

CITY OF EAST BETHEL
HOUSING AND REDEVELOPMENT AUTHORITY MEETING
October 7, 2015

The Housing and Redevelopment Authority (HRA) met on October 7, 2015, for a regular meeting at City Hall at 7:00 p.m.

MEMBERS PRESENT: Steve Voss Ron Koller Tim Harrington
 Brian Mundle Tom Ronning

MEMBERS EXCUSED: None.

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

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

Call to Order

2.0 **Harrington stated I'll make a motion to adopt tonight's agenda for the Housing and Redevelopment Authority (HRA) meeting. Koller stated I'll second.** Mundle stated any discussion? All in favor? **All in favor.** Mundle stated opposed? Motion carries. **Motion passes unanimously.**

**Adopt
Agenda**

3.0 **Koller stated I'll make a motion to approve the minutes from July 8, 2015. Voss stated I'll second that.** Mundle stated any discussion? All in favor? **All in favor.** Mundle stated opposed? Motion carries. **Motion passes unanimously.**

**Approve
Minutes**

4.0 Davis presented the staff report, indicating there are 13 businesses within the area of the Municipal Utility Project that were required to connect to the Municipal Utility System. There was a substantial cost to these businesses owners for accessing the new utilities and 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.

**SAC and
WAC
Loan
Program**

Currently, we have one property owner, or one owner within that district that has requested a construction loan as part of this Program. Rickey's Properties was the one that requested information to apply for this. 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 the amount of \$605.49.

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 this work and submitted an invoice for reimbursement as required by the loan regulations. As the Rickeys 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.

At the July 8, 2015, HRA meeting, the HRA directed staff to contact Rickey's Properties regarding their loan balance and their intent to apply for and use the available \$5,000 loan for service line connection costs. Their response was that they didn't owe their service line contractor any money due to issues with that work. As the service line connection cost loan can only be used for that purpose, their request for the loan appears to be a moot point. On August 26th, they did request a meeting to discuss a repayment schedule. Currently, we already have an existing repayment schedule in place and this was sent to them for comment. At this date, we have had no response from them on this matter.

4.0
**SAC and
WAC**

Staff recommends that these delinquencies be certified to the property taxes for this

Loan
Program

address, PIN #32-33-23-21-0003. A public hearing will be scheduled for the November 4, 2015, City Council meeting to provide an opportunity for objections to the proposed certifications.

Pending the proposed public hearing scheduled for November 4th, staff recommends that the unpaid balance of the Ricky's Properties accounts be included with the certification of delinquent accounts to the County Auditor for collection with the 2016 property taxes for utility billing and 2016-2020 property taxes for the unpaid SAC and WAC charges with appropriate interest.

Voss stated I'll move that we go forward with staff recommendation. Harrington stated I'll second. Mundle stated any discussion?

Ronning stated yes, interest, who is charging the 18%? Davis stated that's our standard fee for delinquent utility bills. Ronning stated that's one I didn't see. That seems, now we're almost in the credit card business. Davis stated well, hopefully that's some motivation for people to pay their utility bills.

Voss stated we also have additional costs of managing the issue as well. Correct? Davis replied we do and it's carrying costs, administrative costs. Essentially, on our utility bills for some areas we serve. Actually, there's no admin costs built in but we have started trying to collect these things. There is additional cost associated with that. Again, too, this is motivation to hopefully encourage people to pay their accounts on time.

Voss stated on the first line, under Roger's Rod and Customs, it says, 'interest from January 1st 16, to December 31st 16. Davis explained that's the way we've been charging when it's certified for the following year. Voss stated oh, because taxes are paid, it's going to be paid off next year, okay. It's not back interest. Davis stated that's correct.

Ronning stated that line is 18%. The next line is 4% for what looks like the same thing. Davis explained the first one is for delinquent utility bills, that's the 18%. The 4% is the interest rate we approved to charge for the SAC and WAC loan. So that's what they borrowed. I think it was two SAC and WAC charges so they borrowed approximately, I believe, \$16,640 for the SAC and WAC. In order to make this as least impactful as possible, when this was passed, the City Council adopted a 4% interest rate on that for the payment plan. People that did take this loan out have five years to repay it.

Ronning asked what was the reason for the 18? Davis stated the 18 is our standard charge for delinquent utility bills for you water bill or your sewer bill that's sent to you. Voss stated it's part of our fee schedule. Davis agreed stating part of our fee schedule, correct.

Voss stated so just like with the utilities in Whispering Aspen, that's going to be charged there. Davis stated that's correct. Voss stated so it's not any different.

Ronning asked what are the options with this? Davis stated well, I'm going to be very frank. I don't think that we're going to have much luck with this. I appreciate the Rickey's position but in all of our talks with them, they've been hooked onto the water for over a year. They've never paid one penny. They've never attempted to make even one payment on the water bill. They've never attempted to make any type of payment on their SAC and WAC loan. Come December 31st, they'll be owing an additional \$3,740 on their SAC and WAC charges. We did send them what the repayment plan was and asked them

4.0
SAC and
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to get back to us and comment on it, on the 26th of August, and we haven't heard anything from them. So we've had numerous meetings with them in the past and we haven't been able to achieve any kind of results with them.

Ronning asked what are the options? Davis stated to certify this on their taxes is the only option that I see. If we make an exception for them, are there going to be others that want to go ahead and renegotiate their loans too? We've made loans to three other entities in this matter and if we do that we may have to go back and take a look at the precedence we're setting.

Ronning asked does the City look at hardship? I haven't spoken with them at all. In five years or more ago they were in a bit, a hardship. Davis stated that's why we set this loan program up, so you could borrow the money for your SAC and WAC and repay it over five years. Because we recognized that this would be a financial impact on everyone down there. So, that's why the Program was instituted and it was instituted on a five-year term to, hopefully, address the hardship issues.

Ronning stated the \$3,000-something, at the end of the year, beginning next year, that's for SAC? SAC and WAC? Davis stated that's for their SAC and WAC charges. That's correct. Ronning asked what are they allocated for ERUs? Davis replied two.

Mundle asked so is there a point where, say if they don't continue paying any SAC and WAC fees that we, would the service keep being provided? Or, would the service eventually be turned off? Davis stated we could discontinue the service but it's getting that time of year where we probably couldn't consider that until spring time.

Mundle stated I'm just wondering if there's an established point where, if the bills haven't been paid, the services are turned off. Davis stated that's one way to do it. I think the preferable way, though, is just to have this certified to their County taxes.

Mundle stated but if we do this, this year and it keeps on next year, would the services be provided all next year and again it be put onto the taxes? Davis stated there have been several instances in the past where we've had customers who actually prefer to have this assessed on their County taxes. They have paid their water bills, we've continued to provide the service, and for them it's costing them a lot more to do this. There's a \$70 certification fee that's tacked onto this plus interest. Depending on whether we want to cut service off, that would be a future decision the Council would have to make.

Mundle stated yeah, I was just wondering if there was an established point. Davis stated we don't have one and we've never terminated anybody's water service to this date. Mundle stated okay.

Koller asked hasn't this property been problems with not paying taxes? Davis stated yeah, it currently has a deficiency judgment on it for unpaid taxes in, I believe, 2009, 2010, 2011, and 2012 totaling almost \$94,000.

Koller stated so if we added onto their taxes and they don't pay their taxes, we're not getting anywhere. Voss stated it's a County action at that point. Vierling advised at some point, the property would go tax forfeit and will forfeit to the State of Minnesota and be bid out at auction.

4.0
SAC and
WAC

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Ronning asked after five years? Vierling advised commercial property, I believe, it's after four. Ronning asked what are the rules? You've got 1, 2, 3, and 4. You're going into 5. Can you pay 1 and still be? Vierling responded usually not but, you know, there's some discretion with the County Auditor/Treasurer's Office on that. Because the counties act as agents for the Department of Revenue. So, they have a fairly liberal working relationship with them. But usually they're not going to accept partial payment to forestall a tax forfeiture. If somebody wants to come in and pay an entire year the might. But, they won't take a partial.

Ronning stated I was thinking of a year. Vierling stated some of the counties will allow payment as long as you make a full year's payment. If you stay only three back all the time, it gets expensive though. You've got interest and penalty accruing all the time on that.

Ronning asked are you saying or implying that it's a policy thing versus a written thing? Vierling replied there is an amount of discretion with the County is what I'm saying. Ronning stated okay, I understand.

Mundle asked is there any more discussion on it? Davis stated one more option would be for these affected property owners, you know, they could actually go out and borrow the money from the bank and pay this off. Then owe the bank. But, they're going to owe somebody, somewhere, somehow.

Voss stated perhaps the least, with having the hearing, they'll attend the hearing. Davis stated that's true. That will give them a chance to voice any objections they have to this publicly.

Mundle stated there's a motion on the table. All in favor of that motion? **Harrington, Koller, Mundle, Voss, aye; Ronning, nay; motion carries.**

5.0 CDBG Report

Davis presented the staff report, indicating the City received a Community Development Block Grant 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. These additional funds allowed us to accept four additional applications for these improvements.

There were 14 applications received and approved for this program. As of today, seven of the projects are complete and seven are in the process of construction. The deadline for completion of this project is December 31, 2015, and we are on schedule to finish by this date.

Davis stated it does appear, at this time, that there may be a balance of \$20,000 to \$25,000 left and we're exploring to see if there is a potential applicant that we may utilize these funds on.

5.0 CDBG Report

Ronning asked is there any local feedback or anything about, is this pretty well received? Or, happy to update things? You know Steve? Voss stated I haven't heard anything. This is the Beach.

Voss stated so Jack, when you talk about these funds that remain, are we going to solicit? Davis stated we are in the process of trying to find an eligible applicant at this time. Voss stated okay and with the program as we have it set now, it's Coon Lake Beach neighborhood right? Davis stated that's correct.

Voss stated okay. Do you think we'll find? Davis stated I don't know. If we don't, we'll report back to Council at the November meeting and let them know that there weren't any applicants. If there's perhaps another applicant within the City, we'll have to get permission from the County to use it outside that area because there weren't any other income surveys done. But they may let us go ahead and use it elsewhere in the City without that.

Voss stated that's what I was thinking too. But I don't know if you want to 'uncork that genie.' I think there'll be a lot of folks around the Lake that would be interested in it. That would be interesting, to see how many, if we can apply this same thing around the entire Lake, not just the Beach. There's plenty of similar properties all around the shoreline. Perhaps an item for discussion in the future.

Informational; no action required.

6.0 None.
Other

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

Meeting adjourned at 6:46 p.m.

Attest:

Submitted by:
Carla Wirth
TimeSaver Off Site Secretarial, Inc.