

**MINUTES OF THE
SCHEDULED REGULAR MEETING
OF THE COMMISSIONERS OF THE
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA
HELD ON THE 31st DAY OF JULY, 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 31st day of July, 2018.

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

Also present were Jill A. Keppers, Executive Director; staff members Maureen Zupancich, David Peterson, Lynne Snyder, Mary Pelofske, and Carol Schultz; Dan Maddy, Legal Counsel; Mia Thibodeau, Fryberger Law Firm; Mark Pilon, Hanft Fride Law Firm; Jay Hromatka, HJ Sims; Paul Goossens, Tischer Creek Duluth Building Company; Bonnie Jorgenson, DPSA; Barb Findley, King Manor resident; Ann Abraham, Vice President, King Manor Residents Club; and Roger Endres, Midtowne Manor II Residents Club President.

SCHEDULED PUBLIC HEARINGS

The Executive Director indicated that there was a public hearing today on the issuance and sale of charter school lease revenue bonds (Duluth Public Schools Academy project), Series 2018. The Chair asked for the applicant. Mark Pilon, from Hanft Fride Law Firm, indicated he was at the Board meeting on behalf of the Duluth Public Schools Academy, which is the school operator, and Tischer Creek Building Company, which is the affiliated building company associated with the Edison Charter Schools. He explained that they were hoping to refinance some outstanding bonds that had been used to construct the North Star Academy on Rice Lake Road, as well as to renovate the Raleigh Campus in West Duluth. Additional proceeds would be used to purchase property adjacent to the North Star Academy and complete some site improvements to parking and green space.

Legal Counsel explained to Commissioners that these were conduit bonds so there was no actual liability to the Authority, and the only responsibility falls to the school, and in no way to any other political subdivision of the State of Minnesota.

After the Commissioners' questions regarding this were answered, the Chair asked if

there were any further questions or comments. Hearing none, she declared the Public Hearing was closed.

UNFINISHED BUSINESS

None.

CONSENT AGENDA:

The following items were introduced by Commissioner Glumac:

MINUTES OF THE SCHEDULED REGULAR MEETING OF JUNE 26, 2018

FINANCIAL REPORT FOR PERIOD ENDING JUNE 30, 2018

RESOLUTION NO. 3881-18 AUTHORIZING APPLICATION FOR HOME FUNDING FOR TENANT BASED RENTAL ASSISTANCE

RESOLUTION NO. 3882-18 RESOLUTION AUTHORIZING HRA OF DULUTH TO MAKE AN APPLICATION TO ADMINISTER AND OPERATE FISCAL YEAR 2019 COMMUNITY DEVELOPMENT BLOCK GRANT REHABILITATION PROGRAM (CDBG)

RESOLUTION NO. 3883-18 RESOLUTION AUTHORIZING HRA OFFICIALS TO ENTER INTO AN AGREEMENT WITH THE CITY OF DULUTH WHEREBY THE AUTHORITY WILL OPERATE THE YEAR 2019 HOME SINGLE FAMILY REHABILITATION PROGRAM AND ASSIST WITH HOME MONITORING

RESOLUTION NO. 3884-18 RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE OF LOT 5, BLOCK 4, HAWK RIDGE ESTATES FIRST ADDITION TO ERIK L. EDMUNDS AND DAWN B. PLATH BY THE HOUSING AND REDEVELOPMENT AUTHORITY

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

Roll was called with the following results:

Ayes: Commissioners Glumac, Johnson, Julsrud, Scott, Sipress, and Talarico

Nays: None

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

DISCUSSION ITEMS

RESOLUTION APPROVING THE ISSUANCE AND SALE OF CHARTER SCHOOL LEASE REVENUE BONDS (DULUTH PUBLIC SCHOOLS ACADEMY PROJECT), SERIES 2018, AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO

The following Resolution was introduced by Commissioner Talarico:

RESOLUTION NO. 3885-18 RESOLUTION APPROVING THE ISSUANCE AND SALE OF CHARTER SCHOOL LEASE REVENUE BONDS (DULUTH PUBLIC SCHOOLS ACADEMY PROJECT) SERIES 2018, AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO

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

Commissioner Sipress asked the Executive Director to provide historical background regarding how long the HRA has been involved in providing financing to the school district, how did this happen, and how was it related to the HRA's mission.

The Executive Director indicated the bonds were first issued in 2010. She explained that the Authority does act as a conduit for entities that were interested in bonding. It was explained that this particular project doesn't necessarily provide housing, however it is for a public purpose. Commissioner Talarico added that part of the concept of making a better housing market in Duluth was to assist the school district, so both of those things were a consideration. Legal Counsel indicated that this was also a source of income to the Authority as they charge a fee for acting as a conduit. Maureen Zupanich, Deputy Director, provided additional history, and indicated that the first time the Authority issued conduit debt was 2002 and there was a list of conduit bonds issued in the audit.

Roll was called with the following results:

Ayes: Commissioners Glumac, Johnson, Julsrud, Scott, Sipress, and Talarico

Nays: None

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

RESOLUTION AMENDING STRATEGY ONE UNDER GOAL THREE OF THE STRATEGIC GOALS AND STRATEGIES FOR THE HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MN

The Executive Director indicated that at the last two Board meetings it has been discussed whether to continue to manage tax credit properties or make a change in the strategic plan and look for other ways to diversify the Authority's revenue. She discussed the comparison between the current strategic strategy and activity and the proposed strategy and activity she had provided in the Board packet. She also provided the budget overview of managed properties from the last Board meeting in Commissioners' green folders. The public housing and Section 8 occupancy and utilization were down due to the Authority's attempt to manage the tax credits properties. To continue to manage these properties additional maintenance staff would need to be hired, and a consultant would need to be hired to complete file reviews and assure compliance. She also explained timing was important because at this time there were open positions available through attrition so they would be able to move people into these positions and layoffs could be avoided. She indicated it was time to decide whether to find the funds and invest in doing the tax credit property management well, or focus on the core programs of Section 8 and public housing.

Commissioner Sipress asked for clarification about the language in the Resolution regarding "Explore options to move a portion of the public housing portfolio to rental subsidy vouchers." The Executive Director answered his questions and explained the possible opportunities of the Rental Assistance Demonstration program for some of the public housing units or find a way to do a straight conversion to rental subsidy vouchers and retain ownership of the units. Commissioner Sipress indicated he would not be comfortable voting for this Resolution as long as the language "Explore options to move a portion of the public housing portfolio to rental subsidy vouchers" remained in the Resolution. He would like to see further discussion regarding this. Maureen Zupancich explained what she had, at a conference, learned about converting public housing to rental subsidy vouchers and retaining ownership, and what other housing authorities were doing regarding this strategy. Commissioners expressed their concerns and asked questions.

Legal Counsel suggested that he believed the Board wanted to proceed with this Resolution by amending the final "Whereas" clause. Commissioner Sipress proposed an amendment to the Resolution by replacing the final "Whereas" with a "Whereas" that

would strike strategy three and activity five, under goal three. The amendment to the Resolution was introduced by Commissioner Sipress.

Commissioner Sipress moved that the amended version of the Resolution be approved as introduced. Commissioner Johnson seconded the motion.

Commissioner Talarico indicated that he had wanted to hear a discussion about this “Whereas” and he indicated that the intent to explore converting public housing to rental subsidy vouchers and retain ownership of the units was worthwhile, and he believed the Authority was on the right track.

Roll was called with the following results:

Ayes: Commissioners Glumac, Johnson, Julsrud, Scott, Sipress, and Talarico

Nays: None

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

Commissioner Sipress stated that he would vote yes on this Resolution, but he wanted it stated for the record that in his case this vote would not imply anything about future decisions regarding the Authority taking possession of these properties. The Resolution was amended as follows:

RESOLUTION NO. 3879-18
RESOLUTION AMENDING STRATEGY ONE UNDER GOAL THREE OF THE
STRATEGIC GOALS AND STRATEGIES FOR THE
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MN

WHEREAS, it is prudent for the Housing and Redevelopment Authority of Duluth ("Authority") to review its operations and priorities periodically and to establish goals and strategies reflecting its objectives; and

WHEREAS, the Authority has engaged in a strategic plan update process which has produced input from staff and commissioners; and

WHEREAS, the Authority desires to update its goals and strategies to guide activities for the future which are consistent with its mission and vision; and

WHEREAS, the Authority believes that it currently does not have the capacity to continue managing tax credit or multi-subsidy housing; and

WHEREAS, the Board of Directors wishes to strike Strategy Three, Activity Five, under Goal Three.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners hereby adopts the updated strategic goals and strategies substantially in the form attached hereto, to provide guidance for the activities of the Authority.

STATEMENT OF PURPOSE:

This resolution amends the strategic goals and strategies to provide guidance for the activities of the Authority as it pursues its role in meeting the housing and community development needs of the city.

Roll was called with the following results:

Ayes: Commissioners Glumac, Johnson, Julsrud, Scott, Sipress, and Talarico

Nays: None

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

The Chair asked that if in light of this Resolution, would it be appropriate for Commissioners to be re-invited to tour some of the scattered sites that would be under consideration in the future. The Chair indicated she was the only one who took advantage of the previous tour. She thought that if other Commissioners were interested, they could tour some of the scattered sites so they could understand some of the challenges in maintaining some of these units. The Executive Director indicated she would send out an email to find out dates and times that interested Commissioners would be available.

RESOLUTION APPROVING 2019 TAX LEVY

The Executive Director explained that attached to today's yellow agenda was the revised tax levy Resolution. She indicated the Resolution in the Board packet had been completed in early July prior to her leaving on medical leave. She has previously spoken to Commissioners about the Affordable Housing Trust Fund. Her original thought had been that the Authority would apply for a tax levy rate of .0185% of the taxable market value. This would increase the funding to the maximum allowable percentage of total taxable market value in order to start a fund to support local housing programs and services. Since then, she determined the better approach was to reach out to City Council, work to create the fund, then use a portion of the levy to help fund it. The Resolution before them for the 2019 tax levy is for a rate of .0179% of taxable market

value, which was the same rate that she has requested since she started in 2015. She reported that this did increase the funding by \$52,000 if all taxes were collected. Also included with the Resolution were the general line items, and she provided a comparison between this year's line items and last year's line items. The Executive Director and Legal Counsel answered Commissioners' questions.

Commissioner Sipress indicated that there had been a meeting regarding the comprehensive program evaluation of TLC and a discussion regarding permanent funding for TLC, and he asked if the Board could be provided a copy of the comprehensive program evaluation. The Executive Director indicated that she had not been invited to that meeting. The Chair asked Commissioner Sipress to advise organizers of that meeting that the HRA should have been included.

The Chair asked if the Executive Director thought this Resolution should be tabled to include to increase for the trust fund, but the Executive Director's preference was to work on this over the next year with City Councilors and City staff in preparation for the next budget cycle.

After the Executive Director answered Commissioner Sipress' questions regarding the Esmond Building line item on the tax levy budget, the following Resolution was introduced by Commissioner Talarico:

RESOLUTION NO. 3880-18
RESOLUTION APPROVING 2019 TAX LEVY

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

Roll was called with the following results:

Ayes: Commissioners Glumac, Johnson, Julsrud, Scott, 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 Rainbow Center and Lincoln Park Senior Center schedules and the Esmond report. There were only two police calls listed on their June report. Also there was a packet of information from Carol Schultz regarding the Minnesota NAHRO Fall Conference at the

DECC in September. If any Commissioners were interested in attending, please let us know.

The Chair asked what benefit attending this conference would be for Commissioners. Carol Schultz indicated that there was a two day National NAHRO Commissioners' training. The Chair asked if any of the current Commissioners had attended, and none had, or if any previous Commissioners had attended and found the sessions helpful. Carol indicated that she would take care of arrangements if any Commissioners wanted to attend.

The blue pages of the Board packet included three articles related to housing regarding the Pastoret, racial homeownership inequity, and student housing at Lake Superior College. The Chair asked about the public hearing regarding the Pastoret, and Commissioner Sipress answered her questions.

The Executive Director indicated that they had also included the first draft of the mission statement project in Commissioners' green folders. The Commissioners had asked that the Authority contact the non-profits they work with about what their mission statements included and what the Authority's role was in relating to these projects. She asked for Commissioners' comments and feedback.

REPORTS OF COMMITTEES

Rehab Advisory Committee: The Rehab Advisory Committee did not meet.

Finance Committee: The Finance Committee did not meet. The Executive Director indicated that they needed to set a date for the Finance Committee to meet in August to review the budget. The Chair asked if they could meet on August 14th. The Executive Director indicated she would communicate with Commissioners regarding that date and time.

OPPORTUNITY FOR VISITORS TO BE HEARD

None.

BUSINESS BY COMMISSIONERS

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

Goal 1:

The City has been getting pressure to get the Build Up Duluth homes sold. They were still under lease by the builders to hold as model homes for two years. There may be an

opportunity to have the builders walk away from these leases and the Authority could market the homes. Legal Counsel indicated there would need to be a public hearing, have the Board set the price on the houses, there would be a need for another appraisal on each of the houses, and then the Authority would be able to list them at a firm price. There had been discussion about selling them at auction with the Parade of Homes, but this will need to be discussed with Legal Counsel.

David Peterson met with City officials regarding the design for the Orchards of Morgan Park.

Also in July, there was a Publicly Owned Housing Program (POHP) meeting at MHFA and it was attended by HUD, MHFA, LHB Architects, and HRA staff in an effort to get the Ramsey Manor waste line project underway.

Goal 3:

Another Hawk Ridge lot sale Resolution came to the Board today.

In July the Executive Director and David Peterson met with the DEDA, the City, Eco3, and LISC and presented plans for redevelopment of a portion of Lincoln Park that included the Esmond. It addressed parking, housing, and commercial space. They will be scheduling a follow up meeting. The next steps will be putting some numbers together and also getting information regarding a consultant that would help looking at the funding.

Goal 4:

In July there were internal promotional opportunities so they proceeded with posting, interviewing, and making job offers for those positions. That should create some additional movement, and with the decision made regarding not proceeding with tax credits management, that should give opportunities for the employees involved with tax credits to fill those positions.

Goal 5:

The Executive Director was invited to participate in a statewide group to give input on developing a dedicated source of funding for housing at the state level, which was a result of the governor's task force on housing.

REPORT OF EXECUTIVE DIRECTOR

The Executive Director reported that July was full of budget meetings with departments. In addition, they interviewed and hired a maintenance technician and they interviewed for

internal open positions as part of the reorganization. Changes were made to the hiring policy and external job applications so they met all the new requirements.

They have located a consultant to help with tax credit compliance until a decision is made on this line business for the HRA. They will still need her for the next few months so she is revising her proposal.

The Executive Director mentioned she had already talked about the presentation to the City, DEDA, LISC, and Eco3 about a potential redevelopment of the Esmond, and she shared the information with the Mayor at their meeting this past month.

The Pension and Sunshine committees both met this month.

The Audit and Legal Services RFQs have been drafted. The Audit Services RFQ has been sent out and Legal Services should be out in August.

The Executive Director reported that she had been on medical leave for nine business days. She returned yesterday.

The Executive Director thanked staff for stepping up and helping out with the loss of two high level positions. The Chair asked when she anticipated filling those positions. The Executive Director indicated they did not plan to fill the Director of Housing Services position. Instead they have changed that position to a Director of Rent Subsidy and a Director of Property Management. Employees for both of those positions have been interviewed and hired. Mary Pelofske will fill the Director of Rent Subsidy position and Cindy Weiske will be filling the Director of Property Management position. Maureen Zupancich is currently acting as the Interim Deputy Director.

REPORT OF LEGAL COUNSEL: MONTHLY ACTIVITIES

Legal Counsel reported that this month he has been working on the property management agreement for Gateway. He is also working with the Executive Director and Chris Virta on the potential acquisition of Harbor Highlands Phase I. Matt Hanka continues to do landlord tenant work on a constant basis.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:52 P.M.

Chair

ATTEST:

Secretary

Scheduled Regular Meeting – July 31, 2018