

**MINUTES OF THE
SCHEDULED REGULAR MEETING
OF THE COMMISSIONERS OF THE
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA
HELD ON THE 30TH DAY OF APRIL, 2018**

The Commissioners of the Housing and Redevelopment Authority of Duluth, Minnesota, met in a Scheduled Regular Meeting in the Community Room located on the Second Floor of King Manor, 222 East Second Street, Duluth, Minnesota at 3:30 P.M. on the 30th day of April, 2018.

The Chair called the meeting to order and on roll call the following members were found to be present: Commissioners Boshey, Julsrud, Sipress, and Talarico. Commissioners Glumac, Johnson, and Scott were absent. The Chair declared a quorum present.

Also present were Jill A. Keppers, Executive Director; staff members Maureen Zupancich, David Peterson, Lynne Snyder, Diane Martin, and Carol Schultz; Dan Maddy, Legal Counsel; Barbara Findley, King Manor resident and Pam Stevens, Barb's guest; Ann Abraham, Vice President, King Manor Residents Club; and Roger Endres, Midtowne Manor II Residents Club President.

SCHEDULED PUBLIC HEARINGS

None.

UNFINISHED BUSINESS

None.

CONSENT AGENDA:

The Executive Director explained that there was a replacement first page of the minutes due to an error regarding the attendees at the last Board meeting. She disclosed that Item F, which was a lot sales to Philip L. Keppers, who is her husband's cousin, and that she has not been involved in that transaction and no conflict exists. She also explained that the Resolutions for conveyance of lots to One Roof have come before the Board at previous meetings but they needed to come before the Board again to include the legal descriptions for the County. The following items were introduced by Commissioner Talarico:

**MINUTES OF THE SCHEDULED REGULAR MEETING OF
MARCH 27, 2018**

FINANCIAL REPORT FOR PERIOD ENDING MARCH 31, 2018

**RESOLUTION NO. 3844-18
RESOLUTION APPROVING “NO CHANGE” STATUS FOR
PUBLIC HOUSING UTILITY ALLOWANCE SCHEDULES**

**RESOLUTION NO. 3845-18
RESOLUTION APPROVING “NO CHANGE” STATUS FOR
HOUSING CHOICE VOUCHER (HCV) UTILITY ALLOWANCE SCHEDULE**

**RESOLUTION NO. 3846-18
RESOLUTION APPROVING NO CHANGES TO THE
LOW RENT PUBLIC HOUSING UTILITY ALLOWANCE SCHEDULE FOR
AMPS 6-7-8-9-10-12 – HOPE VI HOUSING PROGRAM**

**RESOLUTION NO. 3847-18
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF
LOT 5, BLOCK 2 HAWK RIDE ESTATES TO
PHILIP L. KEPPERS AND RHONDA L. O’LEARY
BY THE HOUSING AND REDEVELOPMENT AUTHORITY**

**RESOLUTION NO. 3850-18
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF
LOT 15, BLOCK 4, HAWK RIDGE ESTATES FIRST ADDITION TO
THERESE J. PRESLEY AND THOMAS A. BETTS
BY THE HOUSING AND REDEVELOPMENT AUTHORITY**

**RESOLUTION NO. 3852-18
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF
LOT 8 AND OUTLOT B, BLOCK 2, SACKETTE ADDITION TO
CURTIS A. AND KELLY N. WALCZAK
BY THE HOUSING AND REDEVELOPMENT AUTHORITY**

**RESOLUTION NO. 3853-18
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF
LOT 1 AND OUTLOT A, BLOCK 2, SACKETTE ADDITION TO
HNH LLC, A LIMITED LIABILITY CORPORATION
BY THE HOUSING AND REDEVELOPMENT AUTHORITY**

**RESOLUTION NO. 3855-18
RESOLUTION AUTHORIZING AGREEMENT FOR ACQUISITION OF
TAX FORFEIT PROPERTY IN THE CITY OF DULUTH FROM THE**

**ST. LOUIS COUNTY LAND DEPARTMENT FOR
ONE ROOF COMMUNITY HOUSING**

RESOLUTION 3856-18

**RESOLUTION AUTHORIZING AGREEMENT FOR ACQUISITION OF
TAX FORFEIT PROPERTY IN THE CITY OF DULUTH FROM THE
ST. LOUIS COUNTY LAND DEPARTMENT FOR
ONE ROOF COMMUNITY HOUSING**

RESOLUTION 3857-18

**RESOLUTION AUTHORIZING AGREEMENT FOR ACQUISITION OF
TAX FORFEIT PROPERTY IN THE CITY OF DULUTH FROM THE
ST. LOUIS COUNTY LAND DEPARTMENT FOR
ONE ROOF COMMUNITY HOUSING**

Commissioner Talarico moved that the foregoing Items A, B, C, D, E, F, G, H, I, J, K, and L be approved as introduced. Commissioner Sipress seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Julsrud, Sipress, and Talarico

Nays: None

The Chair declared the motion carried and said items approved as introduced and read.

DISCUSSION ITEMS

**RESOLUTION AUTHORIZING THE DIRECT CONTINGENT PURCHASE OF
LOT 25, BLOCK 2, HAWK RIDGE ESTATES FIRST ADDITION FROM MARK
A. AND PATRICIA S. YELICH BY THE HOUSING AND REDEVELOPMENT
AUTHORITY**

The Executive Director indicated that she would be discussing the Resolutions in Items M and N together. She explained that there were certain lots at Hawk Ridge Estates that the Authority did not own, and these lots were referred to as the “Berg” lots. When the Authority acquired Mr. Berg’s property for Hawk Ridge Estates, as part of that deal he retained some of the lots. The Yelich family purchased Lot 25, Block 2, which was one of the “Berg” lots. They also own a house in Hawk Ridge Estates, but they are now thinking of building a house in a different location. Now that the Authority is allowing the purchase of an adjacent lot to their existing house, the Yelich family would like to purchase the lot next to them, which is Lot 26, Block 4, and they are requesting that the Authority purchase their “Berg” lot, and sell them a HRA lot. She explained that the lot

the Yelich's wish to purchase was one of the Authority's lots that has been discussed multiple times at Board meetings because the setbacks on this lot have made it difficult to sell. Both lots are priced at the County assessor's value, and there would be no soft second on the lot the Yelich's wish to purchase. She indicated that David Peterson, Director of Development and Redevelopment was confident that the Authority would be able to sell their "Berg" lot. The following Resolution was introduced by Commissioner Talarico:

RESOLUTION NO. 3848-18
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT PURCHASE OF
LOT 25, BLOCK 2, HAWK RIDGE ESTATES FIRST ADDITION FROM
MARK A. AND PATRICIA S. YELICH BY THE
HOUSING AND REDEVELOPMENT AUTHORITY

Commissioner Talarico moved that the foregoing Resolution be approved as introduced. Commissioner Boshey seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Julsrud, Sipress, and Talarico

Nays: None

The Chair declared the motion carried and said Resolution approved as introduced and read.

RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF LOT
26, BLOCK 4, HAWK RIDGE ESTATES FIRST ADDITION TO MARK A. AND
PATRICIA S. YELICH BY THE HOUSING AND REDEVELOPMENT
AUTHORITY

The following Resolution was introduced by Commissioner Talarico:

RESOLUTION NO. 3849-18
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF
LOT 26, BLOCK 4, HAWK RIDGE ESTATES FIRST ADDITION TO
MARK A. AND PATRICIA S. YELICH BY THE
HOUSING AND REDEVELOPMENT AUTHORITY

Commissioner Talarico moved that the foregoing Resolution be approved as introduced. Commissioner Sipress seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Julsrud, Sipress, and Talarico

Nays: None

The Chair declared the motion carried and said Resolution approved as introduced and read.

RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF LOT 10, BLOCK 6, HAWK RIDGE ESTATES TO CORY R. AND CHARLOTTE M. ASCHEMAN BY THE HOUSING AND REDEVELOPMENT AUTHORITY

The Executive Director explained that the Hawk Ridge Estate lot sale Resolutions are usually on the Consent Agenda, but this Resolution was somewhat different so it has been put on the Discussion Agenda. She indicated that usually they do not allow a purchaser to assign their lot. In this particular deal, the Ascheman family was asking to be able to assign their lot to their builder in order to secure financing for their new home. It is not a blanket assignability, but is only assignable to their chosen builder. The following Resolution was introduced by Commissioner Sipress:

**RESOLUTION NO. 3851-18
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF
LOT 10, BLOCK 6, HAWK RIDGE ESTATES TO
CORY R. AND CHARLOTTE M. ASCHEMAN BY THE
HOUSING AND REDEVELOPMENT AUTHORITY**

Commissioner Sipress moved that the foregoing Resolution be approved as introduced. Commissioner Boshey seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Julsrud, Siperss, and Talarico

Nays: None

The Chair declared the motion carried and said Resolution approved as introduced and read.

RESOLUTION AUTHORIZING AN AGREEMENT WITH THE CITY OF DULUTH FOR PUBLICLY OWNED AND MANAGED HOUSING COMMUNITY BASED POLICE OFFICER SERVICES

The Executive Director explained that over the past year they have been engaging in

discussions regarding security at the Authority's buildings and the decision to add a second police officer. Last year the Board passed the FY 2018 budget with funding for a second officer. She indicated that interviews have been completed, an officer has been selected, and the City Council has approved the contract. Approval of this Resolution would allow the Authority to finalize a three year contract with the Duluth Police Department. She explained that she had negotiated a set rate with no escalation factor for the first three years. The contract for the first police officer does have an escalation factor of three percent per year. This contract is being paid through the general fund, the tax levy request, and partially from the operating budgets of the AMPs.

Commissioner Boshey indicated that he rarely saw the current police officer, and would like see their presence on an ongoing basis. The Executive Director explained that with the additional officer there should be an increased police presence in the buildings, and should subsequently deter bad behavior. She indicated that any feedback regarding this would be greatly appreciated.

The Executive Director, Pam Benson, Director of Housing Services, and Legal Counsel answered Commissioners' questions.

The following Resolution was introduced by Commissioner Sipress:

RESOLUTION NO. 3854-18
RESOLUTION AUTHORIZING AN AGREEMENT WITH THE
CITY OF DULUTH FOR PUBLICLY OWNED AND MANAGED HOUSING
COMMUNITY BASED POLICE OFFICER SERVICES

Commissioner Sipress moved that the foregoing Resolution be approved as introduced. Commissioner Talarico seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Julsrud, Sipress, and Talarico

Nays: None

The Chair declared the motion carried and said Resolution approved as introduced and read.

COMMUNICATIONS/CORRESPONDENCE

The Executive Director mentioned that in Commissioners' green folders were copies of the Esmond report, a notice for the Esmond charrette, and the Rainbow Center and Lincoln Park Center schedules. Per Commissioner Sipress' request she has included an

updated organizational chart. She explained that with the departure of the Deputy Director she has made some minor adjustments, and is having the Director of Rehab and Real Estate, the Comptroller, and the Information Technology Systems Manager report directly to her rather than the Deputy Director. She also reminded Commissioners that during the strategic planning process it was discussed that Development and Rehab would be combined, and retirements would be used as opportunities for restructuring. The retirement of the Deputy Director was one of these opportunities, and it allowed the new Deputy to focus completely on housing services and the capital fund in order to provide support to our largest department.

REPORTS OF COMMITTEES

Rehab Advisory Committee: The Rehab Advisory Committee had not met.

Finance Committee: The Finance Committee did meet and the auditors reviewed the audit findings with Commissioners. She reported there were no findings.

OPPORTUNITY FOR VISITORS TO BE HEARD

Roger Endres, President of the Midtowne Manor II Residents Club, asked questions about the cost per unit of the Garfield Square project which the Executive Director and Legal Counsel answered. The Chair thanked him for his questions and comments.

BUSINESS BY COMMISSIONERS

The Executive Director reported that she would briefly cover dashboard highlights.

Goal 1:

In April the new lot dimensions and drawings for the Morgan Park development were submitted to the City staff and these will go to the Planning Commission in May.

The Executive Director appeared on TV and had the opportunity to promote the HRA Rehab resources. She was able to use some of that time to advertise the Exterior Renovation Program and other loan programs available through the Rehab department.

The Authority received flyer approval from Minnesota Housing, and communicated with the Zeitgeist regarding the promotion of the neighborhood exterior rehab program.

The contract for furnaces for the scattered sites, which had been discussed at the last Board meeting, was awarded.

The Executive Director indicated that they had just learned that the Authority was

awarded funding through the Publicly Owned Housing Program for waste line replacement at Ramsey Manor.

Goal 3:

Sale of the last two lots in the Sackette development were brought to the Board and three Hawk Ridge Estates purchase agreements were brought to the Board in April.

The charrette for the Esmond Building had been held, and it was a good first step in the redevelopment planning process.

The Executive Director reported that Gateway Tower was fully staffed with HRA employees. A new housing tech has been hired, and a job offer has been made for a maintenance mechanic at Harbor Highlands.

Goal 5:

The audit has been completed, and they will work towards developing an annual report.

The Executive Director attended the National NAHRO Legislative Conference in Washington D.C. where she discussed environmental reviews with policy makers.

The Executive Director indicated that the interviews were conducted for the additional police officer and the Resolution was passed at today's Board meeting.

Commissioner Sipress indicated they wanted to discuss the hiring process. The Chair mentioned that if specific people were discussed they would have to go to closed session. Commissioner Sipress asked to lay out his concern and if at any point they were over stepping their bounds they would go to closed session. Legal Counsel indicated that if they entered into a performance evaluation or an investigation into conduct of a particular employee, then it would be appropriate to go into closed session. If that employee was present and wanted to remain in open session that would also be possible. Commissioner Sipress indicated that was not his intent, and that the issue he would like to raise and had some concerns regarding was the search process and how it was conducted for the Deputy Director position. He indicated that it was in no way questioning the decision itself, which was at the discretion of the Director, and the questions he had were purely regarding the process. In order to raise some concerns with the process, there was some specific items of information he was sharing with the Board and that information was solely in order to explore issues regarding the process. He indicated that the perspective he brings to this subject was that he has extensive experience in administrative and executive searches at his place of business. He explained that he was doing this at this Board meeting because under Minnesota open meeting law, in order to share his concerns with Commissioners, it must be done at this meeting, and he thought it was important to

have these questions and concerns on the record and asked that they be reflected in the minutes.

Commissioner Sipress referenced a bulletin regarding HUD's Best Practice Recommendations for Search Processes, pointing out what he thought were important points. He asked the Executive Director if she was aware of this bulletin prior to the search process for the Deputy Director. She indicated she was not aware of the 2013 bulletin. He asked if the fact that the applicant had held Executive Director positions with four different agencies over a brief period of time raised concerns. She indicated that she had asked the applicant about the positions, and his answers did not raise any concerns. He asked if it was the Authority's standard practice to google applicants, and she indicated it was not, and the Authority did not have a written hiring policy. She indicated that she had followed the Authority's past hiring practice, and it had been on the job training. Commissioner Sipress indicated that he had included for Commissioners some easily accessible public documents, and if the candidate had been googled there were a couple of articles that would not have necessarily been disqualifying, but if he were on the search committee it would have raised a need to dig deeper. Legal Counsel asked if his purpose in mentioning this information was a suggestion in how the Authority could develop a better search process. Commissioner Sipress explained that his purpose was to indicate the importance of engaging in this type of due diligence, and these were issues that needed to be identified.

He asked that if the search committee had not identified this information, was this information brought to their attention before the final offer. The Executive Director indicated that it was brought to her attention that she should google the candidate after the first interview. When asked what steps she had taken, she explained she had googled him because she felt it would have been irresponsible not to check now that she had been made aware. She had read the articles. She questioned whether there was more to the story than reported and also indicated that another article was regarding a dispute that had taken place before he had been hired. When the applicant was coming for the second interview she asked him to explain his side of the story on these issues. Also, as part of the reference checks she had asked questions regarding these issues and continued due diligence to check if the applicant had lied, which would have made his contract null and void. She talked with attorneys who were very familiar with him and had worked with the applicant. She also asked the applicant for additional references other than what had been provided. She determined that he had been truthful and the internet was only reflecting only one side of the story.

She also explained that she had worked with Legal Counsel from the beginning of the process on developing a scoring sheet to assure she had an objective process. She indicated that she was aware of the laws for veterans and if the veteran was not chosen, they had the right to request information to why they were not chosen. She believed that he was the best applicant for the position, and he was scored highly by the entire panel,

and not just the Executive Director. There were people on the panel that had scored him even higher than she had. She had weighed all her options and felt that not only was he the best candidate for the job, but by not offering him the position she would have put the Authority at risk of a discriminatory law suit.

Commissioner Sipress asked if a quantitative scoring method was used at each stage of the process, including the decision for the final offer. The Executive Director indicated that was correct. Commissioner Sipress indicated he was not aware of it being a standard practice of making a final offer based on a quantitative score, and was not generally an accepted practice. The Chair indicated that it was not her interpretation that the final decision was based only on the quantitative score alone. The Executive Director stated that had been the practice since she had been hired, and the Authority did not have a written hiring policy. This was the first high level administrative position that she has hired at the HRA. The previous Deputy Director had been on the Executive Director's interview team along with two board members, and the previous Deputy Director had been the head of Human Resources and was the person who had trained the Executive Director regarding the Authority's hiring practices. She would be happy to have a conversation regarding improving that process, and would involve Legal Counsel in developing a hiring policy. In this process she did follow the standard practice that had been used at the HRA. Commissioner Sipress asked for clarification regarding HUD's three specific recommendations for hiring. The first was call references that were not provided by the applicant. As he understood, there were no calls made to people other than to those provided by the applicant. The Executive Director explained that they had not used that practice for any other applicant, and she had also asked Legal Counsel if she was allowed to do that without asking consent. He indicated she would need to ask consent. The second HUD recommendation was to dig deep to identify any potential concerns. He asked if it was her view that she had dug deep. She responded that she did not dig deep because that was not the Authority's practice, but she went as deep as she dared since she was extremely concerned about singling out a single applicant and doing a search online, which was against any practice the Authority ever had used. She did not want to make a unilateral policy change that would endanger the Authority by treating an applicant differently than any other applicant.

He indicated that the third HUD recommendation was to avoid gut feelings, which included not to take at face value what the applicant said. The Executive Director responded that she had been supervising and hiring people for 23 years, and she believed she was very objective. Legal Counsel indicated that the Executive Director had not just relied on what the applicant stated, but she had talked with the Authority's Legal Counsel and other attorneys familiar with the applicant about their experiences with him. Commissioner Sipress recommended that it was vital, as soon as possible, for the HRA to develop a formal hiring process that reflected HUD's Best Hiring Practices and also establish a policy which reflects the best hiring practices that were used by organizations when they search for high level administrative positions. He would first recommend that

this should be done, and he would like to make a comment that be reflected in the record of this meeting which was that he very much appreciated the desire of the Executive Director to minimize the legal liability of a potential discrimination claim. He was not claiming that this was a bad hire. But, should this prove to be a bad hire, the failure to do due diligence in the hiring process could potentially leave them open to other kinds of liability which was one of the reasons why he would like this reflected in record to establish that the Board had done their due diligence regarding this hiring process, and the Board had addressed this. This was one of the reasons he wanted to have this discussion, in public, on the record, with a full Board.

Commissioner Talarico appreciated having this discussion as it was important, and there should be a better practice. His understanding was that the Executive Director did go beyond the applicant's references by talking to former Board members and attorneys familiar with the applicant, and indicated that the applicant had been telling the truth.

The Chair added that this came to her attention in early April and she has had conversations with the attorney's office, conversations with the Executive Director, conversations with Commissioners Talarico and Glumac about not breaking the open meeting law, and has read and reread all the materials related to the Authority to hone in on what was the Board's role. She indicated that it was the Board's role to provide good governance, and the Executive Director's role was to provide good management and execute the policies and procedures that they put in place. It will be good timing to re-evaluate the process for hiring, especially key positions like the senior administrative positions.

Commissioner Sipress added that at his place of employment the required search practices were that at the end of any first round interview they were required to ask if they could contact their listed references and could they contact their non-listed references. They were not allowed to make a job offer without contacting non-listed references. The Executive Director explained that it was not the Authority's practice to get a signed consent form to contact non-provided references, so since she did not have that consent, she was extremely cautious. The Executive Director stated that she welcomed the opportunity to develop a policy.

The Chair stated that she was happy that the Executive Director had hired someone she felt could meet the needs of the HRA at this time. The Chair stated for the record that she was pleased with the individuals who were part of each of the two rounds of interviews, which included Keith Hamre, the Director of Planning Services for the City, and she wanted to state for the record that all of the Commissioners had been invited to be a part of the process, and none of them, with the exception of Commissioner Scott, had participated.

Commissioner Talarico mentioned that he felt that the Executive Director appreciated

tapping into the Commissioners' expertise, and he wished they had had a policy to follow, which would have made the choice easier.

REPORT OF EXECUTIVE DIRECTOR

The Executive Director reported she became a step grandma when her grandson Korbin was born today.

She had a joint powers meeting regarding the health insurance plan. She also had a meeting with Mayor Larson for only approximately 30 minutes due to having a meeting with Teamsters on that day. This month's meeting with Mayor Larson was informal without an agenda and they spent time discussing how the HRA can continue to help the City with its housing initiatives, specifically some ideas the Executive Director had regarding the affordable housing trust fund and the single family new construction ideas at Harbor Highlands. She hoped to discuss these ideas with the Board at a future Committee of the Whole meeting.

She had spent time with Lynne Snyder, Director of Rehab and Real Estate, and David Peterson putting together more specifics regarding the single family new construction program at Harbor Highlands.

She and Gregg Arseneau, the AMP 2 property manager, participated in the interview process for the new HRA police officer.

She and Maureen Zupancich, Comptroller, completed the documents required for the auditors to complete their audit. She reported that the audit was completed with no findings or concerns.

The Executive Director reported that the Esmond charrette had been held, which she mentioned previously.

The pension, safety, and sunshine committees all met this month, and the sunshine committee held a walking taco event following an all staff training regarding active shooter/violence in the workplace. They used this opportunity to introduce all of the new staff at the Authority. There have been 11 new staff members hired to date in 2018.

The Executive Director spent several days in Washington D.C. advocating for support of the Authority's public housing and Section 8 programs, as well as for administrative relief from some of the burdensome requirements of the environmental reviews.

In the next month she wants to spend time with finance running some scenarios that may lead to some potential changes at the Authority. She wants to present some options to the Board that she was hopeful would help the Authority stay focused on their core programs

and create some efficiencies within the organization.

REPORT OF LEGAL COUNSEL: MONTHLY ACTIVITIES

Legal Counsel indicated that he had nothing to report.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 5:15 P.M.

Chair

ATTEST:

Secretary

Scheduled Regular Meeting – April 30, 2018