

Adopted Minutes Special Council Meeting May 25, 2010

Mayor Slavik called a Joint Meeting with the Housing and Redevelopment Authority (HRA) to order at 5:30 p.m. in the Medicine Lake Conference Room, 3400 Plymouth Boulevard, on May 25, 2010.

COUNCIL PRESENT: Mayor Slavik, Councilmembers Johnson, Murdock, Stein, Black, Willis, and Bildsoe (arrived at 5:55 p.m.).

ABSENT: None.

HRA PRESENT: Chair Kulaszewicz, Commissioners Caryotakis, Ludovissie, and Miller.

ABSENT: None.

STAFF PRESENT: City Manager Ahrens, Community Development Director Juetten, Housing Manager Barnes, Administrative Services Director Portner, City Engineer Moberg, and City Clerk Engdahl.

Discussion on Assistance to Sand Companies for the Development of Work-Force Housing Project located at County Road 47 and Vicksburg Lane

Housing Manager Barnes discussed staff's report outlining this housing development and options for assistance to facilitate this development. He stated the financing assistance would help fill an expected financing gap as well as provide points to increase the scoring of the highly competitive tax credit application process. Without assistance from the City, the current estimated application score is 66 points. With the requested City assistance, the estimated score would increase to 80 points. In the past two years, the minimum score range for selected projects has been 69-79. He noted the following is being requested:

1. Financial assistance – Sand Companies is requesting direct financial assistance in the amount of \$600,000 or approximately \$9,000 per unit. This would add two points to the Minnesota Housing Finance Agency (MHFA) application. Options for funding this assistance include the use of existing excess tax increment financing (TIF) dollars (TIF District 7-4), create a new TIF district specifically for this project, utilize HRA reserves (currently an obligated balance of \$1.4 million), or any combination of these options. Staff has proposed a forgivable loan from the HRA reserves in the amount of \$300,000 and a forgivable loan from the excess increment in TIF District 7-4 in the amount of \$300,000.

2. Waiving of fees – Sand Companies is requesting a waiver of \$2,000 in park dedication and \$2,000 in City SAC and WAC fees. The waiving of these fees would provide two additional points in the scoring. Based on current fee rates, the project would pay a total of \$435,000 in park dedication and an estimated \$132,525 in City SAC and WAC fees. The Council could waive these fees and the HRA would approve a transfer of \$4,000 from the HRA reserves to reimburse the funds.
3. Committing project-based Section 8 vouchers – Sand Companies is requesting the HRA to provide seven project-based Section 8 vouchers to the project. If the seven vouchers are guaranteed for a minimum of ten years, five points would be added to the MHFA application.

Neil Fortier, with Sand Companies, explained the background investigation process they utilize for prospective tenants. He stated for example, if a person has a felony charge, has been convicted of a gross misdemeanor, has a history of non-sufficient fund checks, has judgments against them, has an unlawful detainer conviction, is consistently late with payment obligations per credit report, and has filed for bankruptcy in the last year, they would be unable to enter into a lease agreement. He stated after the project is complete, their company will be managing the development. He stated there is a caretaker that lives there as well as a property manager who is there 32 hours per week. Tenants are provided with a 24-hour emergency call number.

Councilmember Johnson asked if the City can go longer than 10 years for the project based Section 8 vouchers. Housing Manager Barnes replied the maximum is 10 years and then it's a year-by-year basis after that.

Councilmember Willis noted that people stereotype workforce housing and Section 8 units being in a housing development. He asked the applicants how they combat that stereotype.

Mr. Fortier stated with this mixed development, it isn't a problem. It's more of a problem when an entire development is Section 8. John Belisle, with Sand Companies, added everything comes down to good and solid management. This development is really geared towards workforce housing. Out of 67 units, only seven are project based Section 8 vouchers. He stated regular Section 8 vouchers could also be used, but they would have to go through their background check.

Councilmember Black commented regarding public perception, the City needs to do its best to educate people. The Council also needs to do what's best for the community.

Councilmember Johnson asked Mr. Fortier what they do when a tenant causes problems after they have entered into a lease agreement. Mr. Fortier replied that they sign a crime free and drug free addendum that is attached to their lease at the time they sign the lease. This document gives them substantial power to evict the tenant.

Councilmember Willis suggested using excess TIF proceeds from TIF District 7-4 to cover the entire forgivable loan of \$600,000 rather than using \$300,000 from TIF District 7-4 and \$300,000 from the HRA reserves.

City Manager Ahrens stated it's philosophical on what the Council chooses to do for the \$600,000 forgivable loan. At previous meetings, the Council has discussed allocating excess funds from one TIF district to another. She noted that the HRA reserves are getting fairly significant.

HRA Commissioner Ludovissie stated regarding the HRA reserves, there are a couple HRA projects that are close to 15 years old. Those reserve funds would be used for the maintenance and replacement costs of those projects. Therefore, he supports using the excess increment from TIF District 7-4 for the \$600,000 forgivable loan. HRA Chair Kulaszewicz agreed.

Councilmember Stein stated the City already levies for the HRA, so a portion of those funds should go towards this project. Therefore, he supports the using \$300,000 from the HRA reserves for part of the forgivable loan.

Motion was made by Councilmember Stein, and seconded by Councilmember Johnson, to approve staff's recommendation to waive \$2,000 in park dedication fees (reimbursed with HRA reserves), waive \$2,000 in SAC/WAC fees (reimbursed with HRA reserves), commit seven project-based Section 8 vouchers for a 10-year period, provide a forgivable loan from the HRA reserves in the amount of \$300,000, and provide a forgivable loan from excess increment in TIF District 7-4 in the amount of \$300,000.

Discussion centered around the use of the excess increment from TIF District 7-4 for the entire amount of the forgivable loan (\$600,000) or allocating \$300,000 from the HRA reserves and \$300,000 from TIF District 7-4. Mayor Slavik and Councilmembers Willis and Black all agreed to fund the entire amount of the forgivable loan from the TIF District 7-4.

Motion was made by Councilmember Black, and seconded by Councilmember Murdock, to amend the main motion to fund the entire forgivable loan in the amount of \$600,000 from TIF District 7-4. With all members voting in favor of the amendment but Stein, the motion carried.

The Council voted on the amended main motion and with all members voting in favor, the motion carried.

Mayor Slavik stated that this item is also on the Council's regular agenda after this meeting for any further discussion or direction.

Adjournment

Mayor Slavik adjourned the meeting at 6:53 p.m.



Sandra R. Engdahl, City Clerk