

**City of East Bethel**  
**Housing and Redevelopment Authority**

October 3, 2012

The Housing and Redevelopment Authority (HRA) met on October 3, 2012 for a regular meeting at City Hall at 6:30 PM.

MEMBERS PRESENT:      Bob DeRoche                  Richard Lawrence      Heidi Moegerle  
   Steve Voss

MEMBERS ABSENT:      Bill Boyer

ALSO PRESENT:              Jack Davis, City Administrator  
   Mark Vierling, City Attorney  
   Andrew Pratt, Attorney (Eckberg, Lammers, Briggs, Wolff & Vierling)

Call to Order                  Voss called the meeting to order at 6:33 PM.

Adopt Agenda              **Moegerle made a motion to adopt the October 3, 2012 Housing and Redevelopment Authority (HRA) meeting adding an Interfund loan as 3.1 2012-06. DeRoche seconded; all in favor, motion carries.**

Approve Minutes              **Moegerle made a motion to approve the July 5, 2012 HRA minutes. DeRoche seconded; all in favor, motion carries.**

**Moegerle made a motion to approve the August 15, 2012 HRA minutes. DeRoche seconded; all in favor, motion carries.**

SAC & WAC Revolving Loan Program              Davis explained that staff and City Council have had previous discussions on alternative proposals to consider how the ERU's (Equivalent Residential Units) or City SAC (Sewer Access Charge) and WAC (Water Access Charge) can be most equitably administered both for the City and the assignee.

The previous discussions centered on methods for potentially reducing the MET Council's ERU (SAC) assignment for City purposes. MET Council's assignment is essentially non-negotiable but the City has the flexibility to alter their SAC and WAC charges. As these discussions progressed it became evident that it would be extremely difficult to reduce the City charges, even for the existing businesses, and not create a precedent for those businesses that are outside the sewer area but may be future connections. It was also essential that these assigned charges remain unchanged in order to generate as much revenue as possible for bond repayment costs.

I have attached two of the previous proposals (Alternative 1 and 2) for dealing with this issue. Both of these dealt with reducing the City connection charges. At this time I would offer for discussion the following as proposed policies for mitigating the initial cost of the City fees for connections that have more than one (1) MET Council SAC assignments.

- 1.) Alternative 3, permitting the payment of City SAC and WAC fees over a two year period with either one-half or three quarters of the assignment being due in the first year with the balance due in the second year at dates to be determined (City bond payments for the project are due in February and August of each year);
- 2.) Alternative 4, utilize City or County HRA or other available funds as a revolving loan source for SAC and WAC payments. If this is a consideration, development of

policies regarding the eligibility for the loan, loan terms and interest, amount of HRA funds to be committed, setting a loan amount limit, limiting the policy to existing businesses only and identifying acceptable positions for securities will be required;

3.) Alternative 5, A combination of Alternative's 3 and 4 could be considered.

In addition, any project assessments (generally costs for road improvements or renovations that relate to the project that are not SAC or WAC fees) could be payable in up to 10 year installments at the City's interest rate policy with payments due on January 2<sup>nd</sup> of the year following the assessment hearing and determination or at a date to be determined.

Any or combination of these methods would lessen the immediate economic impact on those required to connect to the system and would in varying degrees provide the revenue stream necessary for the project.

The East Bethel Theater will have the highest City SAC and WAC charges of all the businesses within the utilities project area. They are currently assigned 27 units and their charge for connection to the system for City charges will be \$151,200 under the current calculations, not including any assessments. There was discussion with the theater in 2010 between the Project Engineer and the City Administrator regarding the possibility of reducing the City SAC and WAC assignments from 27 to 13 but this was never presented to City Council for approval.

Alternatives as presented in the attachments are provided for information purposes only and would detrimentally impact the cash flow of the project.

Alternative 3 would increase the projected bond payment deficit for 2013 from \$91,000 to \$275,800 if the 1/2 option were adopted and from \$91,000 to \$186,200 if the 3/4 option were selected.

Alternative 4 would create no additional deficits for 2013 or beyond.

Alternative 5 could be structured to create no deficits for 2013 or beyond.

Staff recommends that Alternative 4 and/or 5 be explored in greater detail to determine if these would be viable options to mitigate the expense of the City SAC and WAC fees and determine if East Bethel HRA monies could be a part or the whole of a funding source for this proposal.

DeRoche, "What, if any communication has gone on with the businesses to see where they stand on this?" Moegerle, "There was some interesting discussion with the manager of the East Bethel Theater, Dale Heider at the Economic Development Authority Meeting. There was discussion about spreading the 37 ERUs across some of the other properties they own as a solution." DeRoche, "How do we do that when we don't know what is going to go in those other properties in the future?" Moegerle, "You would need to have a contract for this." DeRoche, "Don't they have 10 acres south of the theater? So if Aggressive Hydraulics is on six acres, what are we going to put on 10?"

Voss asked can those be adjusted to what would normally come in? Even though those are empty lots are they going to be assessed at this time? Davis, "They are not going to be assessed for SAC and WAC fees until they are developed." DeRoche, "I have a real

problem dropping from 27 to 13 ERUs.” Davis, “That is not part of this. I am suggesting creating some type of revolving loan program.” DeRoche, “What about the businesses on the east side?” Davis, “We have stubs over there, but we won’t be servicing them yet. We can set aside some of the funds, project what it would cost if they hook-up. I think this is a way to help mitigate the cost/impact of what it would cost business owners to hook-up. If you had a revolving loan program set up, the city wouldn’t get the money upfront, but the businesses would pay it over five years and it would go back into the revolving loan program.”

Voss said I struggled with an ERU reduction policy and setting precedence. But assisting business owners to pay, this is what we need to do. Davis, “The City of Anoka has a great revolving loan program that we could model this after.” DeRoche, “They have a bigger tax base.” Davis, “A revolving loan program would be for SAC and WAC fees. We have a meeting set up with the county for possible help with funding.”

Moegerle, “In your write-up it says for fiscal impact, there will be no general fund deficits for Alternative 4 & 5. But, there are opportunity costs. Shouldn’t we get interest from these loans?” Voss asked if we go forward, what kind of costs are we talking about? Maybe we set a ceiling on this. Moegerle, “Maybe we say first come, first served.” Davis, “We would want to leverage our HRA monies as security for the loans. We would need to set aside at least \$200,000 to \$250,000 to fund this.” Moegerle, “When I brought this up to Anoka County, I spoke with Commissioner Andy Westerberg, he said it was something that they would embrace, something that is better than nothing.”

DeRoche, “First, no matter what we do, this revolving loan, the whole idea of charging the SAC and WAC charges, we are still going to have to pay our interest. Personally, I think we should have a work meeting with the businesses to see what they are thinking.” Davis, “I was just asking for direction to see if you want to go further on this.” DeRoche “Exploration is fine. But I don’t want to make someone optimistic that this is going to happen.” Moegerle, “We should plan for the need to consider expanding this to others outside of this. Maximize our use outside of just this one area.” Voss said maybe we make it available to the existing businesses only if they pay 25% of the cost upfront. I like stretching out the terms of the bond payments in Alternative 3, making it a two year loan. Davis, “That is why I gave Alternative 5 as a combination of 3 and/or 4.”

DeRoche, “Are we focusing on existing businesses?” Voss said the issue here is the aspect of softening the blow to existing businesses. This is a policy to help those existing businesses with hook-ups.” DeRoche, “I understand that perfectly. But I am also suggesting that don’t we put all our eggs in one basket.” Voss said an I agree that we should have this for all our businesses. It may take five years to get to the other side. But, this should be applied to those businesses also. Davis, “All I am asking is do you think this is a legitimate proposal?” Moegerle, “I think we have a consensus that we want you to pursue this. Alternative 4, impacts the budget. Before we finish our budge, we need to know how our rainy day fund is going to be diminished by Alternative 3. It seems to me, the sooner we get this resolved, that would be great.” Lawrence, “The revolving loan fund seems a stable way of helping businesses in the area. I am opposed to transferring ERUs to other lots in the area.” Davis, “That is not what we are considering now. We need to have some policy in place so that when we have developers or existing businesses come in here to discuss this, we can tell them this is what we have.”

**DeRoche made a motion to have staff explore the SAC and WAC Revolving Loan**

**Program.** DeRoche, “We get the information, but we are missing some of the supporting data. Like, how did they get the total number of ERUs? I would like to have more of the supporting data.” **Voss seconded.** Voss said on the surface this is a much more palpable policy than an ERU Reduction policy. Lawrence, “Is this a mandatory hook-up policy, or can they bypass and pay a fee to not hook up?” Davis, “What I would like to pursue is if City sewer and water is available, they would have to hook-up.” DeRoche, “From a legal standpoint, all the businesses that it was said to them that this was for new development and now we are going to make them hook-up. Can they now say they are going to sue us?” Vierling, “Technically under statute you have the authority to require them to hook-up. If you are asking if you have the authority to require them to hook-up, yes, there is.”

Voss said businesses were never told by City Council that they would not have to hook-up. Residents were told that they wouldn’t have to hook-up. Lawrence, “I have a question since you were on the Council before when this all happened. Did the Council make a decision about whether they were going to help with the assessments?” Voss said I don’t think the Council made any decisions. I made statements that we are going to have to do something, but it wasn’t in any policy. I was championing that for the existing businesses.

Res. 2012-06  
 Authorizing an Interfund Loan for Advance of Certain Costs in Connection with Tax Increment Financing District No. 1-1, Proposed to be Established by the City of East Bethel

Davis explained that pursuant to Minnesota Statutes, Section 469.178, Subdivision 7, a development authority or municipality may advance or loan money from any one of its eligible funds to temporarily finance eligible TIF projects. This transaction must be accomplished by an interfund loan resolution. The resolution comes from whichever entity that has jurisdiction over the money to be loaned. In this case, the City has decided to use available money in an HRA fund to make the interfund loan. Therefore, the HRA Board, since it has jurisdiction over the HRA fund, can adopt a resolution to approve this loan. Since the HRA meeting is occurring before the City Council meeting, of October 3, 2012 the effectiveness of this resolution is contingent upon TIF District 1-1 actually being created by the Council. It is standard practice to have the entity administering the TIF District (in this case, the City) to also adopt a resolution concerning the Interfund Loan. There is a resolution pending before the City Council tonight to accomplish that as well. Once Aggressive Hydraulics project is completed and TIF revenues begin to flow to the City, the City will be able to pay back the HRA in the amount owed, which is yet to be determined.

Staff is recommending Council adopt Resolution 2012-06 Authorizing an Interfund Loan for Advance of Certain Costs in Connection with Tax Increment Financing District No. 1-1, Proposed to be Established by the City of East Bethel.

**Moegerle made a motion to adopt Resolution 2012-06 Authorizing an Interfund Loan for Advance of Certain Costs in Connection with Tax Increment Financing District No 1-1, Proposed to be Established by the City of East Bethel. Contingent on the creation of TIF District No. 1-1. Lawrence seconded.**

Voss asked so if the district isn’t created? Vierling, “Then the resolution is void.” Voss said in Section 2.01, Terms, Interfund loan interest rate, I don’t remember seeing that in years past when doing this between two funds. Andrew Pratt, Attorney, Eckberg, Lammers, Briggs, Wolff & Vierling, PLLP (City Contract Attorney), “The state statute that deals with interfund loans does not require an interest rate. It does state that it can be the higher of two rates. For 2012 the maximum is 4% for TIF Interfund Loans. Ehlers recommended charging the maximum amount. You can charge interest on it, so the city is charging interest from the project. You are laying out the funds initially for cost of consultants in a loan and you can charge interest because it is coming in over time. You can forgive the

loan if you don't want it back." DeRoche, "If it is going to be recouped through the TIF, why wouldn't we want to?" Davis, "We are going to get 10% of the TIF back for administrative cost to pay ourselves." Moegerle, "What kind of interest rate are we going to be earning? Anything over 1% would be nice to help fund other projects."

Voss asked what funds is the loan between? Davis, "The HRA to the EDA. The EDA can get the money from the TIF." Moegerle, "The other thing is if we are going to start paying from the general fund for infrastructure, this is a good way to start pocketing some money away to do that." Pratt, "The TIF applicant has put down some money to help with that." DeRoche, "If EDA is borrowing from the HRA, why doesn't the EDA give the HRA the money back." Davis, "The EDA borrows from the HRA, TIF pays EDA and EDA pays HRA. That is the way it has to work." Moegerle, "I think the interest rate should at least be 1%."

Moegerle, "I am looking at Section 2.04, and it talks about the principal sum and all interest is pre-payable. Are TIF funds pre-payable?" Pratt, "The idea behind that is once the project is built there will be this \$225,000 note out there. What you would normally do it give this to Aggressive Hydraulics. In this case they will sign it immediately to Village Bank and they will get the TIF revenues. If the increment comes in faster, then you will beat the estimates and the TIF will be paid off faster." **All in favor; motion carries.**

Moegerle, "When can we schedule a work meeting to discuss this revolving loan further?" Davis, "Staff is working on an ordinance and some other issues. Once that is completed it would be more appropriate to schedule a work meeting."

Adjourn **DeRoche made a motion to adjourn the HRA meeting at 7:16 PM. Moegerle seconded; all in favor, motion carries.**

Attest:

Wendy Warren  
Deputy City Clerk