

Brainerd Housing and Redevelopment Authority
BOARD MEETING MINUTES
April 26, 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, April 26th, 2017, at the Brainerd HRA Administrative Office, 324 East River Road, in Brainerd, Minnesota.

1. **CALL TO ORDER:** Chair Patrick Wussow called the meeting to order at 1:02 p.m.
2. **ROLL CALL:** Present at the meeting were Chair 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, ROSS Resident Services Coordinator Shannon Fortune, Executive Assistant LeAnn Goltz, and Mary Reedy with CliftonLarsonAllen. Absent: Commissioner Marlee Larson.
3. **INTRODUCTION:** Shannon Fortune, ROSS Resident Services Coordinator Hettver introduced Shannon Fortune. Fortune joined the HRA staff as the ROSS Resident Services Coordinator with an extensive background working with residents through years at Lutheran Social Services as a housing program manager. Most recently she worked as a leasing agent/compliance officer at DW Jones Investments. With her goal to engage families, she has begun working on a container gardening project. She has also been trying to meet everyone and has started a dog treat campaign to encourage tenants to visit.
4. **PRESENTATION OF AUDIT:** Mary Reedy from CliftonLarsonAllen (CLA) presented the 2016 audit and provided bound copies to the Board. She explained that this year there was an audit finding that was determined to be a significant deficiency in the internal controls over financial reporting. A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

During the audit fieldwork, it was determined that the HRA had not recorded the 10% retainage of \$26,118 for the POHP elevator contract. The 10% retainage payable is not due to the contractor until project completion, but we had received the value of the work and therefore it should have been recorded as a liability. We also did not record a receivable for this same amount from the POHP grant. The net effect of the retainage payable and offsetting accounts receivable was a wash to the financial statements.

There was also a legal compliance finding due to missing language in our contracts that is required by Minnesota State Statute 471.425, Subd. 4a. This language requires that contracts between the HRA and a prime contractor require the prime contractor to pay subcontractors within 10 days if receipt of payment from the HRA or pay interest of 1.5% per month or any part of a month.

This language has been added to the Brainerd HRA contracts for future procurements. Young suggested the HRA may want to retain an attorney to have its standard contracts reviewed. The Board discussed the importance of being legally compliant and requested that staff find the most cost effective way to do so.



5. **READING AND APPROVAL OF MINUTES:**

Commissioner Johnson made a motion to approve the minutes from the March 1st, 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 February and March.

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

b. **HCV Report:** Eller reported on a number of items:

HCV Waiting List

The HCV waiting list opened April 3rd, 2017. She reported that 124 applicants have been put on the waiting list since then and 35 have been notified. Applications continue to come in and we anticipate closing the list when it reaches 150 (about a 24-month waiting period). Eller noted that applicants are placed on the list as they come in and the HRA offers a local preference for those who can prove Crow Wing County residency.

Utility Schedule

Each year, the HRA is required to review its Utility Allowance Schedule and if there is more than a 10% change (up or down) from the previous year, the schedule must be updated.

Historically, our utility allowance amounts have been low, not reflecting the true cost the tenants pay. To bring our allowances and forms up to regulation, we contracted with the Nelrod Company to create new utility schedules for our agency.

The results of the study confirmed that the actual costs were higher for the vast majority of the utilities. Our schedule will be updated for September 2017. We estimate the financial impact to the Brainerd HRA (for current voucher holders) will be approximately \$1,666 for 2017. This means those coming onto the program may have difficulties finding housing where they will be paying utilities, since they are unable to pay more than 40 percent of their income towards rent.

HCV Funding for 2017

We are anticipating HAP to be between 94% and 97.5% proration for 2017. We have \$58,430 in NRA (our reserves) and \$36,390 in HHR (HUD held reserves). Our thought is to lease up to full capacity (320 vouchers), which means we may have to use our reserves. We are also able to use administration fee reserves to fund HAP. Next year's funding is based on what we spend this year, which includes the amount we spend from our reserves. In addition, if we are fully leased, we will also receive our prorated administration fees. The Board discussed the importance of keeping their HAP percentage as high as possible, even if using reserves is necessary. Should that be needed, staff anticipates it happening in November or December. They will keep the Board updated.



Commissioner Parks made a motion to use reserves to fund up to 100% with the understanding that the Board will be updated on the status monthly. Commissioner Johnson seconded the motion. Commissioner Fargo abstained from the vote and the remaining five commissioners voted in favor of the motion. None were opposed. The motion passed.

Eller also reported she received notification that the HRA received 100% on its SEMAP score.

- c. **Public Housing Report:** Hettver reported that the two-bedroom public housing waiting list closed on March 20th, 2017.

Maintenance staff completed annual inspections at the North Star on March 2nd and at Scattered Sites on March 30th. Inspections at Valley Trail took place April 17–20. All of the water heaters have also been replaced at Valley Trail and Scattered Sites. The City and State inspections of the installations were on April 20th, 2017.

On May 1st, 2017, at 6:30 p.m., the Brainerd Fire Department will be conducting a training for high rise tactics and strategies at the North Star Apartments. Chief Holmes will be bringing a fire truck to the North Star at 3:00 p.m. on that day to show it to the residents and answer any questions they may have.

- d. **Executive Director Report:** Bergman reported on the following items:

Downtown Brainerd Update

The group continues to meet to discuss the downtown Brainerd competition. They are working on branding the project and hope to release the program within the next month.

In addition, Region 5 Development Corp. received a Placemaking Grant and hired McClure Engineering to help with ideas for the region. Bergman had the opportunity to meet with them and discuss their ideas for Downtown Brainerd.

Brainerd Oaks Update

The first 12 of the 113 lots were sold to Paxmar-Brainerd, LLC, on March 15th. The groundbreaking ceremony was held at Brainerd Oaks on Thursday, March 30th. There were approximately 35 people in attendance, including Lakeland TV. Construction began on two lots in Brainerd Oaks and two in Serene Pines. Plans for 740 and 748 Kings Court in Brainerd Oaks have been submitted to the City. Paxmar plans to purchase another 10–20 lots within the next month.

SSRP Update

The HCP Housing Task Force met on April 18th and discussed the lot at 728 4th Avenue NE. In the past, all of our lots under the Scattered Site Replacement Program have been sold to Lakes Area Habitat for Humanity (LAHFH), but we tried something different with this lot. We attempted a partnership with Hunt Technologies/Happy Dancing Turtles as well as ISD 181. The HCP Housing Task Force recommended we attempt to sell the lot to a builder/buyer team and list the lot for sale through the summer. If it's not successful, they would recommend selling it to LAHFH.

Joint CWC HRA and Brainerd HRA Meeting

The CWC HRA Board suggested having another joint meeting on May 9th at 5:30 p.m., to which the Brainerd HRA Board agreed.



Commissioner Charpentier made a motion to have a joint meeting with the CWC HRA on May 9th with the location to be determined. Commissioner Johnson seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion passed.

Strategic Plan Update

Bergman provided the Board with the 2016–2017 Goals and Status Update. Because many of the goals have been accomplished, she suggested doing another goals session. The Board was in agreement and opted for May 9th after the joint meeting.

Rehab Program Update

The Downtown Brainerd SCDP program continues to move forward. The State Historic Preservation Office (SHPO) has given us clearance and we have started working with the property owners.

There is still approximately \$98,000 from the previous SCDP that must be spent before utilizing funds from the Downtown SCDP.

We are also starting to plan for the 2018 round of Small Cities Development Program (SCDP) applications, which will be due in November. The HCP Housing Task Force discussed a potential SCDP application for NE Brainerd. A few members of the Task Force conducted a windshield survey in NE Brainerd and identified potential homes needing rehabilitation. In addition, we will look at an application for somewhere in Crow Wing County.

Tax Forfeited Commercial Lot

The County conveyed the 83 single-family residential lots to the Crow Wing County HRA but not the commercial lots. The Brainerd HRA Board has expressed interest in the commercial lot and the possibility of marketing this lot for sale. This property is not currently listed on the land sales on Crow Wing County’s website as it has not been offered on the auction yet. It will be placed on the fall auction.

The Board asked if staff would research to find out if the property is considered a market failure and/or blighted and requested that this topic be placed on the May 9th joint meeting agenda.

Update on SEH Bond Refunding

Staff engaged with Dougherty & Company LLC to possibly underwrite or place the SEH bonds. Based on the report they provided, the principal and interest would be higher with the refunding of the bonds. If we did nothing, it looks like the existing debt would break even based on a new increment projection provided by Doherty.

Commissioner Wussow reported that he is exploring if BPU might be interested in helping the HRA by providing a loan at a lower rate. He will do more research and return with more information.

Update on CLC Student Housing

The CLC Student Housing LLC successfully purchased The Pines and a six-plex in October of 2016. All existing leases were honored and the Board, along with WSN, began working on prioritizing the rehab needs. In addition, they adopted a new tenant selection criteria. The Pines is used to house the Upward Bound students for a six-week period and then the LLC will rehab some of the units.



NAHRO Conference

To date, six staff and one board member are registered for the NAHRO conference. There will be a National Commissioners Training on Wednesday afternoon and Thursday.

7. REPORTS FROM COMMITTEES:

- a. **Brainerd Riverfront Committee (BRC):** Bergman reported that the BRC presented at the Council on April 19th and will meet again Thursday, May 4th. The Board would like to talk about this topic at their May meeting.

8. UNFINISHED BUSINESS: Bergman's performance evaluation went well and Commissioner Fargo summarized the results.

Through the evaluation process, the Board noted that a revised job description for Bergman's position is needed. The HRA has changed significantly since she was hired and she has taken on many additional responsibilities. They also suggested updating all employee descriptions and establishing an organizational chart. Chair Wussow volunteered to assist.

9. NEW BUSINESS:

- a. **Authorize Increase in Vacation Time for Executive Director:** At Bergman's performance evaluation on Monday, April 17th, she requested the Board authorize additional vacation time. The Brainerd HRA Personnel Policy vacation accrual schedule provides employees from 0–4 years of service 6.67 hours per month of vacation time and employees with 5–9 years of service with 10.00 hours per month. After 10 years of service, vacation time increases annually. Bergman was hired for the Executive Director position in June of 2011 and had negotiated 10 hours per month of vacation time.

Having been with the Brainerd HRA for almost six years, Bergman requested that the Board consider adjusting the vacation accrual schedule for the Executive Director to 13.33 hours beginning with Year 6 of her employment.

The Board had a discussion and suggested doing a salary and vacation study for all employees. Because this would require updated job descriptions, which are not yet completed, they decided to accomplish that first and budget for the study next year.

Commissioner Johnson made a motion to authorize the Executive Director to accrue vacation hours at a rate of 13.33 per month effective immediately. Commissioner Brodal seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved.

- b. **Selection of Brainerd Riverfront Committee Member:** One of the responsibilities of the Brainerd HRA in managing the Difference Maker Grant through the Brainerd Lakes Area Community Foundation (BLACF) is to appoint members to the Brainerd Riverfront Committee (BRC). The Brainerd HRA Board decided to appoint nine members to the Committee with one liaison from the Brainerd HRA Board.

We recently advertised for the one opening we had in December and the Board appointed Ashley Storm at the January meeting. Since that time, one other member has resigned from



the committee, leaving an open position to be filled. Because we received seven other excellent applications previously, we decided not to advertise again and simply select from the pool of the other applicants.

The Board discussed the applicants and what they felt was needed on the committee.

Commissioner Johnson made a motion to appoint Jamie Bieser to the Brainerd Riverfront Committee. Commissioner Fargo seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved.

- c. Approve Commitment of General Fund Dollars for Housing Rehab Program:** In August 2012, the Board approved creating the Housing Rehab Specialist position. The position was originally funded by a \$15,000 contribution from the Crosby HRA, \$10,000 from the CWC HRA, and \$15,000 from the Brainerd HRA. At that time, it was presented to the Board that the creation of the position would require an additional commitment of \$20,000 to \$30,000 from the General Fund. In November 2014, an additional \$10,000 was committed from the General Fund for a total contribution of \$25,000 from the Brainerd HRA. In 2017, the CWC HRA funded an additional \$30,000 for the creation of the full-time position.

The HR balance at the end of March was \$5,273. The first quarter SCDP billings have been submitted to the cities of Brainerd and Crosby for a total reimbursement of approximately \$12,700. These reimbursements may not be received in April and the expenses for April will exceed the current cash balance.

Staff recommended that the Board commit an additional \$10,000 of unassigned fund balance to the Housing Rehab Program. This would avoid a negative cash balance when there is a timing difference for SCDP reimbursements.

Commissioner Parks made a motion to approve commitment of \$10,000 to the Housing Rehab Program. Commissioner Fargo seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved.

Commissioner Fargo reported that the Brainerd Rental Housing Licensed Board of Appeals meeting was held last night and that he recused himself from the Board due to his involvement on the Brainerd HRA Board.

Commissioner Wussow suggested scheduling an educational meeting with the local HRAs for our legislative representatives and possibly other officials. He requested that they discuss this at the joint meeting.

10. NEXT MEETING: Wednesday, May 31st, 2017

11. ADJOURN TO MAY 9th MEETING:

Commissioner Johnson made a motion to adjourn to the May 9th joint meeting. Commissioner Fargo seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved and meeting was adjourned at 3:38 p.m.

