

## Brainerd Housing and Redevelopment Authority BOARD MEETING MINUTES March 1, 2017

A regular meeting of the Board of Commissioners of the Housing and Redevelopment Authority (HRA) in and for the City of Brainerd, Minnesota, was held at 1:00 p.m., Wednesday, March 1<sup>st</sup>, 2017, at the Brainerd HRA Administrative Office, 324 East River Road, in Brainerd, Minnesota.

1. **CALL TO ORDER:** Chair Wussow called the meeting to order at 1:01 p.m.
2. **ROLL CALL:** Present at the meeting were Chair Patrick Wussow, Commissioners Rick Fargo, Dale Parks, Eric Charpentier, Krista Brodal, and Gabe Johnson. Also present were Executive Director Jennifer Bergman, Finance Director Karen Young, Housing Manager Teresa Hettver, Rental Assistance Manager Tania Eller, and Executive Assistant LeAnn Goltz. Absent: Commissioner Marlee Larson.
3. **OATH OF OFFICE:** Krista Brodal, the new resident commissioner, was appointed by the mayor at the January 17<sup>th</sup> meeting. Bergman welcomed Brodal and conducted her official Oath of Office.
4. **UNFINISHED BUSINESS:**
  - a. **Downtown TIF District Discussion, Paul Steinman:** There has been an ongoing deficiency in tax increment revenues available to pay off the SEH bonds, which has lead to the HRA having to levy each year to support the bond. Unless additional TIF revenues are generated from new development in this district, the HRA will have to continue using its levy to support this debt service payment and such levy support is currently \$13,000. However, it is estimated to increase to about \$28,000/year by the year 2027.

With recent redevelopment and interest in revitalizing Downtown Brainerd, the question was raised in past meetings: what if the existing TIF district was modified to include properties in Downtown Brainerd? Would that generate some increment that could be redirected to reduce the HRA levy support? Because the time remaining on the existing TIF district's term is only ten years, the Board did not feel it would benefit them to modify it.

This raised the question that if a new Downtown TIF district was created, could the increment generated be used in place of the HRA levy to support the SEH Bonds? Springsted was then retained to explore options for the existing TIF district and a potential downtown TIF district. Attorney Paul Steinman was present to address the possibilities.

Steinman explained that the cost of creating a new TIF district to include all four core blocks of Downtown Brainerd would be approximately \$51,000. He added that the amount of available increment that could be redirected is limited at 25% of the increment generated by the new district due to TIF Statute. Statute caps the amount of TIF revenue able to be spent outside the boundaries of the District at 25% of the total TIF revenue. The remaining 75% of increment generated would be available to assist the new redevelopment efforts. Based on these assumptions, in order to generate enough increment to provide \$13,000 to the HRA (to cover the 2016 levy support), there would have to be an increase in value in a new TIF district in the amount



of approximately \$2 million. The Board discussed this option and considering the cost to create the District plus the limitation of using only 25%, they felt this option would not be prudent. They decided that should they pursue a new downtown TIF district, it should be independent of any SEH bonds repayment.

Steinman reported that he did have a potential lender who might consider assisting the HRA if the pledge was increased against those bonds and if the term of note was lengthened to equal the term of the district. The potential lender was positive that a levy would not be needed if those terms were met. He estimated an average interest rate of around 4%. He will find out more and get back to staff.

The Board also considered the option of creating a new downtown TIF district, but rather than using the increment for the SEH bonds, they reinvest it directly back to Downtown Brainerd. They discussed the pros and cons and agreed that it does not make financial sense.

The Board thanked Mr. Steinman for his work.

**5. READING AND APPROVAL OF MINUTES FROM THE PREVIOUS MEETING:**

**Commissioner Charpentier made a motion to approve the minutes from the January 25<sup>th</sup>, 2017, board meeting. Commissioner Parks seconded the motion. All commissioners voted in favor of the motion and none were opposed. The minutes were approved.**

**6. BILLS AND COMMUNICATIONS:**

**a. Financial Report:** Young provided the financial reports for January. She reported that auditors from CliftonLarsonAllen (CLA) were at our offices during the week of February 6<sup>th</sup> for CWC HRA. They were at our offices the following week of February 13<sup>th</sup> for the Brainerd HRA audit and Brainerd South compilation. CliftonLarsonAllen will present the final 2016 audit to the Board at the March or April meeting.

**Commissioner Fargo made a motion to approve the payments as presented. Commissioner Johnson seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion passed.**

**b. HCV Report:** Eller reported that after almost two years, the HVC waiting list will be reopening around the end of March or beginning of April. To ensure the list is manageable, it will be kept open until it reaches approximately 200 people.

**c. Public Housing Report:** Hettver provided the Vacancy Report and Property Performance Reports for January. She reported that the elevator project is complete and has passed the State inspection. There are only a few small items left on the punch list to complete. The Board discussed visiting the North Star at the next meeting to see the new elevators. Hettver also reported that the HRA will be starting a new process with separate applications for Public Housing and Section 8. This should maximize the efficiency of staff.

**d. Executive Director Report:** Bergman provided the Board with the Rehab Program Update and also reported on the following items:



### **Downtown Brainerd Update**

The Downtown Brainerd Committee met on February 22<sup>nd</sup> to continue discussions on the Downtown Brainerd Competition program. This program will be geared towards a new business, an existing business planning an expansion, or a second or third satellite location for an existing business. Some entities are each contributing funds toward incentives and Bergman suggested maybe using some of the HRA funds to help.

Todd Streeter presented to a group of stakeholders, downtown business, and property owners on January 30<sup>th</sup>. He presented a project that he completed downtown Stillwater and a proposed project in Cambridge. He recommended an approach that works from the bottom up by getting property and business owners involved in preparing several subcommittees to work on items such as marketing and beautification.

### **Brainerd Oaks Update**

The CWC HRA is preparing for a closing for the first lots from the CWC HRA to Paxmar on March 15<sup>th</sup>. Paxmar has builders lined up who are prepared to start construction this spring.

### **City Council Retreat**

The Brainerd City Council held a retreat on February 11<sup>th</sup> that was facilitated by Bruce Miles with Big River Consulting Group. All City Council members, the Mayor and department heads attended the retreat and there was a lot of great discussion about Brainerd and priorities for 2017 and 2018. This information will be compiled and shared at a future meeting. Housing was considered a priority at the meeting.

### **Day at the Capitol**

Bergman and Chair Wussow attended the Minnesota NAHRO Day at the Capitol on February 9<sup>th</sup>. They met with Senator Gazelka, Senator Ruud, Representative Lueck, and Representative Heintzeman and shared information on Downtown Brainerd and the Brainerd Riverfront. They also thanked them for the GO Bonds that funded the POHP Program. Wussow shared that it was well worth their time. His feedback was that these legislatures do not understand what HRAs do. He suggested collaborating with other HRAs to offer an educational session for representatives of our government.

### **Per Diem Discussion**

The Personnel and Finance Committee briefly discussed the Brainerd HRA's per diem. Unfortunately, it did not get placed on the agenda so the P&F members asked that it be brought back to a later meeting. It will be on the March 6<sup>th</sup> agenda. Bergman attached the staff report that for the P&F Committee meeting. Bergman also reported that she's had several requests from Jeff Czczok and Mary Koep for additional information.

Bergman reported that she received a call from the owner of the Downtown Motel inquiring if the HRA was still interested in buying it. The Board briefly discussed it and decided they were not interested.

Bergman also shared with the Board that Teri Leonard is no longer working for the HRA. The HRA will be seeking a new ROSS Coordinator and the position opening was posted yesterday.



**7. REPORTS FROM COMMITTEES:**

- a. **Brainerd Riverfront Committee (BRC):** The BRC meets tomorrow, March 2<sup>nd</sup>, 2017. They will be giving a presentation to the Brainerd City Council on March 20<sup>th</sup> but are also trying to set up a work session. Bergman reported that they will be releasing an RFP to hire a consultant to write a business plan (achievement) plan. Chair Wussow expressed the importance of getting on the legislative tour to ensure the project is part of the 2018 bonding bill.

**8. NEW BUSINESS:**

- a. **Authorize the Submission of the Bridges Program Grant Application:** The Request for Proposal came out for the MHFA Bridges Rental Assistance Program. The HRA is requesting \$222,000 for a two-year grant period. The grant application is due March 28<sup>th</sup>, 2017, with a two-year funding cycle of July 1<sup>st</sup>, 2017 through June 30<sup>th</sup>, 2019.

The grant proposal will include an increase for the average monthly rental subsidy. We were previously awarded \$350.00 per household, which will now increase to \$450.00 per household. The target number will remain the same at 18 vouchers. The service regions will also remain the same: Aitkin, Cass, Crow Wing, Morrison, Todd and Wadena Counties; Leech Lake and Mille Lacs Band Tribal Nations.

With each grant funding cycle, we will be required to enter into a new Cooperative Agreement with the Region V+ Mental Health Initiative. Once awarded funding, we will request the Board authorize the Executive Director to execute the Cooperative Agreement with the Region V+ Mental Health Initiative.

Staff requested the Board authorize the submission of the Bridges Program Grant Application to MHFA by March 28<sup>th</sup>, 2017.

**Commissioner Fargo made a motion to authorize the submission of the Bridges Program Grant Application to MHFA. Commissioner Brodal seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion passed.**

- b. **Request for Release of Contract for Private Development Related to Brainerd Oaks:** Under the Master Agreement, the Developer will purchase at least 10 lots annually from the County HRA and will develop owner-occupied single-family homes on these lots. The Developer and the County HRA will enter into a separate Purchase and Development Agreement each year, specifying which lots are being conveyed and the overall price for these lots. The Purchase and Development Agreement for 2017 is due to be approved by the County HRA at its meeting on March 14<sup>th</sup>. The parties would like to close on the conveyance of the first set of lots as soon as possible thereafter.

The 2017 Purchase and Development Agreement provides that the County HRA must use good faith efforts to clear any title issues that could create liens or encumbrances against the Property. The company providing title insurance for the Property discovered an encumbrance to title, due to the fact that the original Contract is still recorded against the Property. In order to clear this encumbrance, the title company requires that the original parties to the Contract, the Authority and the City, execute a Release of Contract for Private Development. This Release would be recorded against the Property and would provide evidence that the Contract has been terminated and is no longer in effect. The City will consider approving the Release at its upcoming meeting on March 6<sup>th</sup>, 2017.



Kennedy & Graven drafted a proposed Release for the Board's consideration and County HRA staff requested that the Brainerd HRA Board approve its execution in order to allow the County HRA and Developer to proceed to closing on the first lots and begin construction of homes.

**Commissioner Johnson made a motion to approve the execution of the Release of Contract for private development related to Brainerd Oaks. Commissioner Parks seconded the motion. A roll call vote was taken with all commissioners voting in favor of the motion and none opposed. The motion passed.**

- c. Request for Quit Claim Deed to Crow Wing County HRA for Brainerd Oaks:** The company providing title insurance for the Brainerd Oaks Property identified an encumbrance due to the tax forfeiture process that was carried out against the Property in 2008. The title company determined that in order to extinguish any possible remaining interest of the Brainerd HRA in the Property as a result of the tax forfeiture proceedings, a quit claim deed from the Authority to the County HRA is required. This deed would serve as an acknowledgement by the Authority that it has no remaining ownership interest in the Property, and would allow the County HRA to move forward with selling the Property to the Developer.

Kennedy & Graven drafted a proposed quit claim deed from the Authority to the County HRA, for consideration by the Board. County HRA staff requested that the Brainerd HRA Board approve execution of the deed, in order to allow the County HRA and the Developer to proceed to closing on the first lots and begin construction of homes.

The Board reviewed a resolution approving the quit claim deed and noted an error in the fifth paragraph: "WHEREAS, the County HRA has presented a proposed quit claim deed to the **County** HRA (the "Authority Deed") in the form before the Board of Commissioners." The Board asked that it be amended so that the corrected paragraph reads: "WHEREAS, the County HRA has presented a proposed quit claim deed to the **Brainerd** HRA (the "Authority Deed") in the form before the Board of Commissioners."

**Commissioner Johnson made a motion to approve the execution of the Quit Claim Deed resolution as amended. Commissioner Brodal seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion passed.**

Chair Wussow suggested staff members may want to host a ribbon cutting or ground breaking event at the first Brainerd Oaks property. Staff will look into it.

- 9. NEXT MEETING:** Due to vacation plans of staff members, the Board opted to move the meeting date back a week to Wednesday, March 29<sup>th</sup>, 2017.

**Commissioner Charpentier made a motion to move the March meeting from March 22<sup>nd</sup> to March 29<sup>th</sup>. Commissioner Parks seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion passed.**

**10. ADJOURNMENT:**

**Commissioner Fargo made a motion to adjourn the meeting. Commissioner Brodal seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved and meeting was adjourned at 2:53 p.m.**



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