

City of East Bethel
Housing and Redevelopment Authority Annual Meeting

October 1, 2014

The Housing and Redevelopment Authority (HRA) met on October 1, 2014, for a regular meeting at City Hall at 6:30 p.m.

MEMBERS PRESENT: Bob DeRoche Tim Harrington
 Heidi Moegerle Tom Ronning

MEMBERS EXCUSED: Ron Koller

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

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

Call to Order

2.0 **Moegerle, “I’ll make a motion we adopt tonight’s agenda.” Harrington, “I’ll second.”**
Adopt Ronning, “Any discussion? Hearing none, all in favor?” **All in favor, motion carries.**

Agenda

3.0 Moegerle, “I need to pull B.” Ronning, “Which one?” Moegerle, “B, August 20th. And, it’s on, the change is on Page 5, Paragraph 5. It says, ‘Moegerle...at a hat.’ When that’s supposed to be ‘at a drop of a hat.’ That’s the only change I have. So, on the 4th line, 3.0B. ‘...anything they say at a drop of a hat.’”

August 20,
2014

Moegerle, “So, I make a motion we approve August 20th.”

DeRoche, “As long as you’re there, it might be good to note they’re not ‘impotent’ but they’re ‘important.’ Which is about, it’s on Moegerle, ‘here’s a question I have...’ Moegerle, “What page?” DeRoche, “It’s on Page 5, probably fifth paragraph up, third line.” Ronning, “Oh yeah.” Moegerle, “Okay.”

Ronning, “Two changes noted and a motion to accept. Is there a second?” **DeRoche, “Second.”** Ronning, “Any discussion? All those in favor of the 3.0B?” **All in favor, motion carries.**

3.0A. Ronning, “Is there a motion on 3.0A?”

Jan. 22,
2014

Moegerle, “I make a motion we approve 3.0A.” DeRoche, “Second.” Ronning, “Any discussion? All those in favor?” **All in favor, motion carries.**

4.0
Use of HRA Funds

Davis presented the staff report, indicating that at the August 20, 2014, HRA meeting, there was a discussion regarding the disbandment of the HRA and using the HRA fund balance of approximately \$770,000 for bond debt reduction for refinancing purposes or for development projects.

There may have been some misunderstanding as to the use of this balance for projects and if this amount could support a development or utility extension project.

4.0
Use of HRA Funds

The \$770,000 that could be available from de-committed HRA funds would be sufficient, when combined with other existing City and Mn/DOT funding sources, to enable either the project to extend utilities and improve the service road on the east side of Highway 65 between 187th Lane and Briarwood or construct either of the three options for secondary

access with utilities from the Classic Commercial Park.

The question to be considered, should the HRA be disbanded, would be how to use the fund balance to achieve the maximum benefits for the re-allocation of these monies. The choice of interest savings or project development can be deliberated and decided once the future status of the HRA is determined.

Should the HRA be disbanded, there are sufficient amounts in that fund balance, when combined with existing funds and potential assessments, to pay for development projects or for use to pay down bond debt for the purpose of refinancing to achieve interest savings. None of these sources of funds would have to be borrowed or bonded.

Davis, "There are certain issues with abandonment that have been submitted to the City Attorney. I e-mailed you a memo from Mr. Pratt that went over some of the issues that dictated what we may have to do if the HRA was disbanded in relation to keeping the entity or totally dissolving it. Also, Mr. Vierling is here to answer any questions regarding that. It might be of interest too, that I also submitted a letter that we received yesterday from the Our Savior's Lutheran Church that still expresses their interest in trying to do a senior housing project. The letter basically states that they've contacted several developers, developers are reluctant to commit without the commitment for water and sewer service, and also he indicated too that they're essentially waiting for what's going to happen at the corner of 22 and 65 in terms of having commercial infrastructure available to support the project. I did tell Mr. Dropps that the City would work with them in any way we could to make this happen but we would have to have the commitment too. So, we're both understanding that this would not be done on a speculative basis but we'll work with them to try to make it happen, if at all possible."

Ronning, "Just for the heck of it, I guess, that's really a tricky problem. While the community wants to do a senior center, which you have to have transportation, you have to have some shopping, there's housing being considered, there's development on the northwest corner of 22/65, and it's almost one of those things that all has to come together at the same time for it to, for people to be comfortable to even invest in it. Those things just don't happen, not overnight anyhow."

Davis, "No. And, I think the feeling they've received from the developers is that the opportunities for at least a grocery store, some type of pharmacy, or some type of medical clinic service at the corner of 22 and 65 will be one of the key criteria for them to consider this as a project."

DeRoche, "Well, personally, this is something we've been talking with them for going on four years. I think four years ago when we first came into office, there was talk about extending the services over there. We went over and looked at the power line. There were some issues with their system at the time. Apparently, they had it fixed. I, yeah, I think before we do anything, and I hate, you know there were some decisions made before on 'build it and they will come.' I'm still stuck on that because for us to put that, the kind of money it would take to run the system over there, we have to have, the letter's great because it shows they are still interested and we're willing to work with them. But, unless there's a little bit more of a commitment, or something to say that if we do that, that we're going to get something back, I wouldn't want to be sitting on top of, we run it over there and nothing happens for quite a while."

Davis, "Yeah, I agree. I don't think that was their...I think they just want to keep the lines of communication open and let us know that they're still pursuing this and want to determine what our interest still is in it. Again, I told them that, you know, once they had firmed up some things that we'll be more than happy to work with them or discuss the project as we 'go down the road.'"

Ronning, "Did you mention Ed's name?" Davis, "Yes." Ronning, "I've had some conversation with Ed Dropps as well and he's sent communications out and contacted several developers regarding this. But, we don't have any, we don't even have a 'hook,' let alone 'bait.' So, they're still trying to do something, get some at least potential interest, but it's going to be a 'tough nut to crack.'"

Davis, "Well it is and I think a lot of other things have to come together before this is going to be an attractive proposition for a developer. And, until those things happen, we're just, all of us are kind of on the sidelines and have to take a 'wait and see' approach."

Harrington, "Have they talked how big of a complex they want to build? How many units it would be?" Davis, "They started talking about 40 but Ed had indicated today that it would probably, maybe, have to be larger to make it economically attractive to a developer. So, I think he's talking now, maybe, in terms of 50 or 60 units."

Ronning, "I think he surveyed, I don't know exactly who, if it was within the church body or went outside of there, and at 40 I think they had close to the 40 that would sign up tomorrow." Davis, "That's what he said. Today he said they had 37 that had indicated they would be very interested in that within the congregation."

DeRoche, "And, you know, another little factor we have to take a look at, is this Thrive MSP 2040. And, anything the Met Council says where they're going to run transportation up here or help us with it, I really kind of have my own thoughts on that. I would encourage anybody, whether it's on this Council or outside, to read up on that and read what some of the other cities that have 'fish in the game.' I think there was nine out of eleven showed up at a meeting on Monday. I know Matt Look was there from Anoka County and I think he represents us down there. We haven't even seen our representative up here but one time in four years and that was at a Town Hall Meeting. How can somebody represent you when they're not even showing up? If nothing else, he should have been, to me, the one to come up with a PowerPoint and say, 'Hey, this is what we're looking at doing. What's the take on it?' From what I can get out of some of the stuff I've read lately, a lot of these cities are going, 'Look, we're part of this and you didn't even bother to ask us what we think of it.' For a non-governing body, I just have issues with them kind of planning for the cities."

Moegerle, "Well, I went to a couple of meetings when they were planning the 2040 and I know that they had open houses and I went to two of them. They weren't well attended and so, you know, I understand why they wouldn't be well attended, but when they're not well attended, then they create their own decisions and supply their own conclusions. Then, after they've done that, then we all object. So, you know, it's a circular situation and the solution is not going to be easy and it's not going to be pretty, I don't suspect. But, yeah, we do have to 'stay on top' of the 2040 issue. It's not good."

4.0

Use of HRA
Funds

DeRoche, "Well, I guess the literature that I've read lately, there has been a lot of participation and people going to such and such meetings but that's not...I look at the

situation we're in and, you know, over the weekend went back, read through a lot of the old, old minutes, 2009, 2010, stuff that was said by Met Council, promises made. You know I hear, 'Yeah, that's history.' Yeah, it's history but it's also the present and it's also going to be the future for a long time. So anything that we do with Met Council or anyone else, we've got to be cautious. You know, it's just plain and simple. We're working to figure out how to pay for what we've got and, you know, senior housing that would be great because I think we were talking about that a long time ago. I think four years ago, the original thing was 110 units. Things just didn't quite work out then and 50-60 units, that's a good start. If they plan it out to where they could do an addition if they wanted, or add another building, or do whatever, I think it would be better if they made accommodations for the future along with what they're already doing."

Ronning, "While we're discussing that, you mentioned the 2040 Met Council came out, we have it in letter form. Would you mind explaining what this subject is and if somebody is interested, how they could find it?" DeRoche, "Do you have a copy with you Jack? I've got it on..." Davis, "No, I don't have anything with me." DeRoche, "I don't think I do here. One tidbit of it that I've found, I shouldn't say amusing, but was the population projections. I believe when this was, the sewer/water project was first plotted, planned out, it was 23,000 by 2030. As recently as in the spring, it was about 18,000 and now we're down to 14,000. Well, that's not going to really 'cut the mustard' here. I don't think I have that letter with me. Oh, wait a minute; I may have it on-line here."

Ronning, "I thought I had it handy but I don't have it either. Item 3.0, Recommendation, there is no recommendation and it's worth noting that there was a motion and approved last, the previous meeting we had about this subject, and we had some legal explanations and there's some additional explanations. Mark, would you mind explaining what the process is please?"

Vierling, "One of the questions on this particular topic that staff had looked at and asked us to review is the 'what ifs.' What happens if your EDA stands alone with its HRA powers, apparently, or whether or not you fold down the HRA. You have, kind of, a very unique history in how these entities were created. We spent some time, and I know the staff internally went back through some records, your EDA was originally formatted and formed to include the HRA powers. It's very unusual for a community to have an EDA with HRA powers and then go ahead and form and create a separate HRA.

From everything we've read, everything we've seen, we are led to the conclusion that the reason that the past Council did that was to forestall any and all opportunity for the Anoka County HRA to be a taxing authority within East Bethel. That would seem to be borne out by the questions and correspondences we've seen from past counsel as well as correspondence from the AED's office.

So, one of the concerns that we have is if the Council would disband the HRA, would that again 'open the door' to the Anoka County HRA to begin taxing in this community, for those purposes. We don't have a definitive answer although we suspect it is possible. But, remember, a few years back, the HRA for Anoka County that was created by special legislation went back in and got some amending legislation on their activities that dealt with a lawsuit that had been brought by the City of East Bethel to challenge their taxing authority within this jurisdiction. They don't tax in East Bethel currently for any County HRA purposes but we don't know for sure that if you would disband the HRA that they would necessarily be precluded from coming back in and asserting a taxing jurisdiction in the City

again.

So, from that perspective, we are certainly not advocating today that the Council take any action to disband the HRA. We would continue to take a look at that but it seems to us you have all of the authority that you need to do, certainly, the development projects that you would like to pursue in either the EDA or the HRA. Relative to, certainly looking ahead to the future, if there was a desire to utilize the HRA funds for purposes of paying down the bonded indebtedness and keep the HRA in position, we would have to take a look at what opportunities you would have to do that and, perhaps, deal with the City's auditors in terms of defining an authority that would allow you to utilize those funds if the HRA stays in position. But, at least as far as today is concerned, because I know the City has always had a concern over the Anoka County HRA re-asserting jurisdiction from a taxing perspective in the community, we're not advocating that you disband the HRA today." Ronning, "Thank you."

Moegerle, "I have a question. When we got the bond funds back three years ago, three-and-a-half years ago, one of the things that was done was the HRA was paid back those funds. I think at that point, it was \$650,000 maybe a little bit more than that, because the HRA funds had been used to get the planning done. So, my question is, since those funds that are currently in the HRA account came from the bond funds, can we 'undo' the repayment? Is that a way of doing that at this point?" Vierling, "No, not really. From an auditing perspective, you can't, I don't have those documents in front of me. I assume the HRA in effect at that time made a loan to the General Fund of the City to cover those costs and then that loan was paid back. So, from an auditing and compliance standpoint, that loan is done. It's paid back. You can't 'undo' what's been done with that. Now, could you ask the question, which would follow up, which is, 'Could the HRA make another loan for another purpose to the City?' Arguably, the City, the HRA could." Moegerle, "Sure." Vierling, "Depending on the project. But, no, you can't go back and 'undo' what was done in terms of paying back that loan."

Moegerle, "Then can the HRA waive repayment? Or, how's that work?" Vierling, "Again, we'd have to sit down with the auditor and go through compliance requirements."

Ronning, "Repayment of what?" Vierling, "If a loan is made from one entity within the City, such as the EDA or the HRA of the City, the question is, 'Does it have to have interest? Can it be a non-interest bearing loan?' Generally speaking, the answer to that is usually, 'No, it cannot.' But that doesn't mean it has to have a huge interest feature to it. But, we would have to deal with the City auditor on that. The critical issues there are your auditor certifies compliance with the fiscal requirements of the State every year with regard to your EDA, your HRA, and your City funds. So, in order for him to do his compliance reports and make sure that we don't 'trigger' any issues there, we would certainly want to check with them before we would do any type of loan documentation for any purpose that would be advocated from those entities to the City if that would ever come to pass."

DeRoche, "Tom, in answer to your question, I'm not going to read both the articles because they're kind of lengthy but they deal with Lakeville and Burnsville is one of them and that was in the September 24th Minneapolis *StarTribune*. And, there was also an article in the September 21st *StarTribune*, 2014, and it deals with the city councils and what their thoughts are. I'm not going to read out of the article because I didn't make those statements and I don't want to get myself in a 'legal pickle.'"

Ronning, “The *StarTribune* is the source. What title would, if somebody is doing a search, if you can please?”

DeRoche, “Probably find it under, ‘Thrive MSP 2040.’” Ronning, “‘Thrive,’ T-h-r-i-v-e MSP 2014?” DeRoche, “Correct.”

Davis, “One of the articles, you may want to go back and check, I sent that to everyone. I think that was the article on the 24th.” DeRoche, “I think there’s three of them.” Ronning, “It’s certainly worth looking at. It was an ‘eye opener.’”

DeRoche, “No matter how we look at it, if there’s promises of bringing transportation up here for, say low income housing, any kind of housing, I think we have to really scrutinize. Nothing’s for free. There’s always going to be something there.” Ronning, “Yeah, that’s for sure.”

Ronning, “I misspoke earlier. I called this 3.0. This is actually 4.0, Use of HRA Funds. As mentioned, there was no recommendation from staff and there was a previous motion and vote approval to maintain the HRA as is. Anything further on 4.0?”

Informational; no action required.

**5.0
CDBG
Project
Update**

Davis presented the staff report, indicating we have received and processed 14 applications for the Community Development Block Grant Septic Repair Program for Coon Lake Beach. The comment period for the environmental review from the DNR and Minnesota Historical Society has been completed and funds will be available as of October 15, 2014.

Staff met with the applicants on August 28th at the Coon Lake Community Center to review their applications and gather any additional information required for eligibility verification. For those applicants that could not attend that meeting, staff arranged individual meetings with those residents. Staff conducted another meeting on Monday, September 29, 2014, with the residents, or the applicants, for the purpose of completing waiver and contract requirements as recommended by the City Attorney.

To date, three of applicants are ready to proceed with their projects and Staff will be working with them to attempt to complete these by the end of the construction season. The completion of the 11 remaining system improvements will require varying amounts of time for design and in all likelihood, they will not be able to proceed until Spring 2015.

The deadline for project completion is December 2015.

Davis, “Our request for an additional \$100,000 to Anoka County was approved and the priority of funds was set up at this meeting on September the 29th. It was also determined that these additional funds could be used for the construction of deep wells. All of the applicants were notified that they were pre-qualified in terms of income and all the other processes and the applications and paperwork were reviewed with them. All but two were in attendance. We’ll meet with those two and, hopefully, within the next two weeks maybe we can begin some of the construction on three of these that are ready to go.”

DeRoche, “That’s good news.”

**5.0
CDBG**

Ronning, “With the ordinances in effect, you have to have so much distance, what 50 feet,

Project
Update

75, between the well and the septic? Ordinances are ordinances. Is there any way to mitigate that if there's a deep well that is not affected by the septic?" Davis, "What it is, these are DNR and MPCA requirements and if you have shallow wells and certain distances from septic systems, you have to get a variance from the DNR. The DNR is usually very strict on these. Sometimes the only way around it is to drill a deep well to meet their requirements. So, we did get approval that these funds could not only be used for the septic improvements, but for the construction of deep wells if they're related to the installation of the septic systems."

DeRoche, "I think it's 100 feet from a shallow well, 50 feet from a deep well." Davis, "Correct. It greatly reduces the distance that you, the separation distance between the system and the water source."

Ronning, "My 'wheels' are turning. I can kind of envision two, three neighbors sharing one well or something." Davis, "And, you know, that's a possibility too." Ronning, "One deep well." Davis, "But, sometimes with that there's agreements that have to be made and that can create, sometimes, more problems than it solves." Moegerle, "Absolutely." DeRoche, "It sounds great 'on paper' but in theory it doesn't work, necessarily, the best."

Informational; no action required.

6.0
Adjourn

Moegerle, "I make a motion we adjourn." DeRoche, "I'll second. Ronning, "All in favor?" **All in favor.** Ronning, "Opposed?" **Motion carries.** Meeting adjourned at 6:58 p.m.

Submitted by:

Carla Wirth

TimeSaver Off Site Secretarial, Inc.