

**MINUTES OF THE
SCHEDULED REGULAR MEETING
OF THE COMMISSIONERS OF THE
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA
HELD ON THE 31st DAY OF MARCH, 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 31st day of March, 2015.

The Chair welcomed the Authority's new Commissioner, Ann Glumac, to the Board. The Chair, Commissioners, Legal Counsel, and the Executive Director introduced themselves and provided brief bios. Commissioner Glumac also provided a brief bio to the Board.

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

Also present were Richard W. Ball, Executive Director; staff members Carla Schneider, Carol Schultz, Maureen Zupancich, Pam Benson, 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; David Bergman; and Barbara Findley and Ann Abraham, King Manor residents.

SCHEDULED PUBLIC HEARING

None.

UNFINISHED BUSINESS

None.

CONSENT AGENDA:

The Chair noted that there were two Resolutions authorizing bad debt write-offs. He explained that the first one was a routine Resolution for public housing that was done twice a year, and the second one was in regards to the Esmond Building.

The following items were introduced by Commissioner Rolle:

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

FINANCIAL REPORT FOR PERIOD ENDING FEBRUARY 28, 2015

**RESOLUTION NO. 3566-15
RESOLUTION AUTHORIZING BAD DEBT WRITE-OFFS**

**RESOLUTION NO. 3567-15
RESOLUTION AWARDED CONTRACT FOR 2015 GRANDVIEW MANOR
APARTMENT ENTRY AND HALL DOOR REPLACEMENT**

**RESOLUTION NO. 3568-15
RESOLUTION AUTHORIZING BAD DEBT WRITE-OFFS**

**RESOLUTION NO. 3570-15
RESOLUTION AUTHORIZING AMENDMENT OF THE CONTRACT FOR
HOUSING DEVELOPMENT WITH GOLDBERG PROPERTIES OF DULUTH
LP, A MINNESOTA LIMITED PARTNERSHIP, FOR THE ADDITION OF
LOT 4, BLOCK 4, HAWK RIDGE ESTATES FIRST ADDITION IN
HAWK RIDGE ESTATES AS A MODEL HOME**

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

Roll was called with the following results:

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

Nays: None

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

DISCUSSION ITEMS

**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 Executive Director explained that this Resolution related to an increase in the Authority's contract with SEH Engineers for the construction of all phases of the properties at Hawk Ridge Estates. All the streets and utilities have been completed, and

there was a very small amount of additional work that needed to be done and followed up by subcontractors, but essentially all work has been completed through the third phase. He indicated that in the last several years of the project, they have been required to provide much more extensive engineering oversight on a daily basis, which has resulted in cost overruns for the engineering. This had not been unanticipated, and they had expected that there were going to be some additional final costs that would have to be resolved. The Director indicated that unfortunately David Peterson, who has coordinated this project on a staff basis, was not available to address any questions. He explained that this increase in cost was a result of the increased time the City's Engineering Department had required the engineers to be on site for monitoring and overseeing the entire construction process, and that this would be the final bill from SEH Engineering. After the Executive Director addressed Commissioners' questions and indicated that they would provide additional information as requested, 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 tabled as introduced. Commissioner Johnson seconded the motion.

Roll was called with the following results:

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

Nays: None

The Chair declared the motion carried and said Resolution tabled.

RESOLUTION AUTHORIZING DEVELOPMENT AGREEMENT WITH THE
CITY OF DULUTH RELATED TO PROPERTY LOCATED IN THE SACKETTE
ADDITION

The Executive Director reminded Commissioners that this Resolution related to a small development that the Authority has undertaken to attempt to resolve an issue with some property that had not been selling in the Piedmont Heights neighborhood. They have been working with the City in an attempt to resolve this, and he asked Legal Counsel, who prepared the development agreement, to give a brief overview. Legal Counsel explained that there were four buildable lots in the Sackette Division that were acquired by the Authority with the approval of the Board several months ago. Those lots were

subject to assessments in favor of the City. He indicated that the City had a Duluth Subdivision Program which could provide down payment assistance loans, so the Authority approached the City indicating that they would like to do something similar to that program, and could provide down payment assistance. The City has agreed that on the sale of each of the lots we would pay them \$5,000 and the Authority would take an open mortgage from the purchaser of the lot as part of the purchase price for the full amount of the assessments, and as those properties were resold or refinanced we would collect the full amount of the assessment. He indicated that the City agreed not to recertify these assessments to the tax roll and would not collect interest or penalties over time while we looked for a buyer or developer. The following Resolution was introduced by Commissioner Rolle:

RESOLUTION NO. 3571-15
RESOLUTION AUTHORIZING DEVELOPMENT AGREEMENT WITH
THE CITY OF DULUTH RELATED TO PROPERTY LOCATED
IN THE SACKETTE ADDITION

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

Roll was called with the following results:

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

Nays: None

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

**RESOLUTION EXPRESSING INTENT TO CREATE AND ADMINISTER A
TAX INCREMENT FINANCE DISTRICT FOR POINT OF ROCKS
DEVELOPMENT**

The Executive Director explained that this Resolution expressed intent to create a tax increment finance district, and that this was the first of two times that it would come before the Board for consideration. This would be subject to the Board's approval of this Resolution, the request for tax increment would then go to the City and be considered by the City Council, and subject to the City Council's further approval, and upon the final financing for the project, it would come back to the Authority for the establishment of the tax increment district. At this point, the Authority would verify that there was a gap in financing and a financial need for the project, and a need for tax increment financing for the project to proceed. He indicated that this Resolution related to a proposed mixed income housing development on the Point of Rocks at 14th Avenue West and Superior

Street. This would be a housing tax increment district, and the statutory requirements for a housing tax increment district where either 20 percent of the units would have to be affordable to people at 50 percent of the area median income, or at least 40 percent of the units would have to be affordable to people at 60 percent of the area median income. It was the Executive Director's understanding that the developer intended to use the 40 percent calculation for the development, so approximately 46 of these units would be available to people within 60 percent of area median income. The Authority has been working with Ehlers and Associates to review the information and the overall cost of the development to ensure that it meets the "but for" clause in the statutes, as in "but for" the involvement of the tax increment financing, this project would not be able to proceed. What has been determined was that a tax increment rate for approximately 15 years would be required, even though statutory limitations were up to 25 years. Aaron Schweiger from SDH&M provided a brief overview of the project and answered Commissioners' questions.

The Chair indicated that there was a visitor who would like the opportunity to speak regarding this project. Dave Bergman, who lives one block up the hill from the development, expressed his concern for the mom and pop landlords and indicated he was against this project. He doesn't think it was the City's responsibility to subsidize large complexes. He thought there was a lot of dilapidated housing in Duluth that could be fixed up instead.

The Chair mentioned that private landlords could improve their properties using government funds through programs like those provided by the HRA's rehab department.

Commissioner Boshey mentioned that many of the new housing developments being built were unaffordable to low and moderate income people, and many developments do not take Section 8 vouchers.

Commissioner Rolle indicated that he had asked the Executive Director to provide some information regarding TIF districts, and he explained that one of the criteria used was the percentage of the tax base as a measure of capacity. In 2014 the percentage was 3.4 and in 2016 it was projected that it would drop to 2.5 because tax district seven would be going back onto the tax rolls. He indicated that Duluth's city bond rating showed that the City was in a reasonable position, and the City's bonding was not at risk. After Commissioner Rolle indicated that because this issue would be coming before the Board again and would provide an opportunity to revisit this, the following Resolution was introduced by Commissioner Rolle:

RESOLUTION NO. 3572-15
EXPRESSING INTENT TO CREATE AND ADMINISTER A
TAX INCREMENT FINANCE DISTRICT FOR
POINT OF ROCKS DEVELOPMENT

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, Johnson, Reichert, and Rolle

Nays: None

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

The Chair indicated that Item J, the Resolution providing an internal loan in connection with the Point of Rocks development tax increment financing district has been removed from today's agenda. The Executive Director explained the reason that item had been removed from the agenda was because it was realized after the Board packet had been mailed that in July of 2014 they had created an internal loan when this project was first discussed, and at that time it was referred to as Glen Place II. This internal loan allows the Authority to recover the cost of expenses to administer the tax increment finance district. The renaming of this project created some confusion, but since this internal loan had been previously created it was decided to remove this Resolution from the agenda as it was not necessary.

RESOLUTION AUTHORIZING THE HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH TO PURCHASE TAX FORFEIT LOTS IN DULUTH PROPER SECOND DIVISION OF DULUTH FROM THE SAINT LOUIS COUNTY LAND DEPARTMENT

The Executive Director explained that the Authority had been asked by Center City Housing to act on their behalf as a conduit for the acquisition of tax forfeit property. The property was located at 16th Avenue West and Superior Street, immediately to the west of the Gospel Tabernacle Church. He indicated that there has been an effort prior to the time the Authority took on the Esmond building project, formerly known as the Seaway Hotel, to meet the needs of the hard to house population. This is a project proposal to be developed over time to create approximately 50 new units of housing for the very hard to house in this location. This is a site that has been identified as being an appropriate site within existing zoning, within proximity to services, and on a bus route. When the Authority first discussed the Esmond, it was originally thought the improvements made there were covering immediate needs, but not necessarily providing a full level service and housing that they would like to see provided to that population. This is why Center City was proposing to construct a building that would adapt and meet those needs. He indicated that the Authority would work to provide further improvements to the Esmond

property, and perhaps create some different affordable housing opportunities within the Esmond building to more appropriately meet the needs of the workforce and developing community and business area in the Lincoln Park business district. The Director explained that the Authority was able, statutorily, to acquire property directly from St. Louis County. There have been discussions with St. Louis County regarding this acquisition, and it was the Director's understanding that they would be offering the property to the Authority at a discounted rate because it was for the development of affordable housing. It was also his understanding that the Economic Development Authority would be providing funding to the project to cover the acquisition costs. He indicated that the Authority would be fronting the cost of this acquisition, but they would be reimbursed for the expenses of making the acquisition. After the Executive Director recommended this Resolution for the Board's approval and answered Commissioners' questions, the following Resolution was introduced by Commissioner Cuneo:

RESOLUTION NO. 3574-15
RESOLUTION AUTHORIZING THE HOUSING AND REDEVELOPMENT
AUTHORITY OF DULUTH TO PURCHASE TAX FORFEIT LOTS IN
DULUTH PROPER SECOND DIVISION OF DULUTH FROM THE
SAINT LOUIS COUNTY LAND DEPARTMENT

Commissioner Cuneo 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, Johnson, Reichert, and Rolle

Nays: None

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

Commissioners asked that the Executive Director provide them the price of the property and the schematic drawings when they became available.

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

The Executive Director explained that the Gateway Tower project was moving forward toward another tax credit application. He indicated that they were asking that the Board table this Resolution at the request of the development team. One of the aspects of this development agreement was that it included the requirement of developing a

redevelopment plan with it, and they thought it would be preferable and helpful to have that plan completed, including having the Board take action then on that plan so that when it is submitted to Minnesota Housing Finance Agency, they understood that the plan has been fully vetted and approved by the Authority. Legal Council has been working with the legal counsel for the development team on this development agreement. Jeff Corey, from One Roof Community Housing, indicated the development agreement was close to being completed, and they were requesting a little more time for its completion. The Executive Director provided a brief overview of the project for the two new Commissioners, and Legal Council commented on the development agreement. The following Resolution was introduced by Commissioner Rolle:

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

Commissioner Rolle moved that the foregoing Resolution be tabled as introduced. Commissioner Boshey seconded the motion.

Roll was called with the following results:

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

Nays: None

The Chair declared the motion carried and said Resolution tabled.

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 the Authority had received their notice of pay equity compliance. Also included in the Communications/Correspondence section of the Board packet was an article from the Star Tribune relating to housing for the workforce and a memo from Jeff Corey, One Roof Housing, regarding Harbor Highlands homeownership, which the Director indicated he would discuss further in the Report of the Executive Director. He indicated he would like feedback and direction from the Board. Today's agenda included an article from the Duluth News Tribune regarding the Point of Rocks development.

REPORTS OF COMMITTEES

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

Finance Committee: Commissioner Rolle indicated that the Finance Committee had met again regarding the Gateway development and some discussion regarding homeownership at Harbor Highlands.

Commissioner Rolle explained that at the last Board meeting he had asked for the latest financial report on the Esmond building. Maureen Zupancich, Comptroller, provided an overview and explanation of the financial report she had provided the Board, and she answered Commissioner Rolle's questions. The Chair and the Executive Director provided the new Commissioners with some background information regarding the Authority's involvement with the Esmond building. Maureen indicated she would provide a quarterly update of the financial report for the Esmond building.

OPPORTUNITY FOR VISITORS TO BE HEARD

David Bergman stated that it was his understanding that the responsibility of the HRA was to house the poor and homeless, but now they were talking about getting into student housing, which he thought was not the reason for the HRA. He indicated that was the private sector's responsibility. He asked if he was missing something, and the Chair explained that this was a housing and redevelopment authority which had redevelopment responsibilities to take care of blighted properties and neighborhoods, and this clearly fits into the category of being a blighted property, and the Authority has some responsibility to improve its condition. Mr. Bergman said it sounded like the Authority was competing with the private sector. Legal Counsel explained that the HRA's statutory authority in addition to assembling and addressing blighted properties, was also a housing authority, so its authority and duties extended to housing of all kinds. It doesn't typically own all the housing, and it typically works through private developers and provides incentives or other help to them to do development. He indicated it had a very broad authority, power, and obligation in the statutes. Commissioner Boshey stated that he thought many college students would fall under the low income category.

BUSINESS BY COMMISSIONERS

The Chair mentioned that he and the Executive Director attended the National NAHRO Legislative Conference in Washington D.C. The primary purpose of that conference was to talk to the legislative delegation. He stated that the comment that caught his attention was made by someone from the Concord Coalition who said they have given up on the budget for the next two years, and they were concentrating on the first budget from the next president. He indicated that they were basically referring to the dysfunction in Congress and they don't see any ability to work with Congress on the budget in any effective way over the next two years. He reported that they had talked to several legislators and staff people and heard the same comment. He thought we would be lucky to see as much funding as we were receiving now.

The Executive Director mentioned that the Board dashboard had been updated, and they have tried to provide Commissioners with the status report relating to the various activities under the goals, strategies, and milestones that were identified in the strategic plan.

REPORT OF EXECUTIVE DIRECTOR

The Executive Director mentioned that he wanted to talk further about the Harbor Highlands homeownership development proposal. They have met with Jeff Corey and representatives from One Roof about their interest in assisting the Authority in the development of homeownership at Harbor Highlands. The Authority has already developed four phases of rental housing at Harbor Highlands, and all that remains to be developed was approximately 100-130 units of homeownership, including single family and twin home units which they would like to begin building as soon as possible, a condominium phase that would be adjacent to the Village Green, and they would also have the ability to develop the land that had previously been discussed for the development of a farmers' market for more homeownership. He explained that the phase they were most interested in proceeding with was where they had left off in 2008 in developing the homeownership phase, and in the discussions with One Roof, they expressed interest pursuing that with the Authority. One Roof has a subsidiary entity, Common Ground, that builds homes, and they were interested in working with us to implement this phase. He indicated that when they met with the Finance Committee, they discussed a scenario for development, and the proposal the Board now has represents a modification of that which shows fewer Land Trust units, with some additional market rate and affordable homeownership opportunities which could be built on the lower side of Harbor Highland Drive. It was outlined in the proposal to use some of the initial homes as models for additional homeownership development and utilize some of the additional sites as homeownership opportunities. The Executive Director asked for Commissioners' thoughts.

Jeff Corey from One Roof provided an overview of what they were proposing for the first phase of homeownership. He indicated they planned to construct one CLT home, a couple of moderate income homes, and two market rate homes. What they would like to do was have the flexibility as they were marketing homes initially as model homes, particularly the moderate rate and market rate ones, and if they found buyers interested in what they had available, to be able to sell those units. Jeff stated that working with the Authority presented an opportunity for One Roof to offer new units to a range of incomes that they otherwise wouldn't be able to do because of limited funding available. He reported that he had met with MHFA regarding funding for the next phase of this the following year, and he felt that it was quite warmly received, and he would be surprised if they were not successful with that application.

The Executive Director added that they had talked with MFHA today on the importance

of value gap financing. As the units were built, they were expecting them to be in the \$230,000 to \$250,000 per unit cost, but they may not value out at that level initially, so having value gap funding was important. He indicated that if they were going to get underway with this development this year, it would be important for the Authority to take some responsibility for covering some of that gap on the front end. He hoped that they would not have to do that on an ongoing basis and that they would be able to bring some state resources in so they would be able to build out the entire development. He hoped that this would be a reduced amount over time as they establish the value in the development. He asked for Commissioners' thoughts and direction about how they wanted move forward. He explained that they would like to get some units under construction this year to be able to test the market for each type of unit they wanted to build, and identify the level of interest in the community.

Commissioner Rolle indicated that there were already homes in the proposed price range on the market, so he did not believe we should be subsidizing these. He indicated what the Authority would be doing was subsidizing \$250,000 to set a price for a home that was already currently available. He did not believe that was a good use of the Authority's resources. The Executive Director explained that he thought this was a different type of product. The Chair asked staff to put together some numbers and bring them to a Finance Committee meeting, and see what it would look like if MHFA was involved. The Chair indicated that in the original proposal, the amount of dollars that One Roof was asking the Authority to provide was more than they could afford. The Executive Director and Legal Counsel answered questions asked by the Chair and Commissioners, and the Chair asked to have a Finance Committee meeting as soon as the numbers could be put together.

The Executive Director suggested that since they were having a Finance Committee meeting on Tuesday, April 28th, prior to the Board meeting to review the audit, that they should schedule another Finance Committee meeting on Tuesday, April 21st at 3:30 P.M. for further discussion of the Gateway status and homeownership at Harbor Highlands.

The Executive Director added to the Chair's report regarding the National NAHRO Legislative Conference indicating that they had good discussions with several of their representatives including Senator Franken and Congressman Nolan, as well as Congressman Ellison and staff people from other congressional offices. It was a frustrating climate due to the budget overview that Commissioner Reichert had mentioned, but it was important to let them know where the Authority's interests were and let them know how they can try to represent our interests.

The Executive Director commented that the process for the succession planning was underway, and 4:30 P.M. was the deadline for receiving applications, so that process will be continued by Chair Reichert and Commissioner Rolle.

The Executive Director mentioned the Commissioners had information in their green folders regarding the upcoming Minnesota NAHRO conference. He indicated that there was going to be a Commissioners' track, and if anyone was interested in attending, he would get them registered. He explained that the Duluth HRA would be hosting the Minnesota NAHRO Conference in the fall.

The Executive Director reminded Commissioners that the LISC Annual Luncheon was on April 15th.

REPORT OF LEGAL COUNSEL: MONTHLY ACTIVITIES

Legal Counsel reported that he had been working on a number of matters that had been discussed during the Board meeting, including the Sackette agreement, the Gateway agreement, and various other matters.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 5:20 P.M.

Chair

ATTEST:

Secretary

Scheduled Regular Meeting – March 31, 2015