

**MINUTES OF THE  
SCHEDULED REGULAR MEETING  
OF THE COMMISSIONERS OF THE  
HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA  
HELD ON THE 25<sup>th</sup> DAY OF AUGUST, 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 25<sup>th</sup> day of August, 2015.

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

Also present were Jill A. Knutson-Kaske, Executive Director; staff members Maureen Zupancich, Pam Benson, David Peterson, Lynne Snyder, and Carol Schultz; Dan Maddy, Legal Counsel; and Barbara Findley, Ann Abraham, James Buchanan, and Patti Hanson, King Manor residents.

**SCHEDULED PUBLIC HEARING**

None.

**UNFINISHED BUSINESS**

None.

**CONSENT AGENDA:**

The following items were introduced by Commissioner Glumac:

**MINUTES OF THE SCHEDULED REGULAR MEETING OF  
JULY 28, 2015**

**FINANCIAL REPORT FOR PERIOD ENDING JULY 31, 2015**

**RESOLUTION NO. 3613-15  
RESOLUTION AUTHORIZING THE DIRECT CONTINGENT SALE  
OF LOT 17, BLOCK 2, HAWK RIDGE ESTATES FIRST ADDITION  
TO GERI D. AND SHAWN M. MC GIVERN BY  
THE HOUSING AND REDEVELOPMENT AUTHORITY**

**RESOLUTION NO. 3614-15**  
**RESOLUTION AUTHORIZING HRA OFFICIALS TO ENTER INTO**  
**AN AGREEMENT WITH THE CITY OF DULUTH WHEREBY**  
**THE AUTHORITY WILL OPERATE THE YEAR 2016**  
**HOME SINGLE FAMILY REHABILITATION PROGRAM**  
**AND ASSIST WITH HOME MONITORING**

**RESOLUTION NO. 3615-15**  
**RESOLUTION AUTHORIZING HRA OF DULUTH TO MAKE**  
**AN APPLICATION TO ADMINISTER AND OPERATE**  
**FISCAL YEAR 2016 COMMUNITY DEVELOPMENT**  
**BLOCK GRANT REHABILITATION PROGRAM (CDBG)**

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

Roll was called with the following results:

Ayes: Commissioners Boshey, 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 THE DEVELOPMENT OF A HOPE VI PUBLIC HOUSING REPLACEMENT UNIT THROUGH PURCHASE OF REAL PROPERTY**

The Executive Director explained that this Resolution would authorize the purchase of a two bedroom, single family home located at 207 East Willow Street. She explained that they were originally going to build a replacement home at the Harbor Highlands site, at 108 East Eleventh Street, however the bid came in at over \$400,000 due to the various needs of the site. It was decided that a home could be purchased for considerable savings for \$175,000. Legal Counsel explained that when the HOPE VI demolition had been done at Harborview, a certain number of units had been demolished, and the Authority has been in the process of replacing those units over time. This would be a replacement unit, but not on the Harborview site. The following Resolution was introduced by Commissioner Rolle:

**RESOLUTION NO. 3611-15**  
**RESOLUTION AUTHORIZING THE DEVELOPMENT OF HOPE VI**

**PUBLIC HOUSING REPLACEMENT UNIT  
THROUGH PURCHASE OF REAL PROPERTY**

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

Roll was called with the following results:

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

Nays: None

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

**RESOLUTION APPROVING REVISIONS TO THE PREDEVELOPMENT  
LOAN FOR HOMEOWNERSHIP DEVELOPMENT AT HARBOR HIGHLANDS**

The Executive Director explained that in May the Board approved a Resolution that allowed the Authority to enter into a memorandum of understanding with One Roof for a homeownership development at Harbor Highlands. Included in this memorandum of understanding the Authority was to provide a predevelopment loan of \$24,000. After One Roof received the bids from architects for designs and site development, and estimates for the registered land survey, the predevelopment costs have increased to \$26,228. She explained that per the memorandum of understanding, One Roof was not required to pay back this loan if the homes did not sell or the bids for the cost of building these homes came in higher than the HRA was willing to subsidize. If the construction of these homes does not take place, then the HRA will own the designs for the homes and would benefit from the registered land survey that was paid for by the predevelopment loan. She indicated that the predevelopment loan was set up to be paid back in equal installments from the first 11 homes that were built, and even though the predevelopment loan only covered the first five units, One Roof would be allowed to pay back the loan through installments from the first 11 units, which was agreed upon in the memorandum of understanding. She explained that if the HRA proceeded with the homeownership project and only four units were sold, the HRA would receive only four payments towards the repayment of the predevelopment loan. If Phase II was built, which would be comprised of the second set of six units after the first five units in Phase I, and all the units sold, then the predevelopment loan would be paid in full. If none of the units were sold, then none of the loan would be paid back and the HRA would own the units. She also reminded Commissioners that the homeownership phase was part of the original proposal of the HOPE VI grant. The following Resolution was introduced by Commissioner Rolle:

**RESOLUTION NO. 3612-15**  
**RESOLUTION APPROVING REVISIONS TO THE**  
**PREDEVELOPMENT LOAN FOR HOMEOWNERSHIP**  
**DEVELOPMENT AT HARBOR HIGHLANDS**

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

Commissioner Rolle mentioned their discussion of the predevelopment loan at the last Finance Committee meeting, and he suggested that the Resolution be approved as is, and that the Board direct the Executive Director to negotiate with One Roof to change their repayment of the loan to be completed with the first five units. Legal Counsel indicated he had drafted the agreement and One Roof had projected that there was not going to be enough money available to pay off the loan over the first five sales. He explained that the Authority had then agreed to the 11, knowing that there may never be a second phase, and that the loan may never be paid off. The Chair indicated that they were approving the Resolution as it was being presented to the Board, and they were directing the Executive Director to negotiate a change in the payback provision.

Roll was called with the following results:

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

Nays: None

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

**COMMUNICATIONS/CORRESPONDENCE**

The Executive Director indicated that in the blue pages of the board packet was an article regarding the sale of the Morgan Park School.

**REPORTS OF COMMITTEES**

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

*Finance Committee:* The Finance Committee had met. Commissioner Rolle wanted to make special note of the document provided by the Executive Director and prepared by the Comptroller, Maureen Zupancich, regarding the general fund, and he complimented Maureen on the preparation, indicating that it was the clearest representation of this fund he had seen. He thought this might be a valuable tool for the new Commissioners. The Executive Director indicated they would be having a Finance Committee meeting in

September to review the budget.

The Chair mentioned that he had appreciated receiving the bid information they had been given regarding the two houses in the Build Up Duluth program.

## **OPPORTUNITY FOR VISITORS TO BE HEARD**

Patricia Hanson, a King Manor resident, expressed her concerns regarding the lack of security around the parking lot and ground floor door of King Manor. She indicated people frequently propped open the door with large rocks from under the building, which allowed non-residents access to the building and who sometimes caused vandalism. The Chair indicated the staff would look into this.

## **BUSINESS BY COMMISSIONERS**

The Executive Director updated each of the goals. Regarding Goal #1, she indicated the Finance Committee had met and discussed balancing the budget for 2016, including looking at developments that could be mixed income or market rate, and partnering that with the Harbor Highlands homeownership project for affordable housing which addressed the whole spectrum of housing needs in the city.

Regarding Goal #2, David Peterson, Development Coordinator, had a showing for a commercial tenant at the Esmond Building, and there have been other inquiries as well. In last month's Finance Committee meeting, it was explained that the Authority would be exploring the possibility of some acquisition/rehab in order to determine if this could be a funding source, as well as eliminate blight in the target neighborhoods. She also indicated that the Build Up Duluth program was moving forward with two houses under construction.

The Executive Director adjusted Goal #3 to coincide with the RAD requirement for service provision if the Authority decided to go with project based vouchers for the RAD conversion.

In regards to Goal #4, the Development Coordinator and the Executive Director met with Morgan Park neighborhood representatives, developers, and LISC to explore the possibility of a mixed income development in Morgan Park. Also, the Development Coordinator was working with a landscape architect to do a wetlands delineation on some tax forfeit land that had development potential, preferably for single family homeownership.

The Executive Director requested that as the staff developed their budgets, they alert her of any items that follow the green operating policies referenced in Goal #5.

In connection with Goal #6, the Executive Director indicated that she and the Deputy Director continue to discuss options relating to cross training and succession planning. As for wellness, the HRA was included in the exercise challenge sponsored by City staff, which was eight weeks of logging exercise.

Regarding Goal #7, the Executive Director and the Development Coordinator met with WestmorelandFlint to explore options available for marketing the HRA's development and rehab components. She has asked them for a proposal related to a vision that she laid out for them that included the HRA being the place to come when someone was looking to build, buy, or remodel in the City of Duluth.

Commissioner Rolle asked if the Board could get a summary of the RAD program. Pam Benson, Director of Housing Services, gave a general overview of the program and answered his questions. The Executive Director indicated they would provide the Board with a summary of the program.

## **REPORT OF EXECUTIVE DIRECTOR**

The Executive Director reported that on July 31<sup>st</sup> we had received notice that one of our RAD applications had been approved by HUD, and they had their first conversation with their RAD Readiness Transaction Manager from HUD. She indicated that she believed HUD was confused with the Authority's applications and didn't realize we had submitted two separate applications because they were so similar. One application was for one tower at Midtowne and half of the scattered sites and the other application was for the second tower at Midtowne and the remaining half of the scattered sites, so we were waiting to see if HUD was going to approve the second application. She indicated it didn't make sense to proceed with just one approved application and not the other. She also reported that they were working on the request for qualifications for a RAD development partner.

The Executive Director reported that all departments were working on their annual budgets, and the final budget should be ready for Board consideration at the September Board meeting.

The Executive Director mentioned that she had attended her first Northeast Region Directors' Association (NERDA) meeting, and had met with the directors in our region.

The Executive Director indicated that regarding Harbor Highlands, One Roof should be providing the Authority with the cost of the homeownership homes, so we could decide how to proceed. She mentioned that she had met with a developer and had a conversation about their interest in building market rate townhomes on the Harbor Highlands site. Also, National Equity Fund (NEF), who is a subsidiary of LISC, would like the Authority to take over as the general partner for Phase I at Harbor Highlands.

The Authority hired a consultant to look at the numbers to determine how much of the reserves would be needed for us to have a positive outcome with that.

The Executive Director reported that Aaron Schweiger had submitted a TIF application and a deposit with the HRA regarding the Morgan Park School site, and she was waiting for the “but-for” test results from Ehlers. She indicated that she anticipated a Resolution regarding this at the next Board meeting. She explained that she and David met with Pam Kramer and Bob Majewski regarding the potential of the HRA exploring a single family homeownership development across from the Morgan Park School site, and they were proceeding with the landscape architect for the wetlands delineation. They had toured the school site with Aaron Schweiger, and there was an upcoming neighborhood meeting in Morgan Park relating to the school site development that they would be attending.

The Executive Director reported that they were proceeding with two homes in the Hillside area for the Build Up Duluth program, they have received appraisals for both, and were moving forward.

The Executive Director explained that the partners had their tenants’ meeting at Gateway Tower, as required, to inform the tenants of the next steps, and what to anticipate. The Gateway partners continue to meet regularly, and the Authority was still waiting to here about the tax credit application in October.

The Executive Director reported that she and David Peterson attended an Advancing Lincoln Park meeting. David showed the commercial space at the Esmond to two artists, and was starting a conversation with another artist about gallery space at the Esmond. She indicated that this district was being marketed as a craft district with beer, art, and other “made in Duluth” types of products.

The Executive Director mentioned that the Authority had received notification of high performer status for the last fiscal year, and she congratulated Shelby Soumis and her staff at Harbor Highlands for scoring in the 90’s on both Phase I and Phase IV REAC inspections.

## **REPORT OF LEGAL COUNSEL: MONTHLY ACTIVITIES**

Legal Counsel reported that he had been working on homeownership aspects at Harbor Highlands, he has been dealing with the Matterhorn refinancing and the concerns regarding those documents, and he has been looking into what incentives could be offered to developers who might be interested in developing a portion of the site at Harbor Highlands with market rate rentals. He has also been looking at the parameters of a program in which the Authority would purchase blighted and tax forfeited properties from the County or receive them at no cost, and then rehab and sell them. The goal

would be to address blighted housing and to make non-federal income for the Authority.

**OTHER BUSINESS**

None.

**ADJOURNMENT**

There being no further business to come before the Board, the meeting was adjourned at 4:20 P.M.

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Chair

ATTEST:

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Secretary

Scheduled Regular Meeting – August 25, 2015