

**MINUTES OF THE
SCHEDULED REGULAR MEETING
OF THE COMMISSIONERS OF THE
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA
HELD ON THE 26TH DAY OF JANUARY, 2016**

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 26th day of January, 2016.

The Chair called the Meeting to order and on roll call the following members were found to be present: Commissioners Cuneo, Glumac, Johnson, Julsrud, and Rolle. Commissioner Boshey was absent. The Chair declared a quorum present.

Also present were Jill A. Knutson-Kaske, Executive Director; staff members Carla Schneider, Maureen Zupancich, David Peterson, Lynne Snyder, Pam Benson, and Carol Schultz; Chris Virta, Legal Counsel; Rick Klun, Center City Housing Corporation; Beth Tessier, Marshall School; and Barbara Findley, Ann Abraham, and Rachel Davenport, King Manor residents.

The Chair thanked Commissioner Reichert for all his assistance and guidance to the Board.

SCHEDULED PUBLIC HEARINGS

Chris Virta, Legal Counsel, explained that this public hearing was a federal law requirement when issuing qualified 501c3 bonds, and was an opportunity for the public to speak in favor or against the project. The Chair asked if there were any individuals who wished to speak regarding the Marshall School project, and there were none.

UNFINISHED BUSINESS

None.

CONSENT AGENDA:

The following items were introduced by Commissioner Glumac:

**MINUTES OF THE SCHEDULED REGULAR MEETING OF
NOVEMBER 24, 2015**

FINANCIAL REPORT FOR PERIOD ENDING NOVEMBER 30, 2015

FINANCIAL REPORT FOR PERIOD ENDING DECEMBER 31, 2015

**RESOLUTION NO. 3639-16
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE
OF LOT 5, BLOCK 5, HAWK RIDGE ESTATES
TO TODD E. AND CAROLYN S. PLOCHER
BY THE HOUSING AND REDEVELOPMENT AUTHORITY**

**RESOLUTION NO. 3641-16
RESOLUTION AUTHORIZING PURCHASE OF A BLIGHTED STRUCTURE
AT 24 ½ EAST 5TH STREET FROM JACK AND BARBARA VAN HORN AS
PART OF THE BUILD UP DULUTH PROGRAM**

**RESOLUTON NO. 3642-16
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF
LOT 4, BLOCK 4, HAWK RIDGE ESTATES FIRST ADDITION
TO TRISTAN J. AND LAURA A. HASE
BY THE HOUSING AND REDEVELOPMENT AUTHORITY**

**RESOLUTION NO. 3646-15
APPOINTING A REPLACEMENT MEMBER TO THE
PENSION COMMITTEE AND TRUSTEE**

Commissioner Glumac moved that the foregoing Items A, B, C, D, E, F, and G be approved as introduced. Commissioner Johnson seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Glumac, Johnson, Julsrud, and Rolle

Nays: None

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

DISCUSSION ITEMS

**RESOLUTION GIVING PRELIMINARY AND FINAL APPROVAL TO THE
ISSUANCE AND SALE OF A REVENUE NOTE, SERIES 2016 (THE
MARSHALL SCHOOL PROJECT), IN THE AGGREGATE AMOUNT OF NOT
TO EXCEED \$1,500,000 AND AUTHORIZING THE EXECUTION OF
DOCUMENTS RELATING THERETO**

The Executive Director explained that the Authority could use their bonding authority as an HRA in order to issue bankable bonds so projects such as the Marshall School project could take advantage of a more favorable government interest rate. Chris Virta added that it was a special limited obligation of the Authority so no levy dollars or revenues of the Authority were being pledged at this time. As part of this process, the Authority issues the bond, it gets purchased by the lender, the Authority then gives those proceeds to the borrower, and then the Authority and the borrower enter into a loan agreement which gets assigned to the bank. The Authority will then assign all of its interest in the loan repayments to bank, and that is the only obligation that was being pledged by the Authority at this time. When that assignment occurs the Authority reserves certain rights and protections such as indemnification and coverage of legal expenses if there was litigation or an audit. He explained that every municipality was authorized under federal law to issue up to \$10 million per year, so this would be \$1.5 million out of the potential \$10 million per calendar year. The Executive Director indicated that the Authority would get a one percent fee to cover reporting costs. After the Chair explained that he would recuse himself since he was on the Board of Marshall School, the following Resolution was introduced by Commissioner Julsrud:

**RESOLUTION NO. 3640-16
RESOLUTION GIVING PRELIMINARY AND FINAL APPROVAL TO THE
ISSUANCE AND SALE OF A REVENUE NOTE, SERIES 2016
(THE MARSHALL SCHOOL PROJECT), IN THE AGGREGATE AMOUNT OF
NOT TO EXCEED \$1,500,000 AND AUTHORIZING THE EXECUTION OF
DOCUMENTS RELATING THERETO**

Commissioner Julsrud moved that the foregoing Resolution be approved as introduced. Commissioner Cuneo seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Glumac, Johnson, and Julsrud

Nays: None

Abstain: Commissioner Rolle

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

**RESOLUTION AUTHORIZING THE ACQUISITION AND SALE OF LAND
FOR THE CENTER CITY HOUSING CORPORATION'S SUPPORTIVE
HOUSING DEVELOPMENT**

The Executive Director explained that the land that was referred to in this Resolution was located near the Gospel Tabernacle Church where Center City Housing intends to build a supportive housing apartment complex to house those people who were considered hard to house. She indicated that this project was part of the overall redevelopment of the Esmond building and would aid in the advancing Lincoln Park initiatives. She mentioned that Rick Klun from Center City Housing was available to answer any questions. The following Resolution was introduced by Commissioner Cuneo:

RESOLUTION NO. 3643-16
RESOLUTION AUTHORIZING THE ACQUISITION AND SALE OF LAND
FOR THE CENTER CITY HOUSING CORPORATION'S
SUPPORTIVE HOUSING DEVELOPMENT

Commissioner Cuneo moved that the foregoing Resolution be approved as introduced. Commissioner Glumac seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Glumac, Johnson, Julsrud, and Rolle

Nays: None

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

RESOLUTION AUTHORIZING HOUSING CHOICE VOUCHER PAYMENT STANDARDS

The Executive Director stated that Pam Benson, Director of Housing Services, was available to answer any questions the Commissioners may have regarding the housing choice voucher payment standards. The following Resolution was introduced by Commissioner Johnson:

RESOLUTION NO. 3644-16
AUTHORIZING HOUSING CHOICE VOUCHER PAYMENT STANDARDS

Commissioner Johnson moved that the foregoing Resolution be approved as introduced. Commissioner Julsrud seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Glumac, Johnson, Julsrud, and Rolle

Nays: None

The Chair declared the motion carried unanimously.

RESOLUTION OF APPRECIATION TO ROBERT J. REICHERT

The Chair read the Resolution in appreciation to Robert J. Reichert into the minutes. The following Resolution was introduced by Commissioner Julsrud:

RESOLUTION NO. 3645-16 RESOLUTION OF APPRECIATION TO ROBERT J. REICHERT

Commissioner Julsrud moved that the foregoing Resolution be approved as introduced. Commissioner Glumac seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Glumac, Johnson, Julsrud, and Rolle

Nays: None

The Chair declared the motion carried unanimously.

Bob Reichert commented what an honor and privilege it has been to serve as the Chair and be a Commissioner on the HRA Board. He commended the Executive Director and the staff.

RESOLUTION AUTHORIZING AWARDING CONTRACT FOR REHABILITATION OF A SINGLE FAMILY HOME

The Executive Director asked Commissioners to consider this Resolution which would authorize awarding a contract for the rehabilitation of a single family home that had been purchased on Willow Street with replacement housing funds, and would be added to the Authority's public housing stock. She explained that all of the needed rehabilitation had to be done immediately because HUD wouldn't allow additional funds to be put into a remodel for 15 years after the purchase. She mentioned that they had received two bids for this work and they were recommending that the contract be awarded to Amendola Builders with the low bid of \$63,000. After the Executive Director recommended them for this project, the following Resolution was introduced by Commissioner Julsrud:

RESOLUTION NO. 3647-16 RESOLUTION AUTHORIZING AWARDING CONTRACT FOR REHABILITATION OF SINGLE FAMILY HOME

Commissioner Julsrud moved that the foregoing Resolution be approved as introduced. Commissioner Johnson seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Glumac, Johnson, Julsrud, and Rolle

Nays: None

The Chair declared the motion carried unanimously.

RESOLUTION APPROVING THE DEVELOPMENT PARTNER SELECTION FOR RENTAL ASSISTANCE DEMONSTRATION (RAD) INITIATIVE AND AUTHORIZING MEMORANDUM OF AGREEMENT

The Executive Director explained that the RAD initiative was the opportunity for the Authority to leverage private capital to rehabilitate 50 percent of the public housing units by using new mixed income financing and bringing in project based vouchers, as capital funds from HUD become less available. The Authority sent out a request for qualifications for a RAD development partner and had received three responses. The top application, by unanimous decision by the review panel, was the partnership of Brinshore from Illinois and Commonbond from the Twin Cities. They have toured Midtowne I and II, as well as several of the scattered sites. She indicated that the Authority would like to enter into a memorandum of agreement to better define the roles, and at a later date they would come to the Board to discuss predevelopment funding and how much the HRA would be willing to contribute, which would impact the amount of developer fee they would receive. She explained that they would also come back to the Board when they were ready to enter into a master development agreement which would more clearly define ownership, developer fee, and other responsibilities. After Carla Schneider, Deputy Director, and Pam Benson, Director of Housing Services, answered Commissioners' questions and explained the housing programs, the following Resolution was introduced by Commissioner Johnson:

RESOLUTION NO. 3648-16
RESOLUTION APPROVING THE DEVELOPMENT PARTNER SELECTION FOR THE RENTAL ASSISTANCE DEMONSTRATION (RAD) INITIATIVE AND AUTHORIZING MEMORANDUM OF AGREEMENT

Commissioner Johnson moved that the foregoing Resolution be approved as introduced. Commissioner Cuneo seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Glumac, Johnson, Julsrud, and Rolle

Nays: None

The Chair declared the motion carried unanimously.

RESOLUTION OF APPRECIATION TO ROBERTA “BOBBI” PIRKOLA

The Executive Director read the Resolution of Appreciation to Bobbi Pirkola into the minutes. The following Resolution was introduced by Commissioner Julsrud:

RESOLUTION NO. 3649-16 RESOLUTION OF APPRECIATION TO ROBERTA “BOBBI” PIKOLA

Commissioner Julsrud moved that the foregoing Resolution be approved as introduced. Commissioner Glumac seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Cuneo, Glumac, Johnson, Julsrud, and Rolle

Nays: None

The Chair declared the motion carried unanimously.

COMMUNICATIONS/CORRESPONDENCE

The Executive Director pointed out that in the blue pages of the Board packet, the Commissioners would find articles regarding homelessness, the high end housing planned for the Nokomis site, Superior housing challenges, which were similar to ours, the City Council’s legislative priorities, and the online data base providing neighborhood data. Also included were the Esmond Building reports for November and December. She pointed out that in December there were only 11 police calls, four of which were medical related, one was a callback, and one was a public assist, and four self initiated check ins. She indicated that supportive housing and 24 hour staffing has made a difference.

REPORTS OF COMMITTEES

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

Finance Committee: The Finance Committee had not met. The Chair reported that

Commissioner Johnson has agreed to serve as Chair of the Finance Committee.

OPPORTUNITY FOR VISITORS TO BE HEARD

None.

BUSINESS BY COMMISSIONERS

The Chair asked the Executive Director to review the dashboard. The Executive Director indicated that she had updated the dashboard and did an end of the calendar year review of the progress made on the goals established by the strategic plan. She explained that previously the goals were broad and long term but many of the milestones were achieved in 2015, so she will be working with the department directors to develop new milestones or expand upon milestones within each of the goals for 2016.

The Executive Director reviewed the dashboard highlights for Commissioners. She mentioned that the tax levy proposal was approved by the City Council with an increase of \$41,537 because of the change in property values. Next year she may consider discussing with City Councilors about raising the Authority's tax levy to the statutory maximum as the Authority moves forward with development projects, redevelopment, and blight removal.

The Executive Director indicated that they meet with their partners on an almost weekly basis, between the At Home housing and the core group, the Affordable Housing Coalition, the Lincoln Park groups, and the City and the County regarding the coordinated entry program in an attempt to streamline the process of housing the homeless.

Regarding Goal #2, the Executive Director explained that had City Council passed a Resolution to abate structurally unsound buildings using up to \$340,000. She has been working with City staff and encouraging them to do title clean up as well as the demolition, and she will see what funds the HRA may have available to contribute towards that.

The Executive Director has also worked with the City Planning Department, DEDA, and LISC on the "Property Brothers" project using HRA and City funding to attempt to leverage more funds from GMHF or their sources to rehab existing housing stock, which will carry into 2016. She and David Peterson, Development Coordinator, have talked with five builders who were interested in getting involved in this rehab project.

The Executive Director mentioned that they would need to change Goal #3 due to the changes in legislation by the State of Minnesota with the assisted living programs, but they would adjust these to match the RAD initiative and the services that would be

offered.

The Chair asked for a status report on the two lots that the groundbreakings for the Build Up Duluth program. The Executive Director asked David Peterson to report on this. He reported that regarding 412 East 7th Street, the ground will be excavated for the basement, and the modular home will arrive in approximately four weeks, and will be built in 48 hours. This home should be ready for showing in late April or early May and they hoped it would be ready for the Parade of Homes. The second model home has had the basement excavated.

The Executive Director explained that several of the goals they were waiting to see what happened regarding the NDRC funds, and they had recently learned that Duluth had not been selected to receive any of the NDRC funds, so they will be looking at diversifying revenue streams and other options to attain these goals.

The Executive Director indicated that regarding the energy conservation goal, they did have the green physical needs assessment, and some of the 2015 environmental and energy saving measures were LED lighting at King Manor and Tri Towers, erosion control at King Manor, various scattered sites had received new furnaces and windows, and anytime there was a rebate option the Procurement and Capital Fund Manager applied for those. With the NDRC funding they had thought about Monopath cold climate housing at Harbor Highlands, but now they would have to seek an alternate funding source.

The Executive Director stated that the Board has one new Commissioner, Commissioner Jen Julsrud, and will hopefully have another one in February. She has been working Mayor Larson to select another Commissioner.

Commissioner Glumac asked questions regarding the strategic plan and questioned whether the goals should be long term. The Chair thought with three new Commissioners on the Board, it might be worthwhile to have a session with the Commissioners to revisit the strategic plan. Commissioner Cuneo thought it would be a good idea to wait until after the next new Commissioner had attended a Board meeting, and then proceed with a Committee of the Whole meeting.

REPORT OF EXECUTIVE DIRECTOR

The Executive Director reported that the RAD initiative was proceeding. She indicated that the Board would be hearing more about that in the coming months. She stated that the biggest struggle was having the staff time to respond to the development partners' requests to meet their deadlines.

The "Property Brothers" with the City, County, DEDA, LISC, and the HRA for those

condemned for human habitation and tax forfeit properties were trying to meet with the County Administrator to discuss their different departments and gain the County's support.

The Executive Director reported that Gateway Tower was proceeding, and were meeting every week. They will be occupied in the coming months with relocation and refinancing. Carla Schneider explained the tax credit awards for Gateway and the issues this has created for the development team.

The Executive Director indicated that the Matterhorn refinance was complete. The project should save approximately \$75,000 per year in debt service payments, which will help the Authority to get their portion of the developer fee sooner. At closing the Authority was reimbursed the \$26,500 application fee that the Authority had advanced to the project, the Authority was reimbursed over \$22,000 in attorney's fees, and the Authority received \$83,332 in developer fees. The HRA did agree to reduce their interest rate to one percent which matched the MHFA and GMHF interest rate, but only after their initial compliance period. The Authority would not be reducing the interest rate until after the right to exercise their option to purchase the property had expired. The Executive Director reported that in addition to this, she had negotiated an additional \$32,000 in supervisory fees to be paid at the rate of \$8,000 per year between 2018 and 2022. \$132,000 in unrestricted funds will go back into the general fund.

The Executive Director reported that the Esmond's external stairwell has been covered, water meter hookups for the commercial space have been installed, and plumbing work is ongoing in the commercial space so tenants may have bathrooms. She also mentioned that they have been working with the Entrepreneur Fund and Advancing Lincoln Park to find tenants for the commercial spaces at the Esmond.

The Executive Director reported that she has attended a considerable number of meetings in the past two months, but two of the most notable were with Mayor Larson and the new DEDA Executive Director, Heather Rand, to discuss housing, economic development, and working together in the future. The other meeting of note was with Heather Rand, Keith Hamre, and Pam Kramer to discuss housing policy.

The Executive Director explained that they had the budget presentation before the City Council in December, and presented the Authority's achievements, goals, and financial summaries. The City Council seemed very appreciative of the transparency and easy to follow format, and they had asked good questions.

The Executive Director indicated that the Authority would have a new Procurement and Capital Improvement Manager who would start in the next week. It was an internal promotion for David Somppi who is currently in the rehab department. David has his master's degree in city and regional planning, and before coming to the HRA he was the

community development manager at the Rock County Planning and Development Agency in Janesville, Wisconsin. Also, there will be a new Housing Specialist starting next week. This was also an internal promotion for Craig Nading, who has been working in AMP 1 for the past five months. He was rehired by the HRA and had previously worked for nine years in the positions of Resident Caretaker, Janitor, Maintenance Mechanic, Housing Specialist and Property Manager.

The Executive Director gave her thanks and acknowledged all of the senior staff. Carla has filled in temporarily doing the procurement job, and has been busy with the human resources portion of her job. Other staff has stepped in to help where possible. Pam and her team have again received higher performer status in public housing. The property management and maintenance teams keep our public housing units in good shape and they respond to requests immediately. Mary and the Section 8 staff have a 99 percent utilization, their wait list times are down, and their special programs are moving forward. Maureen and her staff in finance have been involved in several audits, and yet they still find time to help out, and complete their regular duties. Lynne in rehab and her department keep the Housing Resource Connection relationship positive, they assist with the Esmond bids and repairs, and keep the Executive Director fully briefed. David Peterson continues to be excited about future development, and enjoys his work. She gave a special thank you to Dan Maddy and the rest of the Legal Team. Dan was so patient with the Matterhorn refinancing, gave good advice, and stood firm in negotiating. She wanted to say a public thanks to all of the Authority's staff as the agency moves forward into 2016.

REPORT OF LEGAL COUNSEL: MONTHLY ACTIVITIES

Chris Virta, Legal Counsel, indicated that Dan Maddy was unable to attend today's Board meeting. Dan had asked that he pass along information regarding a recent legal change that had occurred at the end of last year regarding the eviction process. Going forward, the Authority will have increased legal expenses related to that process because a Court of Appeals case has decided that Legal Counsel needs to be more involved. He mentioned that this was something that has traditionally been handled internally by Authority staff, but now there will be a greater involvement by Legal Counsel as part of that process.

Carla explained that Matt Hanka from the Fryberger law firm has streamlined the Authority's eviction process, so HRA staff will still be preparing all the documents.

Legal Counsel indicated that he had been assisting in some of the bond related questions as well as items related to the RAD initiative and some of the projects discussed earlier today.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to come before the Board, the meeting was recessed at 4:45 P.M., and would reconvene at 6:00 P.M. at the Pickwick Restaurant.

The Board reconvened at the Pickwick, and dinner was followed with a presentation by the Executive Director and David Peterson regarding the potential development opportunities in the Morgan Park area. The meeting was adjourned at 8:15 P.M.

Chair

ATTEST:

Secretary

Scheduled Regular Meeting – January 26, 2016