

**MINUTES OF THE
SCHEDULED REGULAR MEETING
OF THE COMMISSIONERS OF THE
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA
HELD ON THE 28th DAY OF APRIL, 2015**

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 28th day of April, 2015.

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

Also present were Richard W. Ball, Executive Director; staff members Carla Schneider, Maureen Zupancich, Pam Benson, David Peterson, and Lynne Snyder; Dan Maddy, Legal Counsel; Aaron Schweiger, SDH&M/AHMC; Peter Passi, Duluth News Tribune; Steve Kaski, Kaski, Inc.; Jeff Corey, One Roof; Rick Klun, Center City Housing; Matt Bolf, SEH; Mike Conlan, Pastoret project; and Barbara Findley and Ann Abraham, King Manor residents.

SCHEDULED PUBLIC HEARING

None.

UNFINISHED BUSINESS

RESOLUTION AUTHORIZING AMENDMENT TO THE SHORT ELLIOT AND HENDRICKSON CONTRACT FOR ENGINEERING SERVICES IN THE HAWK RIDGE ESTATES DEVELOPMENT TO REFLECT AN INCREASE OF \$74,298.60 IN COST OF SERVICES

The Chair announced that this Resolution had been tabled at the last meeting and it needed a motion to remove it from the table. Commissioner Rolle introduced the motion to remove the Resolution from the table. Commissioner Glumac seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None

The Chair declared the motion carried. The Executive Director called attention to the supplemental materials provided in the Board packet including a cover memo and timeline of events, as well as other related correspondence and documents. The Executive Director explained that the additional engineering costs for Phase 3 streets and utilities were caused in part by extensive delays by the contractor. The contractor has been assessed liquidated damages in the amount of \$57,000 which would be applied to the additional engineering expenses caused by delays. David Peterson, Development Coordinator, explained that in 2009-2010 the City began requiring engineers to be on site for monitoring and oversight at every stage of construction of the utilities at Hawk Ridge Estates. The City felt that they got a better quality of utilities by doing this, and in fact, they felt that the quality of utilities in the third phase of Hawk Ridge Estates would turn out to be better than the quality of utilities in the previous phases of the development. Commissioner Glumac suggested the Board send a letter to the Mayor and the City Engineer explaining the situation and the extra cost and express their unhappiness with this policy. She pointed out the City keeps indicating that there was a need for more housing, but yet, they were making it more difficult and costly. The Chair requested the numbers of what it had cost the Authority per lot, and if possible, what it was costing other developers in the city. After Matt Bolf from SEH, the Executive Director, David Peterson, Development Coordinator, and Legal Counsel answered Commissioners' questions, the following Resolution was introduced by Commissioner Rolle:

RESOLUTION NO. 3569-15
RESOLUTION AUTHORIZING AMENDMENT TO THE SHORT ELLIOT AND
HENDRICKSON CONTRACT FOR ENGINEERING SERVICES IN THE
HAWK RIDGE ESTATES DEVELOPMENT TO REFLECT AN
INCREASE OF \$74,298.60 IN COST OF SERVICES

Commissioner Rolle moved that the foregoing Resolution be approved as introduced. Commissioner Thomas seconded the motion.

Roll was called with the following results:

Ayes: Commissioner Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None.

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

Commissioner Rolle indicated he agreed with Commissioner Glumac regarding sending a letter to the City. The Chair indicated that should be brought as action at the next Board meeting.

REPLACEMENT RESOLUTION APPROVING AMENDED AND RESTATED DEVELOPMENT AGREEMENT FOR THE GATEWAY TOWER REDEVELOPMENT INITIATIVE

The Chair announced that this Resolution had been tabled at the last meeting and it needed a motion to remove it from the table. Commissioner Thomas introduced the motion to remove the Resolution from the table. Commissioner Glumac seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None

The Chair declared the motion carried and the Resolution was open for discussion.

The Executive Director indicated that the Statement of Purpose on this Resolution clearly spelled out the general terms of the development agreement on the Gateway project with Center City Housing and One Roof Community Housing. Legal Counsel indicated that they were attempting to amend and restate an existing development agreement that was entered into a year ago with respect to the Gateway Tower property. He reminded Commissioners that at last month's meeting it was requested that they table this Resolution because the development group wanted to address some additional detail in the development agreement itself. Legal Counsel provided an overview of the agreement. He explained that there were items now in the agreement that were not in it previously. He indicated they had set a specific purchase price of \$1,400,000, and the Authority had agreed to provide a purchase money loan in the amount of the purchase price, but the loan would not exceed the amount that the Authority would advance under the existing loan to Gateway Tower, which was approximately \$1,100,000 at this time. It was the expectation that there would be some additional advances between now and the closing of that loan. The terms of the loan would be a thirty year loan with interest at the applicable federal rate. They won't have to make payments, except from cash flow, so it was unlikely that any payments would be received on this loan. Another change was that the original development agreement required that the development team present proposals for both the development of the existing building and the additional development of a second phase of development which would most likely be market rate housing. The development team has determined that it was not feasible to do that, so in this agreement the Authority has released them from coming up with that second phase of development. In exchange, the Authority will retain ownership of the westerly portion of the property so they could include that as future development if they find a developer to do this. Since this was where the parking was located, the Authority would provide them

with an easement for parking. The easement would provide that they would be responsible for improving and maintaining the parking area, but if the Authority terminated the easement, they would have to find them replacement parking. He explained that this agreement provided for increasing the existing predevelopment loan from \$50,000 to \$110,000, and they renegotiated the option price where at the end of the 15 year compliance period if the Authority decided it wanted to exercise the option to purchase the property, the price would be based upon the fair market value of the property minus the outstanding balance of the purchase money loan multiplied by .5, and the Authority would get that amount credited against the purchase price. Also included in the agreement was that the project would include 50 public housing units, and preserve the 30 project based Section 8 vouchers that were now serving the property, subject to HUD approval.

Commissioner Rolle stated that regarding Section 7.3 of the agreement, the exact number of parking spots to be replaced should be included in the agreement.

Commissioner Rolle moved to amend Section 7.3 of the development agreement to include the exact number of parking spaces. Commissioner Boshey seconded the motion.

Roll was called with the following results:

Ayes: Commissioner Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None.

The Chair declared the motion carried and said Resolution amended.

Commissioner Rolle moved to amend Section 4.2 in the predevelopment loan to the amount of \$80,000 rather than the proposed \$110,000. Commissioner Thomas seconded the motion.

The Executive Director explained that the amount had been increased to cover two engineering studies which were done to identify the physical needs assessment of the building. These costs were incorporated in the architectural fees and project costs, and they would be recovered, assuming that project moved forward, they would be covered out of the project costs. If the tax credits were approved and the loan was repaid, the Authority would be repaid the full amount of the predevelopment loan. The concern was if tax credits were not awarded and the project did not proceed, these expenses still have been incurred and would not be reimbursed to the HRA.

Commissioner Rolle stated that the \$30,000 reduction that his amendment proposed was specific to a disagreement between Center City Housing and the HRA whether or not the HRA was obligated to pay the disputed amount that had no contractual requirements, if

the tax credits did not go forward.

The Executive Director indicated that if the project did proceed it would be a moot point, and the costs would be covered. It would put the burden on the Authority if the project doesn't proceed. He indicated that this was the result of a misunderstanding about the original agreement. It was his pledge that out of the project costs, the Authority would expect to recover these costs if they were to use the study and complete the project. It was understood by Center City, if we ever used the information, and it was viewed by Center City that we have already used this information in pursuing this project, that it would be something that they would ultimately recover. He explained that they saw the agreement in two different ways, so they have been working to bring this project to completion, and he agreed to bring it to the Board.

The Chair stated that part of the issue was maintaining a good working relationship with the partners, and they felt the necessity to receive payment for this money that they have already spent. He indicated that he did not object to reimbursing them for that cost.

Commissioner Cuneo expressed support that the administration has been responsible with the Authority's resources, but it was also appropriate and encouraged for Commissioners to be examining the detail.

Legal Counsel explained that if the project was not awarded the tax credits, then the loan would not be repaid.

Roll was called with the following results:

Ayes: Commissioner Boshey and Rolle

Nays: Commissioners Cuneo, Glumac, and Reichert

Abstain: Commissioner Thomas

The Chair declared the motion failed three to two with one abstention.

Commissioner Thomas requested information from the staff on whether the Authority was obligated to pay all the bills if the project doesn't proceed.

The Chair raised the issue that if the Authority did exercise the option, they would pay half of the market value less the \$1.1 million loan. He thought the developer would be taking on the risk of owning and operating the building, but they were going to receive a development fee, they should be receiving cash flow from the project as it proceeds, and that would be a large cash requirement at the expiration of the 15 year tax credit period, which would make it unlikely that the HRA would proceed to exercise the option. He

thought that it should be reduced to 25 percent from 50 percent. He has had discussions with the developer and they were not happy with that idea, but they would accept it.

The Chair moved to amend Section 3.1C of the development agreement to read, “multiplied by .75.” Commissioner Thomas seconded the motion.

The Executive Director explained that the original language in the agreement came from the Authority’s previous HOPE VI related tax credit projects. At that time they were working with a for profit developer who didn’t have a community based interest the way the non-profits that they are working with have, and they wanted to create an opportunity for the Authority to be able to take the project over if it was appropriate and suitable at that point in time when the tax credits had expired. He indicated that the partners made the point that in working with a community partner, they have a shared interest. They wanted and expected to see over the long term that this would continue to be an affordable housing development. That was the reason for what they suggested, and why the Authority agreed to bring this to the Board for consideration to have the shared formula. It was a provision that the Executive Director was comfortable recommending.

Roll was called with the following results:

Ayes: Commissioner Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None.

The Chair declared the motion carried and said Resolution amended unanimously.

The Chair declared that the Resolution had two amendments.

Commissioner Rolle wanted to see the financial projections and what would have to happen for the Authority to be repaid. He stated he has not seen anything so far that gave him any indication as to what money, if any the Authority would ever get, and what would be the circumstances for them to repay us. The Executive Director indicated that they were in the process of updating the financial projections, and they would provide that information at the next Board meeting.

The following Resolution was introduced by Commissioner Rolle:

**REPLACEMENT RESOLUTION NO. 3575-15
RESOLUTION APPROVING AMENDED AND RESTATED
DEVELOPMENT AGREEMENT FOR THE GATEWAY TOWER INITIATIVE**

Commissioner Rolle moved that the foregoing Resolution be approved as introduced and amended. Commissioner Cuneo seconded the motion.

Roll was called with the following results:

Ayes: Commissioner Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None

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

CONSENT AGENDA:

The Chair stated that he wanted to remove Item E, Resolution No. 3581-15 from this list of Consent Items.

The following items were introduced by Commissioner Thomas:

**MINUTES OF THE SCHEDULED REGULAR MEETING OF
MARCH 31, 2015**

FINANCIAL REPORT FOR PERIOD ENDING MARCH 31, 2015

**RESOLUTION NO. 3579-15
RESOLUTION APPROVING CHANGES TO THE
LOW RENT PUBLIC HOUSING UTILITY ALLOWANCE SCHEDULE FOR
AMPS 6-7-8-9-10-12 – HOPE VI HOUSING PROGRAM**

**RESOLUTION NO. 3580-15
RESOLUTION APPROVING “NO CHANGE” STATUS FOR
PUBLIC HOUSING UTILITY ALLOWANCE SCHEDULES**

**RESOLUTION NO. 3582-15
RESOLUTION AMENDING ITS HOUSING DEVELOPMENT AGREEMENT
WITH SKORCO, INC., FOR THE ADDITION OF LOT 12, BLOCK 4,
HAWK RIDGE ESTATES FIRST ADDITION**

**RESOLUTION NO. 3583-15
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF
LOT 1, BLOCK 5, HAWK RIDGE ESTATES TO
MARISA C. AND JOEL H. SANDERSON
BY THE HOUSING AND REDEVELOPMENT AUTHORITY**

Commissioner Thomas moved that the foregoing Items A, B, C, D, F, and G be approved

as introduced. Commissioner Cuneo seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None

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

The Chair explained that Item E concerned the Housing Choice Voucher program, and he needed to recuse himself from this item, so Commissioner Reichert asked Vice-Chair Thomas to chair the meeting for Item E.

The following item was introduced by Commissioner Glumac:

RESOLUTION NO. 3581-15
RESOLUTION APPROVING “NO CHANGE” STATUS FOR
HOUSING CHOICE VOUCHER (HCV)
UTILITY ALLOWANCE SCHEDULE

Commissioner Glumac moved that the foregoing Item E be approved as introduced. Commissioner Boshey seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None

Abstain: Commissioner Reichert

The Vice-Chair declared the motion carried and said item approved as introduced and read.

Chair Reichert returned to chairing the meeting.

DISCUSSION ITEMS

**RESOLUTION AWARDING CONTRACT FOR 2014 SCATTERED SITE
BASEMENT REPAIRS FOR FIVE SINGLE FAMILY HOMES**

The following Resolution was introduced by Commissioner Thomas:

RESOLUTION NO. 3576-15
RESOLUTION AWARDDING CONTRACT FOR 2015 SCATTERED SITE
BASEMENT REPAIRS FOR FIVE SINGLE FAMILY HOMES

Commissioner Thomas moved that the foregoing Resolution be approved as introduced. Commissioner Rolle seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Boshey, Cuneo, Glumac, Reichert, Rolle, and Thomas

Nays: None

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

The Chair indicated he needed to recuse himself from this item, so Commissioner Reichert asked Vice-Chair Thomas to chair the meeting for this Resolution.

RESOLUTION APPROVING PROPOSAL FOR PROJECT BASED SECTION 8 RENTAL ASSISTANCE PROGRAM

The Executive Director explained that there was a replacement Resolution attached to today's agenda. This Resolution would award eight housing choice vouchers to the Pastoret Terrace project. This was also a project which was pursuing low income housing tax credits. The eight project based vouchers they have requested would be a conversion of eight of the Authority's tenant based vouchers to project based that would be dedicated for the Pastoret Terrace project. He indicated that they had issued a request for proposals, and this was the only response that was received. He explained that the Pastoret Terrace project was the building formerly known as the Kozy. Mike Conlan was available for questions. The Director indicated that this had been reviewed by the Authority's staff and it was determined to be appropriate to proceed. He explained that the change from the original Resolution was that in the Be It Resolved clause it stated that the Authority would allocate "up to" eight housing choice vouchers. The words "up to" were taken out, based on conversations the developer had with Minnesota Housing Finance Agency, who thought that added ambiguity to the project so they asked that the words be removed from the Resolution. The following Resolution was introduced by Commissioner Rolle:

RESOLUTION NO. 3578-15
APPROVING PROPOSAL FOR PROJECT BASED SECTION 8
RENTAL ASSISTANCE PROGRAM

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

Roll was called with the following results:

Ayes: Commissioners Boshey, Cuneo, Glumac, Rolle, and Thomas

Nays: None

Abstain: Commissioner Reichert

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

Chair Reichert returned to chairing the meeting.

COMMUNICATIONS/CORRESPONDENCE

The Executive Director indicated that included in the blue pages of the Board packet was the summary of the monthly checks. He mentioned that from the Duluth News Tribune there was a story regarding the apartment fire victims from the Applewood Knoll apartments who the Authority has attempted to help with their relocation, an op-ed piece that the Executive Director did relating to some of the Authority's legislative efforts, a story relating to the status of the Esmond building project, and an article relating to the action the Board took at their last meeting relative to the acquisition of tax forfeit land for the additional housing development at 16th Avenue West. There were additional items included with today's agenda, including a story about Rockridge and Morgan Park schools, and an op-ed cartoon.

REPORTS OF COMMITTEES

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

Finance Committee: Commissioner Rolle indicated that the Finance Committee had met twice. There had been discussion regarding Gateway which was completed with today's Resolution, and there had been discussion on the homeownership proposal at Harbor Highlands. He indicated that David Peterson and Jeff Corey from One Roof would be working together on how best to create single family dwelling in that development. He reported that today's meeting had included the audit results and Maureen Zupancich would be able to address questions. The results of the audit were commendable, and he indicated that they had received a great report from the auditors at McGladrey. He commended the staff.

OPPORTUNITY FOR VISITORS TO BE HEARD

None.

BUSINESS BY COMMISSIONERS

The Chair explained that since the Executive Director was retiring on June 12th, they have had a search committee composed of Commissioner Rolle and the Chair, and they would be making a recommendation to the Board for the hiring of a new Executive Director. He indicated that they would like to schedule a Special Meeting of the Board for the candidate and the Board to meet to discuss and act on a recommendation. He has asked Commissioner Cuneo if they could use a meeting room at the Zeitgeist Arts Café on Tuesday, May 5th at 3:30 P.M. The Chair indicated that the contract, a list of questions used at the original interview, and other information would be sent to Commissioners prior to the meeting.

REPORT OF EXECUTIVE DIRECTOR

The Executive Director mentioned that the Authority had been involved with assisting residents from the Applewood Knoll apartment fire. Eleven of the residents have contacted the Authority, and we have been able to house five of the residents that were displaced by the fire, and there were three others that were in process. Several were housed in scattered sites, one is at Harbor Highlands, one at the Village at Matterhorn, and one was issued a HOME coupon. He believed that this emphasized the need for affordable housing in the community because it was very difficult to house people who had been displaced by the fire.

The Executive Director apologized to Commissioners regarding receiving their Board packets late. He understood that the change in Duluth's postal system had not been accounted for, so Commissioners might not have received their packets until Monday. He mentioned that modifications would need to be made in the future that could either include hand delivery, which has been done at times in the past, or to get it out in the mail earlier. He said it should be discussed with the Board at some point about the idea of electronic provisions, and maybe there were some technological changes that should be looked into. He indicated that they were open to suggestions.

The Executive Director mentioned that they had been looking at the homeownership proposals and discussing how to start up home ownership at Harbor Highlands. He asked to schedule another Finance Committee meeting on Monday, May 11th at 1 P.M. All Commissioners were encouraged to attend. He indicated that Jeff Corey extended an offer to meet individually with Commissioners or if Commissioners would like to set up a time to talk about the Land Trust model, which was an underlying piece of the

homeownership discussion, and the Director indicated that if it would be helpful they could schedule time before the next Board meeting to meet. He indicated that if Commissioners were interested to let him know and he would make arrangements. He was hopeful that with these continued discussions by the Finance Committee, they would find a solution toward developing homeownership at Harbor Highlands in the near future.

REPORT OF LEGAL COUNSEL: MONTHLY ACTIVITIES

Legal Counsel reported that his principle focus had been Gateway Tower over the last month.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:55 P.M.

Chair

ATTEST:

Secretary

Scheduled Regular Meeting – April 28, 2015