

Brainerd Housing and Redevelopment Authority
BOARD MEETING MINUTES
Wednesday, November 28, 2018

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, November 28, 2018, at the Brainerd HRA Administrative Office, 324 East River Road, in Brainerd, Minnesota.

1. **CALL TO ORDER:** Chair Marlee Larson called the meeting to order at 1:00 p.m.
2. **ROLL CALL:** Present at the meeting were Chair Larson, Commissioners Gabe Johnson, Eric Charpentier, Ashley Storm, Bekah Kent and Patrick Wussow. Others present: Executive Director Jennifer Bergman, Finance Director Karen Young, Rental Assistance Manager Tania Eller, Executive Assistant LeAnn Goltz, and Rental Assistance Specialist Ryan Barnett. Also present: Rick Fargo and Cassandra Torstenson. Absent: Commissioner Krista Broda.
3. **INTRODUCTION:** Ryan Barnett, Rental Assistance Specialist, was introduced to the Board. Barnett provided his background and the Board welcomed him.

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

Commissioner Johnson made a motion to approve the minutes from the October 31st, 2018, board meeting. Commissioner Kent seconded the motion. All commissioners voted in favor of the motion and none were opposed. The minutes were approved.

5. **UNFINISHED BUSINESS:** Nothing to report.

6. **NEW BUSINESS:**

- a. **Approval of Family Self-Sufficiency (FSS) Program Grant Application:** The Family Self-Sufficiency Program grant application was released on November 1st. Eller explained that the grant will be submitted after today's meeting as it is recommended to submit a few days prior to the November 30th due date. The grant is for one year and covers the salary and benefits of a full-time position. We will be asking for \$67,950.00. The anticipated announcement of award will take place in December 2018. There is a possibility the receipt of the funds could be delayed due to the late submission/award date. Bergman added that the 2019 grant will be split out so that 75% of it will fund Carrie's position and the remaining 25% will go toward Ryan's position.

Commissioner Wussow made a motion to approve the submission of the Family Self-Sufficiency Program Grant Application. Commissioner Johnson seconded the motion. All commissioners voted in favor of the motion and none were opposed. The minutes were approved.

- b. **Discussion: Downtown Coordinator Position:** There has been a transformation of downtown Brainerd with the improvements to existing buildings, new businesses moving in, and existing businesses flourishing. There has been a new interest in locating a business downtown, which was shown when we had 73 people apply for the prize package for the Destination Downtown 2.0 program.

City Administrator Cassandra Torstenson, Brainerd Lakes Chamber President Matt Kilian, and Bergman met to discuss the potential of contributing to funds to hire a downtown coordinator.

Torstenson was present for the meeting and she, along with Bergman, had a discussion with the Board to discuss this potential initiative. The Board expressed concern about using tax payer dollars for the position. They discussed the possibility of getting grant money to fund the position, much like was done for the Riverfront Coordinator position. Torstenson and Bergman explained the hope would be that the contributing funds would serve as seed money for the first couple years and then move to a self-sustaining position. The Board requested that staff research grants that may be available, possibly through the Initiative Foundation or the Brainerd Lakes Area Community Foundation, and then they will discuss the topic again at next month's meeting.

- c. **Approval of 2019 Budget:** Young provided the Board with the 2019 budgets for the General Fund, Housing Choice Voucher Program, and Public Housing. She informed the Board that federal program funding for Housing Choice Voucher and Public Housing are not known at this time and are based on estimates. The rates for employee health insurance increased by 8.69% and a 2% annual adjustment to wages was included in the budget for all permanent, full-time positions.

Young also informed the Board that CTC is increasing their cable costs significantly and the HRA will no longer be offering it to tenants. Should residents want cable television, they will have to work with CTC directly.

Commissioner Johnson requested that staff return with an update on how the solar panels are performing at the Todd Street family unit.

Commissioner Johnson made a motion to approve the General Fund Budget, HCV Budget, and Bridges Budget as presented in addition to a 3% increase in pay for HRA staff. Commissioner Kent seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved.

Commissioner Johnson made a motion to approve the Public Housing Budget and adopt Resolution No. 2018-29 PHA Board Resolution Approving Operating Budget as presented in addition to a 3% increase in pay for HRA staff. Commissioner Kent seconded the motion. Via roll call, all commissioners voted in favor of the motion and none were opposed. The motion was approved.

- d. **Approval of Primary Bank Selection from Banking RFP:** A Request for Proposals was issued in August for banking services. We received four complete responses and a letter from Wells Fargo (our incumbent bank). Staff and Commissioner Johnson evaluated the responses and scored the proposals based on the evaluation criteria in the RFP. The rankings were as follows:

1. Bremer Bank
2. Deerwood Bank
3. US Bank
4. Frandsen Bank

Young explained that staff would like to schedule a meeting with Bremer Bank to walk through their services and products and discuss the transition process. Pending a positive meeting with Bremer Bank with no concerns or red flags, staff would recommend moving the agency banking

services to Bremer Bank. If there would be any concerns after the meeting with Bremer Bank, they would then recommend scheduling a meeting with the number two selection of Deerwood Bank to consider their services.

Staff would then establish signatories on the operating account of the executive director, finance director, and board of commissioners. The executive director and finance director would be signatories on all accounts.

Commissioner Charpentier abstained from voting.

Commissioner Johnson made a motion to approve Resolution No. 2018-30 (pending a positive meeting with Bremer Bank and staff) approving Bremer Bank as the agency's primary bank to provide banking services and other related services and that the executive director is authorized to execute any documents necessary to enter into a banking relationship consistent with the requirements of the RFP as submitted by Bremer Bank. Commissioner Kent seconded the motion. Via roll call, all commissioners (except for Commissioner Charpentier who abstained) voted in favor of the motion and none were opposed. The motion was approved.

7. BILLS AND COMMUNICATIONS

- a. **Financial Report:** Young provided the financial report for October 2018. She also reported the following:

Post Issuance Debt Compliance Policy

The Post Issuance Debt Compliance Policy was drafted by Ehlers and adopted by the Board in 2014 per IRS Code to ensure compliance with procedures and responsibilities after bond issuance. It is very timely that this policy is on our list of policies to be reviewed as the Securities and Exchange Commission has released new amendments for this policy that have an effective compliance date of February 27th, 2019. Ehlers is in the process of deciphering the changes and will provide an updated policy when they have a full understanding of the new recommendations. We will bring this before the Board once the updated policy is drafted by Ehlers.

Fraud Documentary

Young recently attended a training from the Office of the State Auditor and one of the sessions pertained to fraud. Accounting Professor Kelly Richmond Pope, who teaches Forensic Accounting at DuPaul University in Illinois, created a documentary titled *All the Queen's Horses* that investigates the largest case of municipal fraud in American history. It is now showing on Netflix and tells the story of how this fraud of over \$53 million occurred in the small town of Dixon, IL, over a 20-year period.

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

- b. **HCV/Section 8:** Eller reported that the UML through October was 99% and HAP utilization was 82%.
- c. **Public Housing Report:** Bergman presented the PH report in Hettver's absence.

d. Executive Director Report: Bergman reported on the following:

RAD

Bergman received a letter from HUD regarding the repositioning of Public Housing. In 2012, HUD created the Rental Assistance Demonstration (RAD) program to allow PHAs to convert public housing units from their original sources of HUD financing to project-based Section 8 contracts. The primary benefit of RAD is that properties that convert under this process are no longer restricted from securing private sources of capital financing, and the owners are therefore able to address deferred maintenance issues that have caused Public Housing and other HUD rental stock to deteriorate nationwide. Staff explored this option back in 2012 and decided at the time that it would not be financially beneficial for the Brainerd HRA to convert to RAD.

However, HUD is now encouraging PHAs to consider repositioning their public housing either through RAD or the demolition disposition program. We have not fully explored these options, but Bergman wanted to make the Board aware of these HUD initiatives.

Update on Strategic Plan

The 2017–18 HRA Goals and Action Steps Status Report was provided to the Board.

Ethics Committee Representative

The newly adopted Code of Ethics and Standards of Conduct Policy states that an Ethics Review Committee shall be created, which should consist of an employee, a board member, and one neutral third party. The purpose of the committee is to review and render decisions on any matter involving ethical conduct or breach of ethical conduct by employees, vendors, or commissioners. Bergman asked the Board to appoint a member to this committee. Commissioner Johnson offered to be on the committee and Rick Fargo volunteered to be the neutral third party committee member.

Commissioner Wussow made a motion to appoint Rick Fargo as the neural third party ethics committee member. Commissioner Johnson seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion passed.

Destination Downtown

Seventy three applications were received for the Destination Downtown 2 competition. The judges reviewed the applications and narrowed the field to 11 and then down to the three finalists: Blu Paisley, Knotty Pine Bakery and Sourdough Sam's. At the Chamber Annual Event, the winner was announced and Knotty Pine Bakery was the grand prize winner for a total prize package of \$50,000. The Brainerd HRA's contribution is a rental subsidy for the first year of 50% of the rent or \$6,000, whichever is less.

Update on PDA with Paxmar-Brainerd LLC

As a part of the Purchase and Development Agreement (PDA) with Paxmar-Brainerd LLC (Paxmar), CWC HRA is required to ensure that Paxmar is complying will all of the requirements. One of the requirements is that plans are submitted to the HRA for each home and that it complies with the covenants and that Paxmar builds the homes according to the plans.

There have been some differing opinions or concerns regarding the covenants and the building products Paxmar has been using. The covenants state that homes shall have stone or brick on the front facade, but we discovered a few homes with an alternative product. This was brought to Kent

Roessler's (Paxmar) attention and he explained that the project is a V-stone (veneer). Bergman and Schommer informed Roessler that because the covenants say stone must be used and the plans specified stone, stone should be used. Paxmar indicated concerns with the building costs associated with stone and expressed that they were considering cancelling the contract.

In the meantime, staff consulted with their attorney to discuss the option of cancelling the contract. The contract cannot just be cancelled; there would have to be an event of default outlined in the PDA. Since the covenants state stone or brick must be used and an alternative product was used instead, that is considered an event of default.

Bergman spoke with Roessler and he informed her he would not be cancelling the contract and has agreed to follow the covenants at this time.

After some discussion, the CWC HRA Board made a motion to insist on compliance with the covenants in the PDA and authorized the executive director to negotiate and work with Paxmer to come up with a reasonable solution.

NAHRO Award

Bergman accepted the Award of Excellence from National NAHRO for the Revival of Tax Forfeited Residential Subdivisions at the NAHRO conference in Atlanta. National NAHRO awarded 22 Awards of Excellence from a pool of 93 Awards of Merit recipients.

Bergman shared that she and Phelps have been discussing the potential of buying the old Thrifty White building for the purpose of facilitating some development on that block, possibly using Opportunity Zone funds.

e. Rehab Report: Bergman also presented Schommer's report.

8. COMMISSIONER COMMENTS: Commissioner Johnson shared that the City of Brainerd has been discussing budgets. Some council members are interested in getting a new city hall.

9. ADJOURN

Next Meeting: Wednesday, December 19th, 2018

Commissioner Charpentier made a motion to adjourn the meeting. Commissioner Storm seconded the motion. All commissioners voted in favor and none were opposed. The motion passed and the meeting was adjourned at 2:27 p.m.