

City of East Bethel
Housing and Redevelopment Authority Special Meeting

August 20, 2014

The Housing and Redevelopment Authority (HRA) met on August 20, 2014, for a special meeting at City Hall at 6:30 p.m.

MEMBERS PRESENT: Bob DeRoche Ron Koller Tim Harrington
 Heidi Moegerle Tom Ronning

MEMBERS EXCUSED: None.

ALSO PRESENT: Jack Davis, City Administrator
 Mark Vierling, City Attorney

1.0

Call to Order

Koller called the regular meeting to order at 6:30 p.m.

2.0

Adopt Agenda

Moegerle made a motion to adopt the August 20, 2014, Housing and Redevelopment Authority (HRA) meeting agenda. Harrington seconded. All in favor, motion carries.

3.0

Approve Minutes

This item was considered following Item 4.0, Future of the HRA.

4.0

Future of the HRA

Davis presented the staff report, indicating that the Council is requested to discuss the future of the HRA and any interest in disbanding this Authority. As we are continually searching for funds to pay down bond debt or finance needed water and sewer extensions, HRA funds were relegated to a secondary option and were considered to be only available if a housing component were to be incorporated into a project. At this time, we may want to consider disbanding the HRA, especially if we have no definite projects or use of funds from this account to assist in financing improvements or debt reduction. The current balance of this fund is \$770,000 less the encumbrance of the loan for the SAC and WAC connections and the \$200,000 required as working capital for the CDBG program. The \$200,000 will be reimbursed upon the completion of the project in 2015.

Our City Attorney has rendered an opinion on the matter of disbandment and has confirmed Staff's interpretation of Minn. Stat. 469.033, subd. 7, which allows for the disbandment of the HRA and the transfer of its (HRA) assets to the City. However, those assets may only be used 'for permanent improvements in the City or the retirement of debts or bonds incurred for permanent improvements in the City.' Utilizing these monies to pay utility bond issues certainly would qualify and utilities extension would also qualify for use of the funds.

In order to proceed, if this is Council's wishes, this Council would have to adopt an ordinance or resolution to disband the HRA after a public hearing. Upon adoption, the Council would submit the ordinance to the Department of Employment and Economic Development (DEED). If the HRA has any contracts with the federal government for redevelopment or low-rent housing (which we don't), it cannot be dissolved.

Another option would be for the EDA to absorb the HRA. Then all funds and assets of the HRA would be transferred to the EDA, and theoretically, those funds and assets could then be transferred to any fund of the City. This would require a modification of the EDA's enabling resolution, which also requires a notice and public hearing. By doing this, the EDA would be taking on the HRA's powers, which we can specify in the enabling resolution. Once this is done, the EDA would theoretically be able to extend two tax levies

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Future of the HRA

(if approved by Council): one for the EDA and one for the HRA. Our EDA may already have HRA powers and we are checking to verify the status of this situation.

Under either method, the HRA, as a separate Authority, would cease to exist. If you have any desire to consider this action, the first option is relatively uncomplicated. However, absorbing the HRA into the EDA could be a preferable option in that a structure of an HRA would still exist (but have no funding) and would be available should the need for this type of legal entity be required for future use.

Attached also is a section of the Code that relates to this matter. Options for consideration, if disbandment is chosen or we wish to pursue this, would be:

- Utilize the HRA to pay down our bond fund balance and make it more attractive to refinance the 2010A Bond. Savings could range from \$840,000 to \$2.7 million. In some bond runs that we have provided for your review, there are many other permutations that can be done on bond runs. We have a couple more that are still coming in that would need to be considered.
- The HRA could be disbanded and the account balance utilized to fund utility extensions with the potential for tax generation of anywhere from \$87,000 to \$111,000 per year upon build out of the properties.
- Disband the HRA and utilize a mix of bond pay downs and projects to optimize bond payment savings and implement project(s) to stimulate growth.

At this time, staff is seeking direction as to Council's desires for disbandment or continuance of the HRA.

Ronning made a motion for continuance of the HRA.

DeRoche, "Well, some of the concerns I have are..." Ronning, "We're not entertaining motions at this..." Moegerle, "Well, there wasn't a second so it must have failed."

DeRoche seconded.

Koller, "Open for discussion." DeRoche, "One of the things I think needs to be looked at if it were to be disbanded on the premise that we're going to be able to pay down the bonds, save money, I don't want to do it on speculation. I think there's been too much done on speculation. I think we have to be pretty sure on the numbers, or pretty dog-gone close. You know, come 2016...2020, our payments are going to be about one-half a million dollars a year. Can whoever's in office raise another levy or taxes? Well, sure you can but to me, if we're going to do it, we need to make sure that we're going to, it's not going to be just a 'band-aid' for right now, but, it's going to be long-term."

Ronning, "I was going through these bond documents, fairly quickly, but did I see in there that we have to 'cough up' some extra money? \$200,000 or something?" Davis, "In all the proposals there will be principal payments that start in 2020. Depending on how these are structured, there could be significant increases in 2020. I think what Bob is referring to, there's one of them, I think, that achieves one of the maximum savings with the \$500,000 buy down. Our payments would go up about \$500,000 in 2020. The reason is, we're paying a lot more principal early. We're achieving more savings but then we're either going to have to ratchet the levy up significantly in that year or start now and start gradually bringing it up to that level or find a way to allocate the savings to the payments. What I've

requested that ours do, is give us another bond run that will reflect what we've discussed in our previous budget discussions about increasing the payments for the 2010A Bond by 3% a year and adding \$30,000 to do the C Bond. The C Bond won't be part of this but the A Bond going 3% to see what that would yield and what impact it would have when we start principal payments in 2020."

Moegerle, "Mr. Chairman, I have a concern. First of all, I think we should pay this down. I think that if that's at all possible, if we're not going to have projects that the HRA is going to do, then paying down this debt is very important. However, my understanding is that we can't pay down this debt this year because we'd go over the \$10 million limit. So, if we disband the HRA for the purposes of paying down the debt, some of us may not be here. It could be that Tom and Ron are the only people who are left due to the election. So, we couldn't do it as a 'lame duck' because we've all objected to 'lame duck' rebonding. So, what this may mean is that we disband but whoever replaces us chooses not to pay down the debt. I guess my question is, how soon after the HRA would be disbanded can the money be refinanced? Can you do this almost seamlessly? In the same meaning that we put the money into the allocation to pay down the debt?" Davis, "All we have to do is do our typical advertising for a public hearing, hold a public hearing, and this could be done by the end of September."

Moegerle, "Yes, but we cannot refinance this year because of the \$10 million limit." Davis, "Even without the \$10 million limit, by the time we have the funds and authorize Ehlers to proceed with the bond issuance, that takes anywhere from 6-8 weeks because we have to go through a new rating and all the work they'll have to do to get ready to sell the bonds. It would probably be some time, maybe, in late November, early December, before we had any chance to act on it."

Moegerle, "But, that could be a 'lame duck' group and then...I think we have all said we would not refinance a bond in a 'lame duck' session. So there's that real chance that all that effort has gone to and then it wouldn't follow through. I really like the idea of paying down. I think the savings is great and I think that the HRA has been underutilized and there has not been a real desire to do a lot of HRA things. I would almost make a motion to table this until the first meeting in January and see what the new Council wants to do, unless we don't have a 'lame duck' Council."

DeRoche, "Another one of the pieces to this 'puzzle,' I guess, is that in November of 2012 there was a modification made to the MCES contract and it was requested to hold off until January when two new people came in to make a decision. It was passed anyway on a 2-1 vote. Jack, you know what I'm talking about, right? It was a modification that Met Council said that we had to do because we really couldn't do anything else. Part of it was that they would extend payments out to 2013, from 2012. But, there was also going to be an increase in interest on SAC charges. I'm looking it up here."

Davis, "If I recall correctly on what you're speaking of, is we did approve to lessen our initial SAC charge to give us a little 'breathing room' or competitiveness upfront so our SAC charges were reduced from \$3,300 a year to \$2,600 year for the first year. But, the rating which they increased was increased from 3.6% to 4.9%. So that annual increase, at some point in the life of those that go through 2040, will be higher at the back end than they are at the front end."

DeRoche, "Correct. But, over a five-year period, it was going to be \$260,000 and over a ten-year period about \$580,000 or more added to what the cost is. Let me see if I can find it

here. I know that it was right after the election and it may have been December's first meeting."

Ronning, "Some of these comments, there aren't any HRA projects that I'm aware of because there hasn't been interest. Not a group interest. I have some thoughts about it. But, to make this for what it is, how much is it, \$778,000?" Davis, "Approximately \$770,000." Ronning, "\$770,000. How much of that is available?" Davis, "Well, actually, all of it can be available. We have loaned out approximately \$38,000 for the SAC and WAC and Extension Loan Program. We did have one gentleman that came in today and I think he did apply for the loan. I don't know how much that would be. I'm assuming it's probably for two SAC units so that's probably another \$16,000. Approximately \$60,000 in the loans. But, one of the things we could do there, we could actually transfer that loan to the General Fund. It would probably make more sense because we're making much more interest on that than we would if we had it invested at .05%. Also, too, we're using the HRA funds to give us the working capital to do the Coon Lake Beach Septic Repair Project. We could also temporarily either take that out of the General Fund or take it out of the Equipment Replacement Fund because those funds will be paid back by the County to us when we send our reimbursement request in."

DeRoche, "I don't think it's been so much noninterest in looking for projects but most of the projects that we have discussed at all are going to require more than what's in the HRA. Such as the refurbishing of the businesses on the east side, maybe doing some sewer connections over there, looking at redoing the road. So there have been things but it's, you know, extra money."

Davis, "One of the things and I don't know if you've had an opportunity to look at but I e-mailed those out this morning and put a copy on your desk, is a summary of uses of what we could do with the three options: bond pay down, project extension, or a mix. With the project extensions, if we wanted to do both the east side and whatever form the 189th Avenue Road Project takes, if any, we could do almost both of those if we used the HRA funds in a combination of other funds that are listed. If we wanted to do a mix, we could do a \$500,000 buy down on the bonds and allocate the rest of the money for either the east side or another appropriate project and be able to do it. From a true number's standpoint though, the bond buy down, there's more savings in it. If we do a project, how do you justify what the merits of it are? We tried to figure out what the increase in taxes would be but based on what the land is used for now as opposed to what it would be if it was developed, and we came up with about \$1.7 million from 2025 to 2040. Here again, we're making a lot of assumptions. One of the key assumptions that's made, and you have to answer this question, would this development occur if you didn't do it? At some point, the answer is that it would probably occur without this. The question is, what is the timing? We just provided some of those examples for you to take a look at to see if there's any interest in any of those three options."

Koller, "We've got the water and sewer bonds. Aren't there a couple other bonds the City has?" Davis, "Yes, there are but all of those are programmed and most of those are smaller amounts. Some of them aren't even callable. The 'big one in the room' is the 2010A Bond. That's the one that's +\$11 million and if we are able to apply some buy down there, it does make it attractive to refinance. On its own, it's probably not going to be attractive to do it to investors."

4.0

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Koller, "So, the other bonds are small?" Davis, "They are small. Again, most of those are not even callable so we can't refinance them even if we wanted to." Koller, "Would they be

small enough to pay off?” Davis, “There may be one or two that may be small enough to pay off. But, I think, probably in terms of interest savings though, we’re going to get more ‘bang for the buck’ if we apply this to the 2010A.”

Moegerle, “And, all of those are capital expenses aren’t they? Is the sirens a capital expense? Sort of, kind of, but there’s another, I think, that wasn’t a capital.” Davis, “The outstanding bonds we have, we have one for the sirens and Fire Department improvements that is rolled into one bond. The only bigger one outstanding is the one for the Castle Towers Wastewater Treatment Plant. There’s a PFA loan bond out but that’s covered by a loan agreement, which we pay almost no interest at all on. There’s still a few little small bonds out for some road improvements but some of those are being paid by assessments. If you want a total comparison, here again, I don’t think the question tonight is which bond are we going to do, but what are we going to do with the HRA. If the answer is to disband it, then we need to look at where is it going to be most beneficial to place that money.”

Koller, “I’m thinking the Castle Towers Sewer Treatment Plant is going to be torn down soon and we still have a loan on it. I think it would probably be good to pay that off.” Davis, “Here again, we’d have to look and see what the interest savings are. Depending on how we want to do this, on some of these A Bonds we can save over \$2 million worth of interest. I don’t think that interest on the Castle Towers thing would even come close to approximating that. We will check and that will be one of the options we’ll have for consideration.”

Koller, “I hate to keep making payments on a building that we already tore down.” Davis, “I agree, it’s not the best thing to do but it will be an option that we’ll be...” Koller, “It depends on how much the bond is, how much is left on it.”

Moegerle, “Here’s a question I have. Can the HRA be dissolved but the Council still have the authority? I hate to see it going to the EDA for the standpoint of that right now, the EDA has only advisory abilities. They are kind of important and this Council can wipe out anything they say ‘at a drop of a hat.’ And, if that’s what it’s going to be, why do the pretense of sending it to the EDA to make any kinds of decisions at all? But, just have this Council have those powers as opposed to the EDA.” Davis, “If it were sent to the EDA, I would imagine then it would be transferred to whatever account we’re going to put this to.”

Moegerle, “No, I mean the way you were saying you were going to combine the EDA powers with the HRA. I’m saying let’s not transfer them to the EDA but transfer them to the Council. Is that a possibility?” Davis, “Well, my only reason for doing that is that we still would have an HRA as a legal entity in existence if that entity is ever needed.”

Moegerle, “And, it costs money to make a new EDA, or HRA? Or, does that put us back under Anoka County’s HRA if we close out our HRA?” Davis, “No, it does not.”

Moegerle, “Can I have a legal opinion on that? Since we litigated that one?” Vierling, “We’ll have to take a look at that one and come back with an opinion.” Moegerle, “Yes, that would be a scary thing.”

Ronning, “If I’m not mistaken, I believe the HRA funds are for blight or housing.” Davis, “That’s correct, they are to be used for anything related to housing. There are some programs where there’s some things that they can be used for, economic development provided it provides jobs for certain income groups. Those generally aren’t looked upon as

approving, as doing something that is directly related to housing or improvement of the housing stock. Even things to address blight issues probably, if you're applying for a grant from the County for their funds, then they're going to probably be a less priority. We can establish what we want to here. That's one of the reasons we want control of our own HRA."

Ronning, "One of the reasons I'm advocating for HRA and using it for that, this is probably the only time in the last 50 years or the next 50 years where money like that's available to try and do something, like for the east side. It won't happen if there isn't some initiative. It's been like that since the 60s. That's 50 years. There's a couple new buildings put up in the 70s but there's a 'chunk of change,' there's extra money that has to go into every piece of it, every element of this thing. If you refinance the bonds, you have to put extra money in, like \$200,000 I believe. Am I mistaken?" Davis, "Would you repeat the question Tom?"

Ronning, "If you go to refinance, it seems to me when I went through this bond package, that it takes about an extra \$200,000 out of the General Fund or someplace, with this example." Davis, "With those examples, what we would be doing is there's three examples, three monetary amounts to consider to pay down. One was \$500,000, one was \$750,000 that would be covered by the HRA funds. There was also a \$1 million example. If we chose the \$1 million one, then we're going to have to find out where that extra \$250,000 is coming from."

Ronning, "That's my whole interest. This is probably the only chance in our lifetime that we will see to do something for that east side."

Moegerle, "But, is there interest in it? There was a meeting that I heard about where 11 out of 13 wanted the sewer and water connections. At least one of those. Are they amenable to redevelopment? Because in the four years, three years and eight months, there's nobody here that's really put in a permit request for significant redevelopment. If there was active interest, I would be inclined to agree with you Tom."

Ronning, "If I had a house and there was Jellison's junkyard on one side and there was John's Auto Parts on the other side, I don't think I'd try to improve anything either." Davis, "And the thing about addressing blight issues is generally those things are loaned monies. You could set it up as a grant but I think you're opening yourself up for requests from every business in the City to get in and we don't have enough money to go around. It almost would have to be a loan program. I agree with you, I don't know how many people would actually apply and want a loan for that."

DeRoche, "I think, first off, one reason that for the three years and 'x' amount of months that people haven't done anything yet is that maybe they've been waiting to see how this thing is going to 'flop out.' Because, there were certain comments and statements made that, number one, the system, 'If you don't want it you don't have to hook up' to 'Well, gee whiz, now you gotta hook up on the west side' to 'Well, are they going to make us hook up on the east side or not?' I think it was 10 out of the 13 businesses, Jack if I'm not mistaken, that showed some interest in that. As far as, well let's not put the money in the EDA because the Council's just going to 'slap it down,' I don't think the Council's 'slapped down' anything that hasn't had a pretty good explanation behind it. Other than somebody's idea of a water park that came up." Moegerle, "No, that died in EDA."

DeRoche, "I'm speaking right now, okay? And, it was not sanctioned by the EDA. In fact, they didn't even want it to come to Council, for the record. But, beyond that, if you look

around to other cities that the EDA can just spend, I think that's a dangerous thing to do. The EDA is a commission." Moegerle, "It's an Authority." DeRoche, "Okay, there you go, that makes it even worse because then that can take the money and just spend it on whatever it wishes to. I think it needs to come before Council because at the 'end of the day,' the five people up here are the ones that are accountable to the residents. The taxpayers that live in this City, not the people necessarily on the EDA because a lot of them don't live in the City."

Moegerle, "I beg your pardon. Who doesn't..." DeRoche, "Okay, what would you like to say?" Moegerle, "Who on the EDA does not live in the City? John Landwehr?" DeRoche, "Does Julie Lux?" Moegerle, "Yes." DeRoche, "Oh, well." Moegerle, "Mike Conner?" DeRoche, "I stand corrected, sorry." Moegerle, "Dan Butler? Who are we talking about here? You?" DeRoche, "Maybe. So, are we going to keep acting out? Or can we continue on here?" Moegerle, "You are not the Chair of this meeting." DeRoche, "I'm speaking Heidi, I have the floor. All right?"

DeRoche, "So, to say, 'Well, no we're not going to make them,' I think every Authority or Commission needs to be accountable to the City Council. I don't think it's a political thing. I think that at the 'end of the day,' we're accountable for the money. If the EDA has 'x' amount of money and spending authority to go do whatever they want, then I think it could lead into big problems."

Moegerle, "Mr. Chairman, may I have the floor?" Koller, "Yes." Moegerle, "My suggestion was that the money not go to the EDA and that the HRA's authority not be given to the EDA. That the HRA's authority be retained by the Council because at this point, the EDA is merely advisory to the Council. They have no spending authority. They have a budget. Anything that is spent is spent by the Council so the EDA has no spending authority whatsoever. So, to send HRA's authority to the EDA is rather illusory. It is not any authority because, again, the Council retains the right to agree or not agree to spending of any money. The point is that if we're going to ultimately, as a Council, approve or disapprove spending of monies, then transfer the authority of the HRA here to the Council and not to the EDA. Why complicate matters? It simplifies it to get rid of the HRA that way."

DeRoche, "I don't agree with that. I think we heard a lot of words but I think it kind of went in circles."

Moegerle, "Well, let me restate it." DeRoche, "Would you please." Moegerle, "Yes. I think the HRA should be closed out as an independent entity, the powers be transferred to the Council. The EDA should not be involved with HRA powers, they can't spend any money, they can only make recommendations even though they have a budget. So, since this Council is effectively the HRA, we're sitting in our HRA capacity, get rid of the HRA as a separate entity. Combine it with the Council, that's what it is anyway, and save us all the extra meetings. Simplify, easy."

Davis, "That's another legal issue we'd have to look out for because we would be disbanding the HRA so the HRA as an entity would no longer be in existence, whether it be a function of Council or not. The only way that I could see, and correct me if I'm wrong Mr. Vierling, that the HRA would have to be rolled over into the EDA to keep it as a legal entity as part of the City, if we choose to disband it." Vierling, "That's one option but I think the suggestion from the Councilperson was simply to disband it period under the

assumption that the City Council would have ultimately the same authority to do whatever it is doing now.”

Moegerle, “Transfer the powers. Disband the HRA.” Vierling, “Transfer the powers to the City Council.” Moegerle, “But, we could transfer them to the EDA.” Vierling, “That’s one of the options.”

Koller, “On one side of it here, we’ve got three members of this Council up for reelection in less than four months. Do we really want to make a major change right before another coup could take over? Or, should we table this until early next year?”

Moegerle, “I would agree with you but there’s a motion pending.”

Ronning, “Option 1, continuing the HRA as it currently exists and focus on housing and housing-related programs. That’s essentially what the motion is.”

DeRoche, “Well, let me ask this. So, then seeing how three of us are up for reelection in three months or so, so now we’re not going to make any decisions because three of us are up? Or, is it a matter of well, we don’t want to ‘stick’ somebody like we were ‘stuck’ in 2011? Or, was it that there were decisions made in 2012 after there were two new people elected but there was a pretty serious decision made anyway to go ahead prior to them coming into office? So, I guess I want to know where do you really stand on it? I would agree with Tom. If we’re not going to change anything, why table it? If another Council comes in and they decide that they want to do it, then they can bring it back up. Why table an issue that, if it’s going to be tabled indefinitely, we’re not going to be here to deal with it anyway so why tie them up? Just leave it as it is and they can bring it up after the new year and see what they want to do.”

Koller, “That makes sense.”

Moegerle, “Or, we could bring it up again after the election. I’m interested in knowing more of our options, however, because, I’d like to pay down the debt.”

Ronning, “I agree with the philosophy. My almost entire life, if I have some debt I pay extra towards it, get rid of it, eliminate the interest. However, there are times when I invest in the future other than interest tradeoff.” Moegerle, “That’s why we need more options.” Ronning, “More information with options. So some collective suggestions for options or something and see if we get anything back regarding that. Otherwise, we should be doing business as usual.”

DeRoche, “I can’t believe that somebody up here wouldn’t want to try and pay it down and save the City money. However, that decision comes with a little hypocrisy, I see, because there’s been decisions made in the past contrary to that. So, to say, ‘Well, geez, I want to save money.’ Yeah, I wanted to save a lot of money too, back before the thing was passed. However, that didn’t happen so here we are now trying to decide. Now, as far as I’m concerned, in my argument, when the Met Council modification was up, was looking at, ‘Okay, yeah, this is going to be a quick fix now but how about later on?’ That didn’t matter at the time. I’ll go with Tom’s motion to just leave it alone and wait until after, see who’s sitting up here. I just don’t think we can do that with all of our decisions.”

Ronning, “And, this is not enough information without something from Ehlers.” DeRoche, “Right.” Ronning, “Ehlers, with some reasonable forecast. There’s no idea of how much

you are going to save, how much extra it's going to cost if anything, or how much less it's going to cost to even get into it. The credit rating was like \$65,000, I think." Davis, "Yes." Ronning, "So that piece of the money is gone, that's just plain gone. The cost of doing this gets you back down to about \$690,000, or less."

Davis, "What would you like to see in terms of bond run? What are you looking at in terms of money buying down and also how does it effect how our budget and our future levies as we go forward. Not only through next year but starting in 2020 when principal payments really kick in."

Ronning, "The concept is great. I think we all like that. It's not as 'pure' as it sounds unless I'm mistaken and then somebody correct me. There's cost to refinance. There's cost for the rating. The rating was \$65,000." Davis, "There's probably at least \$100,000 in issuance costs." Ronning, "Sure. So, it's not going to go quite as far as we think. We don't have any real numbers to think about what the savings are. If we could save \$2 million, that would be great. I'd hope we could put some money back into something like this again and do something for the community. I really have do doubt that...and I hope that we don't die on the way home too...this opportunity with some funds to try and do something in the City will never happen in our lifetime."

Davis, "Here's two other things to consider as far as refinancing, though, is that the numbers you have before you are last week's numbers. The only numbers that are going to matter are the ones that we get when we actually do the bid. That could be an increase of \$1 million or we could even go into negative savings. The other thing with the 2010A Bond, if we refinance it, we get out of the uncertainty of the federal tax credits that are attached to it. I think that bears some consideration too because we've seen what they've done with the sequestering, our federal tax credit was reduced from 45% to 42%. Each year we'll always be at the mercy of 'what are they going to do with this tax credit rate.' It could be lowered again in the future. So, there's a lot of considerations. Again, my thought tonight wasn't to come up with saying 'this is what we're going to do.' But, what direction are we going to go."

DeRoche, "Well, I think we've got to be cautious here when we're dealing with speculation, speculative numbers. My experience is that we've gotten 'burned' on it." Davis, "We do. But, if you're trying to make a projection for what's going to happen if you do a project, you have to make certain assumptions. I've listed those. We have to go with the acknowledgement that there are certain assumptions made. You, hopefully, make assumptions that are based on fact and real possibilities. However, no one has a 'crystal ball.' You can analyze it two ways. The other thing about investing in projects as opposed to bond pay down, is that at some point there will be a huge difference in the amount of tax paid on the property. The big questions is, even if you invest in a project, when's the build out going to occur? Would it be five years? Ten years? Or, maybe twenty years? So, you really have no way of knowing that but there's still other intangibles with investing in a project is that you have something real, something to 'wrap your arms around.' Maybe some improvements that show. So, those are other considerations. There're a lot of questions to answer before a specific route is taken on this."

DeRoche, "And again, it would be nice to pay it down but, you know, we've been kind of telling people on the east side of the highway that, in fact that's part of the Ady Voltedge study that was brought up. It's a blighted area so what, it needs to be cleaned up and if they need help to do that...we've been saying we're going to do that for how long?"

Ronning, “Realistically, we don’t have the money to do it. What we would have to do is try to see if there are any grants. The easement right-of-way, or whatever, for the Highway 65 is part of the frontage road, I think.” Davis, “Excuse me?” Ronning, “The easement, right-of-way, whatever it is, for Highway 65 extends into the service road?” Davis, “Actually, there’s only a 30-foot easement there, for where our road is. We have no additional right-of-way on either side. Road improvements would have to be done with some agreement with Mn/DOT for right-of-way sharing, which may be very difficult to achieve. They did mention that they would consider it at one time but I think they’ve backed off on that idea. Or, the other would be to try to purchase some additional right-of-way from the property owners on the east side of that service road. But, that’s going to be difficult too because some of those businesses front almost up to the edge of the easement. You could still do a road improvement but it couldn’t use any kind of State funds because it wouldn’t qualify because it wouldn’t meet their design standards.” Ronning, “Because what?” Davis, “It wouldn’t meet their design standards. It’s an MSA street but if we do an MSA project, we have to meet Mn/DOT design standards to do the funding.”

Ronning, “There’s certainly not enough money to do the whole thing by yourself. It takes participation. It takes, if there’s any kind of MSA, or something, money. Any grant monies to make some of the development possible on the south end of the east side?” Davis, “In the handout that I gave you, we could do the east side project and it would involve a combination of funds plus assessments and pledging the SAC and WAC fees we collect to the project. So, we would have enough money to do the funds with things we have on hand plus assessments and SAC and WAC fees if we had the HRA funds to commit to it. But, here again, then once those are gone, it would take just about all of it to do it.”

Moegerle, “Have you heard anything from the east side owners about interest in an HRA redevelopment program whatsoever? That’s sort of been kicked around for the past three-some years. I don’t think we’ve heard that.” Davis, “Nobody’s specifically said, you know, they’d like money for storefront renovations. I think their primary interest in the project, number one, is the road improvements. There are a few of them that were interested in the sewer because they could get rid of some of their septic systems, which would give them room for additional parking or whatever for their businesses. The issue of storefront renovation was probably lower on their priority list. So, again, it’s something that’s still out there and if you want to wait to consider it, we’ll open it up at another time. I do think it is something that bears further discussion. We can refine some things, maybe, that we could potentially do with the money. Or, find out what the interest is, as opposed to total dedication to refinancing, or projects, or a mix, and continue this discussion and refine it more. If you want to wait until after the election, I don’t think that’s going to hurt anything.”

Koller, “What is the motion?” Vierling, “The motion on the table is to continue the HRA.” Koller, “Is there a second?” Vierling, “There was a second.” Koller, “Okay. Should we take a vote on it?” Ronning, “Any more discussion?” Koller, “Any more discussion?”

Moegerle, “Would you just clarify whether that precludes any further discussion about future disbandment?” Vierling, “That wouldn’t preclude that.” Moegerle, “Okay, okay.”

4.0
Future of
the HRA

Ronning, “It makes it on-going as is. This isn’t a real simple thing to just come in and say, ‘I’m not going to do anything with it on a hunch.’ That is the last thing I’m going to do, a hunch that this will work this way and that will work that way. I don’t see enough

information that you could make an intelligent decision other than a hunch.”

Koller, “Okay, well, the motion was made and seconded. All in favor?”

DeRoche, Harrington, Koller, and Ronning, aye; Moegerle, nay; motion carries.

**3.0
Approve
Minutes**

Moegerle, “You missed 3, the minutes.” Koller, “Oh, Item 3, approve the minutes.”

DeRoche made a motion to approve the July 2, 2014, HRA Meeting Minutes. Koller seconded. All in favor, motion carries.

**5.0
CDBG
Project
Update**

Davis presented the staff report, indicating we have received 14 applications for the Community Development Block Grant (CDBG) program. The deadline for receiving applications was closed on July 18, 2014. In order to insure that all parties were notified of the program, we contacted all the persons who had originally expressed an interest in applying for this grant.

The County is still in the waiting/comment period for the environmental review from the DNR and Minnesota Historical Society. That review period will end on August 26, 2014.

In the meantime, staff has requested proposals from septic system designers for costs for the preparation of septic design. To date, there has been a reluctance on the part of the designers to submit a collective cost for design due to the number of variables and unknowns in this area. Staff will begin work to obtain individual reviews from the designers for the applicants’ properties.

A meeting has been scheduled at the Coon Lake Beach Community Center, for Thursday, August 28th, to meet with the applicants and provide them direction as to the selection of designers and a schedule for the project.

Moegerle, “I have a question. This week I heard from a septic system contractor who said that for properties in the Shoreland Overlay District, that is regulated by the County for all of the permits but that the City also requests a permit fee. Is that correct? Because, if that’s not correct, that needs to be clarified with them because they are very reluctant to come in if they’re going to be hit with a double permit fee which is like \$1,200.” Davis, “I’m not aware of anything that the County had for permit fees there within the City.”

Moegerle, “The Shoreland Overlay District requires that the permits for septic systems go through the County. So, they are under the impression that the City wants a permit fee and the County wants a permit fee. The County permit fee is \$1,000, I think. He said that the City’s is \$200. So, maybe clarification of that and getting that information to them might get rid of some reluctance.” Davis, “We’ll check that out and see. If that’s the case, then that will be part of the cost for the project too.” Moegerle, “It’s the paperwork too.”

Ronning, “Once the answer is available, it’s a very interesting, reasonable question. Once the answer is available, pass it on?” Davis, “Sure will.” Ronning, “Please. Thank you.”

Informational; no action required.

**6.0
Adjourn**

Moegerle made a motion to adjourn the HRA meeting at 7:21 p.m. Koller seconded. All in favor, motion carries.

Attest:

Submitted by:

Carla Wirth

TimeSaver Off Site Secretarial, Inc.