

City of East Bethel
Housing and Redevelopment Authority Meeting

October 2, 2013

The Housing and Redevelopment Authority (HRA) met on October 2, 2013 for a work meeting at City Hall at 6:30 PM.

MEMBERS PRESENT: Bob DeRoche Ron Koller Richard Lawrence
 Heidi Moegerle Tom Ronning

ALSO PRESENT: Jack Davis, City Administrator

Call to Order DeRoche called the work meeting to order at 6:30 PM.

Adopt Agenda **DeRoche made a motion to adopt the October 2, 2013 Housing and Redevelopment Authority (HRA) work meeting agenda. Koller seconded.** Ronning, “This is a pretty lengthy agenda. Did you direct these to be on here?” Davis, “This is what Council directed us to address.” DeRoche, “The CDBG program is the one that is for not only for the Coon Lake area, but the whole City.” Davis, “We were directed to bring this back to address the issues and see what was available.” **All in favor, motion carries.**

Minutes **DeRoche made a motion to approve the July 5, 2013 HRA Regular Meeting Minutes. Koller seconded; all in favor, motion carries**

HRA Projects & Fund Uses Davis explained the HRA Board directed staff to look at CDBG Funds and other ways to address certain issues in the City.

1.) Hwy. 65 East Side Redevelopment Project

Purpose: Extend water and sewer service and street improvements, offer storefront renovation loans and provide streetscaping to the east side of Hwy. 65 from 184th Avenue to 187th Lane. The use of funds for this type of project would clean up a blighted area and stimulate the potential for residential development in the areas immediately surrounding the affected properties. This project would also provide utility service to this area and possibly be a catalyst for a Senior Housing Project that could potentially be located in this area.

In addition to the above benefits, this project would provide up to \$291,200 for SAC and WAC connections and extend water and sewer service within extendable limits of property south of 184th Avenue.

Estimated Cost: \$2-2.5 million dollars depending on the scope of the project

Other Funding: This project would have to be bundled with City Street Capital Improvement Plans, MnDOT Cooperative Agreement Grants, City Assessments and Municipal Utility Bond fund balances to supplement HRA monies to generate the total funds required to make this feasible.

Comments: This type of project would provide the highest return on investment of any of the alternatives that Staff has reviewed in terms of combining economic development needs and housing goals. The project could be designed to recover those costs that are assessable and require any type of loan repayment.

We estimate that the costs for this project would be 2.1 million dollars and potential funds available could be up to 2.5 million dollars depending on CBDG approval (See Attachments 1 & 2).

2.) Our Savior's Utility Extension

Purpose: Extend water and sewer service to Our Savior's Lutheran Church (OSLC) to service an area that would be developed for Senior Housing. This project would require an agreement with OSLC that would commit them to the project. Details of such an agreement would be determined by HRA program guidelines. The use of HRA funds for this project could free up any bond fund balances from the Municipal Utilities Project for other uses.

Estimated Cost: \$250,000 to \$450,000.

Comments: This project would be dependent on the guarantees that would be required from OSLC in regards to developing Senior Housing both in terms of commitment to the implementation of a project and the approval of an acceptable time line for completion. This may still be a project for use of any excess bond funds but the bond funds would have to be committed by no later than the end of this year. Terms of reimbursement are yet to be determined.

The costs to extend service to the site and accommodate future off site extensions would be \$436,139 and the costs to serve only the site would be \$330,689. The difference between these costs, \$105,450, would be the responsibility of the City as they represent an increase in line size. There have been no other discussion as to cost sharing and Staff is in the process of arranging a meeting with OSLC to determine their interest in the project.

3.) Storefront Renovation Program

Purpose: to provide loan funds to improve the storefronts and signage of up to 19 businesses along the service road on the east side of Hwy. 65 from 183rd Lane to 188th Avenue. This type of program would improve the overall appearance of a commercially blighted area and enhance the attractiveness of adjoining property for residential use.

Estimated Cost: \$400,000 to \$500,000

Comments: This would be an eligible CBDG project but there are no assurances of funding. The City may desire to explore the possibility of developing a City HRA program to address this matter if grant funds are not available.

4.) Citywide Septic System Improvement Loan Program

Purpose: Provide low interest loans for septic system improvements for failing systems in the City. This type of program could possibly be combined with County CBDG assistance to provide additional funds for these activities. This item will be discussed as a separate program in the following agenda item for the October 2, 2013 meeting.

Estimated Cost: \$100,000 to 500,000 and up depending on the number of applicants or the choice of solutions to the problems associated with Coon Lake.

Comments: This type of project would meet eligibility requirements but would offer little in the way of economic development. It may also be only a temporary solution to a much larger problem of service provision that may be required at some point in the future. While being limited as to direct economic development benefits, this use of funds could have a potentially significant environmental impact in terms of both surface and subsurface water quality. This type of project may also be required to repay loan funds depending on the

structure of the program and participation with other funding sources.

Legal and Eligibility Considerations

As with the use of specifically purposed and statutorily regulated programs and funds, any of the above uses, if selected for a project, would need to be reviewed and approved for program eligibility.

We have been tasked with the responsibility for ensuring that we obtain the maximum benefit from this program and our objective is to identify project eligible uses that would compliment both our housing and economic development goals. While the list included in this report is not all inclusive, it does present some differing examples or combination of ways that we can utilize and leverage this program to create additional benefits over and above of those of conventional housing programs.

Davis, "We also have the potential for refinancing the 2010 B bonds, but if we want to do that this \$800,000 would have to use to pay down the debt. This is the one that is loaded up front. If we want to consider this we need to let Ehlers know by Friday so we can save the cost of issuance and bond rating. That will leave us with no money for these projects and a little exposed for change orders and cost issuance." Vierling, "The presumption, the legal due diligence is still out on whether you can do that. If you do it and it turns out you can't, you have an audit issue with the IRS." Davis, "Stacy is still investigating if this is legally possible and to getting another opinion on that." DeRoche, "The fact that we would be depleting the funds and we haven't done well in experimental projects. I wouldn't be such a good think in my mind and then to have it come back and not be legal, that is an issue." Ronning, "These estimates, are they based on continuing rebates from the government?" Davis, "They are based on what we have now. I did send out that in 2014 there will be a reduction. We will experience a 7.2% reduction. That will probably be on the table until 2021." Ronning, "So that means there is a reduced rebate in here?" Davis, "It is something they are considering."

Koller, "I don't like spending that much money to buy it down. It could put us in some hurt." Davis, "Spending money on infrastructure will probably provide us with a bigger return." DeRoche, "To do this road over there, what I see next is these businesses would need to hook up." Davis, "That would be the only way feasible to do it." DeRoche, "Has any of this been discussed with the businesses?" Davis, "This wouldn't be an up or down vote of whether we were going to do it. We would have to have discussions with MnDOT about right-of-way and I would want to have some additional meetings with the businesses over there. Some businesses say they are okay with it, some are against it. If you give us direction to move forward with it, then we will let them know we are considering a package to move forward."

Moegerle made a motion to table this indefinitely as far as the 2010 B Bond

Refunding. Koller seconded. Ronning, "We need to keep in mind, I am not one for refinancing, I like to pay things off. But at anytime some or all of the rebate can go away. This looks like we would have at least minimal savings with the likelihood of some more down the line. We also have the attorney's comments." **Ronning, nay; DeRoche, Koller, Lawrence and Moegerle, aye; motion carries.**

Davis, "Colleen and I met with the attorney for Our Saviour's Church. This is something we can probably apply for an HRA Grant up to \$300,000. The rest would have to be bond

funds or HRA funds. If this were done the cost to the church would be about \$330,000.” Moegerle, “Why would Our Saviour’s apply for CDBG and do this on their own dime?” Koller, “It would be nice if we had a commitment on the Senior Housing.” Moegerle, “Is this the full time pastor or interim pastor you are meeting with?” Winter, “Full time.” DeRoche, “Isn’t this something that was looked at several years ago?” Davis, “It was. But, they couldn’t get enough people to sign up for the housing at that time.” Moegerle, “I think we encourage them to apply for the CDBG program with a smile on our face.” Davis, “We should set a priority for the projects that you would like to see done.”

Davis, “The City-wide septic system loan program. What we had originally talked about was setting it up as a City loan program and using City funds. In summary we have four projects we have discussed and we feel are good candidates for CDBG funding or City loan projects. Some are going to take a couple months to develop anyway. The grant application for CDBG for this cycle is due January 2014, so if Council gives us direction we need to know which direction you would like us to go.”

DeRoche, “I would like to help people with failing septic/sewer systems. If we are going to fix the roads and make them pay for the City water and sewer, let’s make sure they are going to be able to be here.” Moegerle, “Let’s get the Chamber to work with them and help them go get CDBG funds.” DeRoche, “This is the federal funds, not City funds.” Moegerle, “I don’t know why we would be doing the administrative on it.” Ronning, “Do you have any thought on the participation?” Moegerle, “You can’t drag people into doing things.” Ronning, “If they are at the point of doing this, we would be helping them. I would like to do whatever we can to leverage our services best.” DeRoche, “I thought it was part of staff’s tasks that they should be doing some of the administration of this.”

Winter, “I think there are two distinct projects. One is infrastructure and road improvements. The other is storefronts. Maybe look at it over after two years. The infrastructure is critical.” Koller, “I have been looking at these and our biggest need is utilizing water and sewer and this is utilizing water and sewer. Have you talked to Mr. Osborne?” Davis, “We have talked to Mr. Osborne and he is anxious to get the water and sewer over there. We need to grow this system as much as we can, there will be costs involved. But we cannot just sit back and not do anything. My personal recommendation would be to keep working on this. It would be good to make sure we have the funds available.” DeRoche, “How much is in our street capital funds?”

Davis, “Let us come back to you with more information.”

CDBG Grant Program

Davis explained that the funds from the Community Development Block Grant (CDBG) Program are made available for physical improvements, economic development, and housing activities in Anoka County. These funds are allocated by the U.S. Department of Housing and Urban Development (HUD). The Community Development Block Grant (CDBG) program is a federal government program that promotes community revitalization and funds those eligible types of activities. The CDBG Program provides annual grants to Anoka County for eligible projects to accomplish these objectives.

Anoka County is granted and distributes these funds annually to local communities through a competitive application process. This application is for project and planning activities only. This process is managed by the Community Development Department of Anoka County. Project areas include the Anoka County area except for the City of Coon Rapids which is its own entitlement.

Applications are reviewed by the Anoka County Community Development staff for project and applicant eligibility. The Community Development staff provides a funding recommendation to the Anoka County Housing and Redevelopment Authority (HRA) Board of Trustees and Anoka County Board of Commissioners for final approval.

City Staff has met and discussed potential projects with the Anoka County Development Department and have been informed that the City may be eligible for funds up to \$300,000 to be used to address public health and neighborhood improvements for low and moderate income persons. The City has discussed on several occasions the possibility of developing or utilizing an existing program to rehabilitate, improve and/or replace non-compliant septic systems for those persons that have limited means to address these issues.

Should the City decide to apply for CDBG funds to provide assistance for septic system repair, the City Council would need to authorize the application for the grant. The grant requires no match and costs incurred are paid by the City and reimbursed by the County.

In order to submit an application, the City must decide if this is to be a City wide or a defined neighborhood project. The advantage to a neighborhood project is that only one Environment Review is required for the project as opposed to individual reviews for a City wide project.

The Coon Lake Beach area has had issues with septic system compliance and would be the prime area to target for a CDBG application for these purposes. This neighborhood approach, with Coon Lake Beach being the focus area, would have the following advantages over other sections in the City as to an increased potential for funding;

- 1.) The Target Area would be of manageable size to complete the necessary eligibility surveys;
- 2.) The Target Area may be able to meet the income guidelines;
- 3.) Septic system problems have been an issue for many residents in this neighborhood;
- 4.) The City hasn't received CBDG funding since the Senior Center Addition to City Hall in 1998.

As part of the application process, a Participant Survey will need to be finished by December 1, 2013 and resources allocated to complete this work. Applications are due January 14, 2014.

There is \$784,705 in the HRA account. \$281,400 of this amount is encumbered by a loan to the City EDA and \$22,900 proposed for HRA administration in the 2014 budget. These funds, if not utilized by the EDA by December 31, 2013, revert back to the HRA. Excluding the outstanding EDA loan and proposed 2014 administrative costs, there is an unencumbered balance of \$480,405 in the HRA account for purposes of the program for 2014. This balance is subject to designation for other purposes as determined by the HRA Staff recommends the HRA consider a recommendation to City Council to apply for a Community Development Block Grant for the Coon Lake Beach Neighborhood for the purpose of septic system repair and compliance.

Davis, "The Past grant was done by the Coon Lake Beach Community Center and they had

to do a survey. They had to go out and sample 120 people. In this case we may be able to circumvent this but we would need to get letters from HUD. The application needs to be completed by January 14, 2014.” Moegerle, “In anticipation of this, I checked my file here at City Hall to see if my pumping records were here. I know that I sent it in and it wasn’t here. Do we have an electronic record of septic pumping?” Davis, “I will check on that. We do have the information that Emmanuel put together for us. One of the things we would have to show is need, that people have septic issues. If we are asking them to self-report and if they are not compliant and if we don’t get the grant, then they would have to pay to get it up-to-date. We are asking you if you want to apply for the grant.”

Moegerle made a motion to pursue the CDBG Grant with special attention paid to self reporting and what we will do if we don’t get the grant and we have systems non-compliant. Davis, “We would have to make sure that the funds would be available if they needed them to upgrade.” DeRoche, “Every time you go to do something, they change the regulations and you can be non-compliant.” Davis, “There may be certain lots over there that there may be nothing you can do.” **DeRoche seconded.** Davis, “We can begin by seeing what it would cost to get extra help for the participant survey.” DeRoche, “I will approach the people at the community center and see if they would be willing to help with the survey if needed.” Ronning, “One thing is perception or reality, there is unintended entrapment. Telling them I am not well, okay you are sick and we are going to charge you double. Non-compliant is a better term.” Vierling, “We can address other things in the application materials.” **All in favor, motion carries.**

Adjourn

Moegerle made a motion to adjourn the HRA meeting at 7:27 PM. DeRoche seconded; all in favor, motion carries.

Attest:

Wendy Warren
Deputy City Clerk