

**MINUTES OF THE
SCHEDULED REGULAR MEETING
OF THE COMMISSIONERS OF THE
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA
HELD ON THE 24TH DAY OF SEPTEMBER, 2019**

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 24th day of September, 2019.

Vice-Chair Glumac called the meeting to order and on roll call the following members were found to be present: Commissioners Glumac, Gilbert, Nephew, Boshey, Cich, and Sipress. Commissioner Talarico was absent. The Vice-Chair declared a quorum present.

Also present were Jill A. Keppers, Executive Director; staff members Cindy Weiske, Carol Schultz, Lenelle Hrabik, Bridget Brine, and Rachel Downs; Dan Maddy, Legal Counsel; Barb Findley, President of the King Manor Resident's Club; Ann Abraham, Vice President of the King Manor Resident's Club; Adam Fulton, City of Duluth, and Lee Pedersen, Community Member.

SCHEDULED PUBLIC HEARINGS

None.

UNFINISHED BUSINESS

None.

CONSENT AGENDA:

The following items were introduced by Commissioner Sipress:

MINUTES OF THE SCHEDULED REGULAR MEETING OF AUGUST 27, 2019

FINANCIAL REPORT FOR PERIOD ENDING AUGUST, 2019

**RESOLUTION NO. 3987-19
RESOLUTION AUTHORIZING BAD DEBT
WRITE-OFFS**

**RESOLUTION NO. 3988-19
RESOLUTION AUTHORIZING BAD DEBT
WRITE-OFFS (ESMOND BUILDING)**

Commissioner Sipress moved the foregoing items be approved as introduced. Commissioner Gilbert seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Glumac, Gilbert, Nephew, Boshey, Cich, and Sipress
Nays: None

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

DISCUSSION ITEMS

RESOLUTION RATIFYING APPLICATION SUBMISSION TO THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR MAINSTREAM VOUCHERS

The Executive Director explained that HUD released an application for mainstream vouchers which are housing choice vouchers focused on non-elderly persons with disabilities or those at risk of experiencing homelessness. She explained that this was an opportunity to expand the Authority's voucher pool by 25 vouchers and perhaps give a preference to help at-risk residents.

After the Executive Director answered commissioners' questions the following resolution was introduced by Commissioner Nephew:

RESOLUTION NO. 3989-19 RESOLUTION RATIFYING APPLICATION SUBMISSION TO THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR MAINSTREAM VOUCHERS

Commissioner Nephew moved that the foregoing resolution be approved as introduced.
Commissioner Boshey seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Glumac, Gilbert, Nephew, Boshey, Cich, and Sipress

Nays: None

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

RESOLUTION OF APPRECIATION FOR CHRISTINE CRANDELL

The Executive Director explained that this was a resolution of appreciation for Chris Crandell who recently retired from the Authority after 26 years. After the Executive Director read the resolution into the minutes the following resolution was introduced by Commissioner Sipress:

RESOLUTION NO. 3990-19 RESOLUTION OF APPRECIATION FOR CHRISTINE CRANDELL

Commissioner Sipress moved that the foregoing resolution be approved as introduced.
Commissioner Nephew seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Glumac, Gilbert, Nephew, Boshey, Cich, and Sipress

Nays: None

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

RESOLUTION APPROVING THE REPOSITIONING CONSULTANT FOR LOW INCOME PUBLIC HOUSING

The Executive Director explained that the Request for Proposal for a repositioning consultant closed Aug. 30 and applications were evaluated. She explained that they had learned from St. Paul that during their repositioning process they actually used two different types of consultants and that it became clear to the evaluators as they reviewed the proposals that there were two different approaches. One is to guide through the process, thus, Rod Solomon of Hawkins was being recommended because he has assisted more than 50 PHAs including several Minnesota agencies such as St. Paul, Met Council, Minneapolis, Scott County, Carver County, and Dakota County. He scored the highest, but he does not give the actual hands-on development of the products. Therefore, the committee is also recommending Recap real estate advisors. Recap does the hands-on preparation work of documents and works closely with Authorities on each component of the process. They have worked with the Hutchinson HRA and the Fargo HRA (as well as many other Authorities in many states). A not-to-exceed amount was placed on this resolution. This process will likely take place over the next three years.

The Executive Director continued to explain that there will be more information to come as the Authority moves through the process. The board has the final say. By approving this resolution today, it does not mean the board is approving and committing to the conversion options that have been discussed over the past year. She explained that it was important that each commissioner has complete information and can see how the numbers work as the Authority walks through each of the repositioning options. There will be one or more committee-of-the-whole meetings to go through the various options and determine the best path. The ultimate goal is to preserve our public housing asset by accessing a historically more stable funding source – ultimately to save people's homes and save affordable housing in our community. That is what repositioning is all about.

Commissioner Sipress indicated that it was important for the board to be cognizant of the fact that this is an election year and the different Democratic candidates for President may have different views on public housing. He also cautioned the board about selecting the path of privatization, because once this route is chosen it is difficult if not impossible to go back. The Executive Director informed the board that the RFP was written specifically to look at a no-debt conversion to avoid any privatization of the public housing. She did add, however, that as the Authority moves forward there may be some decisions down that line where a property needs the extra capital that a tax credit project would provide. This, however, is not the first choice of the Authority even though the previous RAD conversion approved by the Board of Commissioners was this type of conversion. Things have now changed and HUD has opened up many options for repositioning for Authorities to explore, many of which do not require a change in ownership. Her hope is to start with Scattered Sites and go from there.

After the Executive Director answered Commissioner's questions the following resolution was introduced by Commissioner Cich:

RESOLUTION NO. 3991-19 RESOLUTION APPROVING THE REPOSITIONING CONSULTANT FOR LOW INCOME PUBLIC HOUSING

Commissioner Cich moved that the foregoing resolution be approved as introduced.
Commissioner Gilbert seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Glumac, Gilbert, Nephew, Boshey, Cich, and Sipress

Nays: None

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

RESOLUTION AUTHORIZING THE UNDERTAKING OF REQUIRED INTERNAL AND EXTERNAL PROCESSES TO DETERMINE THE POTENTIAL FOR A HOUSING TAX INCREMENT FINANCING (TIF) DISTRICT FOR THE DECKER DWELLINGS DEVELOPMENT

The Executive Director explained that the City of Duluth has asked the HRA to explore the development of a TIF District for the Decker Dwellings Development. She explained that this is One Roof Community Housing's project and they were able to get a tax credit award for this new construction. It will be 42 units of affordable housing up in the mall area near Schneiderman's Furniture. She was bringing this to the board today for approval to move forward with the processes needed to determine "but for" the TIF Plan the development would not have adequate financing to proceed. Now that the City and Authority share a Housing Developer it makes sense for the Authority to start taking on the Housing TIF districts again as it did in the past. After the Executive Director, Legal Counsel, and Adam Fulton answered Commissioner's questions the following resolution was introduced by Commissioner Nephew:

RESOLUTION NO. 3992-19

RESOLUTION AUTHORIZING THE UNDERTAKING OF REQUIRED INTERNAL AND EXTERNAL PROCESSES TO DETERMINE THE POTENTIAL FOR A HOUSING TAX INCREMENT FINANCING (TIF) DISTRICT FOR THE DECKER DWELLINGS DEVELOPMENT

Commissioner Nephew moved that the foregoing resolution be approved as introduced.
Commissioner Sipress seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Glumac, Gilbert, Nephew, Boshey, Cich, and Sipress

Nays: None

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

COMMUNICATIONS/CORRESPONDENCE

The Executive Director reported that in Commissioner's green folders were the schedules for the Lincoln Park and Rainbow Centers as well as the procurement and capital fund report. Also,

several articles were included in the board packet including the mayor's housing task force, Habitat for Humanity, and tiny homes. Some recent articles were added to the green folders on homelessness in Duluth and affordable housing priorities at the city.

REPORTS OF COMMITTEES

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

Finance Committee: The Finance Committee had not met.

BUSINESS BY COMMISSIONERS

Board Dashboard

The Executive Director reviewed the dashboard with Commissioners and commented on progress on the strategic plan goals.

Goal 1 –

- 917 E. 10th Street had two showings with real estate agents and One Roof is working to get this listed on the MLS.
- Authority lots have been identified for use with the Mayor's Re-Build Duluth program, so the Executive Director is working with the City to see about the ease of utilization of these lots.
- Repositioning Consultant recommendations came to the board today for approval.
- On-going calls are happening to get to closing on the Ramsey Manor Waste Line project as well as setting up the launch meeting for the Ramsey Manor Window project.

Goal 3 –

- In August two lots closed at Hawk Ridge as well as one in September. Two more purchase agreements are in process.
- Letter of Intent was signed with MN-OZA to move the Esmond redevelopment forward.

Goal 5 –

- The Mayor's Housing Task Force had its first meeting. The Executive Director is functioning as staff to this group.

Discussion on progress related to the scattered site duplex at 9-11 S. 16th Ave. E.

The Executive Director gave the history of the 9-11 S. 16th Ave. E. She explained that this duplex was part of the RAD disposition plan and is also included in the agency plan for disposition. She reported that once the RAD CHAP was returned to HUD, the Authority had to decide how to proceed with this duplex since the cost to repair it exceeded the limits allowed by HUD with relation to the value. It was decided to continue toward disposition since there was outside interest in purchasing this property. Therefore, in July of 2018 the Authority had an appraisal done on the property and in November of 2018 the environmental review process started. Carol Schultz added that in the past the environmental review was done at the end of the process, but the new way HUD wants it done is at the beginning.

The Executive Director and Carol Schultz also commented on the delays created by the unusual circumstance of the State Historical Preservation Office (SHPO) requesting a Phase II Historical Review. This triggered procurement rules, contracting, the review itself, and a subsequent review by SHPO. Staff reported that but for the recent collapse of a portion of the brick, the

building may have been deemed historic by SHPO even though the review did not find it to be historic. This could have created additional difficulty with the disposition.

Commissioners asked about safety and security of the building, the condemned status, and if there were other units like this in the HRA's portfolio. The Executive Director reported that there has been scaffolding, caution tape, walled off areas, etc. keeping the exterior contained. Additionally, our Scattered Site maintenance staff routinely check on our vacant buildings and have procured a contractor to repair the latest brick damage to stop any more deterioration and hazards. Carol Schultz reported that it has been condemned for less than a year and that happened after we had started down the process of disposition. The Executive Director also reported that there are no other units in this poor shape in the HRA portfolio, and that they are trying diligently to dispose of this duplex.

She continued to inform commissioners of the next steps. The Environmental Review is still not complete. Once that comes back from the City and we receive our new appraisal (since the other one is now quite old and there has been additional damage), then we will come to the Board for disposition approval and send it off to HUD for their approval. After that we will be able to sell for the appraised value.

Planning for 2020 – “Finding our Why”

The Executive Director reminded Commissioners that we had discussed a few months back about trying a new approach to strategic planning called “Finding our Why.” She announced that she was able to procure J. Forrest who is the consultant the City of Duluth used for the leadership retreat, and he came with high recommendations from both the Mayor and the Chief Administrative Officer. She wanted to ask the board today what they thought of a one-day Saturday retreat to complete this exercise.

Commissioner Cich stated she like the idea of a one-day retreat, as it lends itself well to set aside a block of time and you don't have to remember what you did in the last session.

Commissioner Glumac added that she also thought a one-day event works better than multiple one hour events. She told Commissioners that the last time they did the strategic plan update she thought that the consultant was frustrated during the process. The multiple meeting process was difficult.

Commissioner Sipress expressed interest in the concept of Finding our Why rather than the traditional strategic planning. He also thought getting the board together for a day to get into some thoughtful discussion about the purpose of our organization, what our priorities are, and a shared sense of direction would be very valuable.

The Executive Director said she wanted to bring this up to see how the board felt about a Saturday, and since it seemed that heads were nodding around the table she would proceed with putting out dates to the Board for this purpose.

REPORT OF THE EXECUTIVE DIRECTOR

The Executive Director reported that this past month the tax levy and HRA budget were presented to the city council.

The letter of intent with MN-OZA for the Esmond redevelopment was finalized and meetings have started with the developer to discuss initial plans. Additionally, a meeting is scheduled with the HRA, MN-OZA, and the city to talk big picture plans for the Esmond and how it fits into Lincoln Park.

Staff met with Center City Housing to get a handle on timelines and logistics for the Garfield Square movement of tenants. Center City hopes to get the keys on November 18 with residents moving in December. This is bad news for our utilization as we were hoping those 40 vouchers would be placed in service before the end of the year. Also, because of the delay at Garfield Square the Executive Director reported concern about the Esmond boiler as they had hoped it would not have to be turned on this year. Both the Section 8 and Rehab departments are working on this project – Section 8 for the PBV eligibility and Rehab for the relocation requirements.

She reported that in addition to the repositioning RFP, that staff had their 1:1 technical assistance meeting with HUD at the MN NAHRO Conference in September, and also received additional education on repositioning through sessions at the conference of which the Authority was the host agency. Carol worked with the Professional Development committee and the Executive Director worked with the board and NAHRO Director to make sure any logistical issues were assisted with.

Staff continues to review and gather documents related to the Phase I closing. HUD has given provisional approval pending a concurrence by the field office of general counsel.

The Authority closed on a lot at Hawk Ridge Estates and has two additional inquiries from potential customers that may come to the board in October.

The Sunshine Club held their fourth annual crock-pot cook off.

The Teamsters Confidential Contract has a tentative agreement and is awaiting a vote which will come to the board next month for approval.

Commissioner Sipress asked for an update on the Section 8 utilization. The Executive Director reported that the new payment standards haven't impacted utilization yet. She also reported to the board that the HUD Fair Market Rents in our area actually went down. So instead of being able to raise our payment standards again, the Authority is forced to either lower them or ask for an exception. They have decided to ask for the exception (payment standards can be up to 120% of Fair Market Rents rather than only 110%) as one of the approaches to keep tackling utilization rates.

Additionally, HUD would like the Authority to apply for FYI vouchers for youth, but the Authority is weighing that with bringing in more mainstream and VASH vouchers. Perhaps once utilization turns around, adding more vouchers to the mix is an option.

REPORT OF LEGAL COUNSEL: MONTHLY ACTIVITIES

Chris Virta reported that the primary legal activities this month were related to the Harbor Highlands Phase I purchase.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to come before the Board, Commissioner Sipress moved the meeting be adjourned. Commissioner Gilbert seconded the motion.

Roll was called with the following results:

Ayes: Commissioners Glumac, Gilbert, Nephew, Boshey, Cich, and Sipress

Nays: None

The Vice-Chair declared the meeting adjourned at 4:30 P.M.



Vice-Chair

ATTEST:



Secretary

Next Scheduled Regular Meeting – October 29, 2019