarded of the \$2.4 million requested. She said the grant is stimulus monies only available for those becoming homeless or are homeless due to the economic situation. Commissioner Landy moved for approval; Commissioner Johnson seconded the motion.

Commissioner Landy questioned how a person could be hired to work with this award since the City has a hiring freeze on. Mr. Thielman responded the HRA is totally separate financially from the City. He said the City does not cross hire with the HRA. Mr. Thielman added these funds are to create jobs and that is what this is doing. The position is only for two years full-time and then will go to part-time. Commissioner Landy asked if there were no current staff members to do the work. Ms. Rizer stated without hiring additional staff the funds would need to be returned; staff time is all taken. All those present voted in favor. The motion carried.

New Business:

16. A. Public Hearing on the 2010 Public Housing Agency Plan – Ms. Reis introduced the public hearing. She said this plan does not include the policy for home ownership. Ms. Reis stated the plans were all submitted to HRA attorney at Rinke Noonan and to St. Cloud Area Legal Services and has received no comments or concerns from either. Chair Gohman opened the public hearing at 7:17 p.m. There being no one wishing to speak the public hearing closed.

B. Resolution 2009-19 - Approval of 2010 Public Housing Agency Plan – Commissioner Landy moved for approval; Commissioner Johnson seconded the motion. Commissioner Landy asked if the government provided the schedules for utilities. Ms. Reis said they do not. She said the HRA contracts with an agency that contacts every utility company in the jurisdiction and then calculates the numbers for them. All those present voted in favor. The motion carried.

17. Approval of Resolution 2009-20 - Approving an Amendment to the Contract for Private Development with P-IKE Investments, LLC – Development Director Cliff Knettel explained the request. He also noted his memo stated an extension was requested in December 2009 and should read December 2007. Commissioner Johnson moved for approval. Commissioner Pederson seconded the motion. All those present voted in favor. The motion carried.

18. Approval of a Joint Powers Agreement between St. Cloud HRA and the St. Cloud Technical College for the Development of Residential Building Sites in the Westwood Village Single Family Homes Subdivision – Mr. Knettel explained the project and the need for SCTC to do a different type of project because of the downslide of home sales. Bruce Peterson from SCTC continued to explain the project and timeline with slides of what is proposed. Mr. Peterson said the proposal includes 3 handicap accessible, energy efficient homes to be built. He said the college will build one home per year for three years. Commissioner Johnson commended Mr. Peterson for the homes the college built in the St. John's Cantius area. He asked if there was a market for the homes. Mr. Knettel said with the research staff has done to date, they believe there is. He said HRA staff hopes to pre-sell the homes so the person buying can have it designed for their particular needs. Mr. Peterson said the homes are not very different from a regular home and families without disabilities could live in the home. Commissioner Pederson recommended a

safe room be added to all designs if there was not currently one in the plans, since they are patio homes without basements for shelter. He also suggested to Mr. Thielman to coordinate in future developments with the City to purchase tax delinquent properties to use for this type of home. Commissioner Hontos questioned the financial arrangement of the homes between the HRA and SCTC. Mr. Knettel responded any additional profit from the home sale will be split 40:60 between SCTC/HRA with a maximum payment of \$10,000 to SCTC. Commissioner Hontos moved for approval. Commissioner Ruth seconded the motion. All those present voted in favor. The motion carried.

19. Approval of Resolution 2009-21 – Adoption of the Special Levy for the Year 2010 – Ms. Rizer stated under state statute the HRA is requesting a pay 2010 tax levy of \$560,000 from the City. She said this is the same amount requested in 2009 and falls below the .0185% of the taxable market value allowed by statute. Ms. Reis said this amount is 2.4% of the total proposed pay 2010 for the City and its component unit. Commissioner Landy asked how the levy could be set prior to a budget. Ms. Reis responded the date is to coincide with the City budget; she said even if the levy is certified at the amount requested it is flexible and can be worked out between the HRA Board and City Council at any time to be changed.

Commissioner Johnson moved for approval of Resolution 2009-21 approving the special levy for payment in 2010 at the same level as 2009. He said by approving this resolution the Board is placing a cap so as not to exceed the number of \$560,000. Commissioner Ruth seconded the motion. Commissioner Pederson agreed with Commissioner Landy in being uncomfortable in approving a levy without first approving a budget. He said he anticipates the budget to come in considerably lower than last year in as much as 10-15% as the City is reducing their budget between 9-10% as well as the County reducing their budget from 10-14% or greater.

Commissioner Hontos said he recalled in past years a budget to view prior to approving the levy. Ms. Rizer responded in years past the Board has had a *draft* budget to review prior to approving the levy that they then approved in October through December. She said, this year, with the proposed changes of moving economic development to the City she felt it would be hard to make a draft with too many unknowns. Commissioner Hontos said it was his understanding that if the levy is lowered now it cannot be raised. Ms. Rizer agreed that the levy cannot be raised after December 1, 2009 for 2010 but it can be reduced all the way to zero if the Board makes this decision. She said the reason the HRA cannot set their final budget now like the City does is because the federal government does not delegate funding often until late fall. Commissioner Pederson restated for clarification his understanding that the only amount passed on to the tax payers will be the amount approved in December and not necessarily the entire \$560,000.

The motion carried unanimously (Joan Jaye absent).

20. Executive Director's Report - Mr. Thielman said the only addition to his report was the resignation of Development Director Cliff Knettel. He commented this would be Mr. Knettel's last Board meeting. Mr. Thielman thanked Mr. Knettel for his professionalism, work and expertise over his years at the HRA and wished him well.

There being no further business, the meeting adjourned at 7:57 p.m.

ATTEST:

Chair, Nancy Gohman

Vice Chair, Mike Landy