

City of East Bethel
Housing and Redevelopment Authority Meeting
July 8, 2015

The Housing and Redevelopment Authority (HRA) met on July 8, 2015, for a regular meeting at City Hall at 5:30 p.m.

MEMBERS PRESENT: Steve Voss Ron Koller Tim Harrington
 Brian Mundle Tom Ronning (arrived at 5:50 p.m.)

MEMBERS EXCUSED: None.

ALSO PRESENT: Jack Davis, City Administrator

1.0 Mundle called the regular meeting to order at 5:33 p.m.

Call to Order

2.0 **Harrington stated I'll make a motion to adopt the agenda. Voss stated I'll second.**
Adopt Mundle stated any discussion? All in favor? **All in favor.** Mundle stated opposed?
Agenda Motion carries. **Motion passes unanimously.**

3.0 **Koller stated I'll make a motion to approve the minutes from April 1, 2015.**
Approve **Harrington stated second.** Mundle stated any discussion? All in favor say aye? **All in**
Minutes **favor.** Mundle stated opposed? Motion carries. **Motion passes unanimously.**

April 1, 2015

4.0 Davis presented the staff report, indicating there are 13 businesses within the area of the
SAC and Municipal Utility Project that were required to connect to the Municipal Utility System.
WAC Loan There is a substantial cost to these businesses owners for accessing the new utilities and
Program City Council and the Economic Development Authority discussed ways to minimize the
 financial impact. As a result, the Utility Infrastructure Loan Program was approved by
 City Council on April 17, 2013, to address this situation.

The Program provides for loan amounts to cover up to four City SAC and WAC and Met Council Environmental Services' SAC charges and an additional \$5,000 toward costs for the physical connection to the system. The initial maximum loan amount was \$37,800. On December 31, 2013, was the deadline to apply for these funds. The expiration of the Utility Infrastructure Loan Program was discussed at the January 22, 2014, HRA meeting and it was recommended that City Council extend this Program for an additional 90 days. This extension would enable any remaining property owners to address any eligibility issues for loan applications that are outstanding. One loan had been approved from this Fund and a second loan was tabled due to issues with eligibility.

Approved loans are for a five-year period at an interest rate of 4%. Eligibility for the loan requires that all eligible applicants must be in good standing with the City and all property taxes, applicable City licenses, and utilities must be current and paid. Currently, only one of the affected properties in the service area has not paid their SAC and WAC fees and/or have not applied for these loan funds.

Council approved an extension of this Program on February 5, 2014, for another 90 days and on April 2, 2014, left the Program open for any of those original 13 properties who would still be able to apply.

4.0 We had three applicants for the Loan Program: Northbound Woodworks; Truck Body
SAC and Specialists; and, Rickey's Properties LLC.
WAC Loan

Program

Rickey's Properties did not pass the initial loan requirements. Council approved the Rickey's loan application on April 2, 2014. Approval of the loan for Rickey's Properties was in the amount of \$16,640 for a term of five years at an interest rate of 4%. An additional \$5,000 for payment for the connections is available if terms of the loan are met and approved by Council.

Currently, Rickey's Properties is past due on the City SAC and WAC loan payment for 2014 in the amount of \$3,737.80 and is delinquent on their utility bills for this address in the amount of \$397.45. That includes this month's billing, which just went out. Rickey's Properties also has a Confession of Judgment owed to Anoka County for tax years 2009, 2010, 2011, and 2012 totaling \$93,797.76.

As part of loan agreement, up to but not to exceed \$5,000 is available for the costs of installation from the service to the building. Rickey's Properties contracted with RAM Excavating to perform the work and submitted an invoice for reimbursement as required by the loan regulations. As the Rickey's are in arrears on their loan, Staff has withheld the \$5,000 loan approval for the installation request until this matter is approved by Council.

Staff is seeking direction from the HRA and Council as to the request for approval of the \$5,000 installation portion of the loan for Rickey's Properties.

Voss asked Jack, has there been any discussions with the property owner? Davis stated there have been discussions with them. It's been basically involving their SAC assignments. We had several of those and encouraged them to apply to the Met Council for reconsideration of the numbers that they were given. They never did follow through with this. They wanted to pursue this again last May; however, everything hadn't been paid and this matter had been closed back in 2014. We sent them eight utility bills they've never paid anything on and we've sent them the billing for their 2014 loan payment, which they haven't paid anything on. So, the discussions we've had have been mainly centered on their SAC and WAC assignments but we have mentioned the fact that they are in arrears. The last time we had a conversation with them was probably four or five weeks ago. We talked with Paulette at Rickey's, Roger's wife, and went over the fact that they were in arrears and they needed to get that straightened out before we could authorize this additional \$5,000.

Voss asked did they give you any indication? Davis answered no. Voss asked is the connection done? Davis stated the connection is done, that's correct. Voss stated I notice there's still at least restoration that needs to be done on it. Davis stated yeah, there's still the lawn and yard restoration that needs to be finished that they haven't completed. They are connected to the system and they are users of the system.

Mundle asked have they paid anything towards? Davis stated not to the City. Now, again, if they don't pay anything, what they owe would be certified on their taxes. We'd have the hearing in November for what's current. But, we don't know where we would fall in terms of subordination, in terms of recovering that. It could be something that we get back relatively soon or it could take ten or fifteen years.

4.0

SAC and
WAC Loan

Voss asked do we know if they've paid the excavator, the contractor? Davis stated as far as I know, they have not paid. That was the discussions we had with them about six

Program months ago.

Voss stated it doesn't seem like they've provided any indication of paying back the loan at all. Davis stated not at all and I think if it would be a little different, then it would be something that would lend itself to consideration, had they been in contact with us and say, 'Look, we're having these difficulties. Is there something we can do to work some things out or is there another approach we can use?' But, they have never given any indication regarding that to us. Nor have they mentioned anything about paying anything. As you can see here, they haven't even attempted to address, to make even partial payments.

Mundle asked was the \$5,000, does that 'hinge' on them being faithful of having payments made? Or is it just under Council's approval? Davis stated I think I understand your question. The \$5,000 is an amount that the Council had approved in order for these property owners to pay for entirely or a portion to actually do the physical connection to the facility. I'm not sure what they owe the excavator. I think it's probably a little in excess of the \$5,000. One would assume that if this were granted of them, they would use that money to turn around and pay the contractor for the work that he's done.

Mundle asked could the City pay the \$5,000 to the contractor itself? Davis stated it's not billed to us. Only if it was billed to us would we do that. But I wouldn't really feel comfortable doing that.

Voss stated that's kind of where I'm coming from too. There's no assurance that the \$5,000 is going to pay off for the work that was done. If they showed the paid invoice, and I think we'd want a lien waiver at the same time, then I'd feel better about making the loan. I'm not sure I'd feel good about it. I'm surprised the contractor hasn't put a lien on the property already if it's been this long. Davis stated and he well could have and they may have actually settled with him. I know that there was some discussions originally where they, I think he had a bill for \$6,000 or \$7,000 for that and I think they had negotiated it down to somewhere what this \$5,000 loan application was for. But, whether or not they've satisfied that with him I don't know.

Mundle asked so the \$5,000 is a separate portion to this Program, not part of paying the WAC and SAC fee? Part of the Program is that the City will pay \$5,000 towards hook-up fees and whatever they owe by the user fees is a totally separate matter. Davis stated it's actually part of the Loan Program and the first component of the Loan Program is you could get your SAC and WAC fees paid. In that case, the City actually does not give the money to the applicant. We pay the SAC and WAC fee and then they pay us back for that. So, no money exchanged hands on that portion of it. On this portion, there would be. What we are requiring was that they submit an invoice to show us that they had contracted with somebody to have the work done and what the amount of the work was. Then they could then borrow up to an additional \$5,000 to cover that cost.

Koller asked has anybody verified that all the work was done? Davis stated yes, the work was done. It just hasn't been cleaned up and the landscaping hasn't been completed, which lends me to believe, to some extent, that the contractor hasn't been fully paid off. Voss stated that should be completed. It's not just a little restoration, it's kind of messy.

4.0

SAC and
WAC Loan

Koller stated it looks like they're past due on just about everything. Voss stated well, the concern is we provide them the loan and they have no intent of repaying it. Koller stated

Program

that would be my feeling. Voss stated and there's no guarantee they're going to pay the contractor, which was the intent of the Program. Perhaps the Program should have been somehow contingent upon contractors being paid to make sure it gets done.

Voss asked is this the only loan that we've put out for the installation? Or, do we have other loans. Davis stated no, we did one for a truck body specialist and they're in compliance.

Koller asked how much is that property worth? Davis stated I think for tax purposes, it's assessed probably close to, somewhere between \$400,000 and \$500,000. Koller stated but they're almost \$94,000 in taxes to the County. Davis stated that's for four years of unpaid taxes.

Voss asked what about 2013 and 2014? Davis stated they are current on their 2013 and 2014. They just made their 2014 payments. That's part of the Confession of Judgment Agreement, that you must stay current on your taxes and then you have a plan set up to amortize the Confession of Judgment debt.

Harrington asked on his water bill, Jack, is that just one month he's behind? Or, is that more than one month? Davis stated that's the entire term since he's been connected, from December until now. Voss asked December of when? Davis replied December 2014 was when he got his first water and sewer bill.

Koller stated he hasn't paid any of it. Harrington stated yeah, he hasn't paid anything for six months then, seven months. Davis stated yeah. Koller stated he's not somebody you really want to lend money to. Davis stated probably not.

Mundle stated my question is, is the \$5,000, is this Program set up so that it states, 'If you do this, then the City will pay this?' Davis stated if you are in good standing with the City and your taxes are current and your utility bills and any bills owed to the City are paid. Mundle stated okay, so there are conditions then. Davis stated correct.

Voss stated so the only thing they owe now is the 2014 payment and the utility bill, which is roughly \$4,000. Davis stated that's correct. Voss stated of the \$5,000, we're going to loan them. I guess my suggestion is to have a call, for you to have a discussion with Rickey's and ask them what they plan on doing. Do they still want this loan? Are they going to make the payment? Have they paid their contractor?

Mundle stated if they have, get a paid in full receipt. Voss stated yeah, there should be a lien waiver that goes with that.

Voss stated I don't feel comfortable making the loan if they have all this outstanding and they haven't made any indications. They've paid the more recent property taxes, which keeps the County off taking the property. I think out of curiosity, in situations like this, when we add it to the tax rolls, are all our costs for doing that included? Administrative costs? Davis stated there's a \$70 fee and we do recover those eventually.

4.0
SAC and
WAC Loan

Voss stated yeah, so I'm going to ask the obvious. Are we better off just having this on their taxes? Davis stated if we were to receive the money in a timely manner, we would be making money by having it certified to their taxes. But in this situation right here where there's a lot of debt, we're not certain as to when we'll get that back. Overall,

Program we'll be paid interest on it so we'll probably make more than the debt is but the question is how long it will take us to recover it.

Ronning arrived at 5:50 p.m.

Voss stated I'm thinking from the aspect of the staff time it takes to do that. Davis stated there's not a great deal of staff time and we pay a \$70 fee, I think it is \$70, to have everything certified to the County for being placed on their taxes. But it's like some of the people who have traditionally had their water bills, they don't pay their water bills and they have those certified on their taxes. We've gotten those back within a reasonable amount of time and we actually make money because we're getting an extra interest charge.

Voss stated the interest charge is supposed to cover the cost of the lack of cash flow, right. Davis stated correct, it's a cost and you can look at it in two ways. Looking at it that way, then it covers our costs for using our money.

Voss stated I'd like to make a motion to direct staff to have a discussion with Rickey's, find out their intentions, the status of the contractor payment, and for them to provide documentation if they're still interested in the \$5,000 loan. Ronning asked can we do motions at Work Meetings? Voss stated this is not a Work Meeting, it's HRA. Maybe they're not interested in the loan any more. Davis stated we can certainly do that. **Harrington stated I'll second that motion.** Mundle stated any discussion? All in favor say aye? **All in favor.** Mundle stated opposed? Motion carries. **Motion passes unanimously.**

5.0 CDBG Report

Davis presented the staff report, indicating the City was approved for a Community Development Block Grant from Anoka County in April 2014 for septic system improvements in the Coon Lake Beach Neighborhood. The original application for this program was for \$300,000 but the initial grant award was limited to \$200,000. The City petitioned the County for the unfunded \$100,000 and the County notified the City in September 2014 that these additional funds had been approved.

There were 14 applications received and approved for this Program. As of today, three of the projects are complete, five are in the process of construction, four are in plan review, one is in the design process, and one is being bid. The deadline for completion of this project is December 31, 2015, and we are on schedule to finish by this date.

Davis stated there is an attached sheet that shows the individual projects, the cost that we know for those have been approved and they're current status of completion. Everything is progressing fairly well with this.

Voss asked is there any plan or intent to use the same Program for next year? Davis stated we have not made that plan. This has been something that's been very time consuming from a staff point of view. This grant does not pay any administrative cost and it's taken up quite a bit of time with the Community Planner and Community Development Technician. It's a Program where it's probably somewhat beneficial. It's one that if we do apply for CDBG funds, I would rather focus it more on the economic development side if that's a high priority ranked in the year that we apply for. But, we haven't discussed expanding this Program. So, this is for information only if you have any questions. Mundle asked is there any other questions on it?

5.0 CDBG

Report

Harrington stated you can go to the County and still, can't you? Davis stated the County does have a program but their program is probably a little more restrictive and sometimes the income guidelines are quite a bit tighter than these HUD guidelines are. Mundle asked any other questions?

Informational; no action required.

6.0**Other**Next Meeting
Date

Voss asked when are we going to meet again? Mundle asked the next meeting date? Davis stated we can set it for the first meeting or the second meeting in October, whichever one you prefer.

Harrington asked do we want to set a date? I'm open to either one, so whatever. Voss stated they're both Council nights. Davis stated generally we've had them the first of the month of the quarter. Koller stated sounds fair to me. Voss stated yeah.

Mundle stated the first meeting in October then. Davis stated that would be the first Wednesday in October, prior to the Council meeting. Mundle stated the Council's at 7 so it would be a 6 o'clock meeting.

7.0**Adjourn**

Harrington stated I'll make a motion to adjourn. Koller stated I'll second. Mundle stated discussion? All in favor? **All in favor.** Mundle motion carries. **Motion passes unanimously.**

Meeting adjourned at 5:57 p.m.

Submitted by:

Carla Wirth

TimeSaver Off Site Secretarial, Inc.