

**HOUSING AND REDEVELOPMENT AUTHORITY
SPECIAL MEETING
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Housing and Redevelopment Authority conducted a special meeting on Tuesday, October 19, 2010, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson John Dehen
 Commissioner David Elvig
 Commissioner David Jeffrey
 Commissioner Matt Look
 Commissioner Colin McGlone
 Commissioner Bob Ramsey
 Commissioner Jeffrey Wise

Also Present: HRA Executive Director Heidi A. Nelson
 Development Manager Darren Lazan
 Stacie Kvilvang, public finance consultant with Ehlers and
 Associates
 Tom Bray, legal counsel with Briggs and Morgan

CALL TO ORDER

Chairperson Dehen called the regular meeting of the Housing and Redevelopment Authority to order at 6:36 p.m.

OPEN FORUM

There was none.

APPROVAL OF AGENDA

Motion by Commissioner Ramsey, seconded by Commissioner Look, to approve the agenda as submitted.

Motion carried. Voting Yes: Chairperson Dehen, Commissioners Elvig, Jeffrey, Look, McGlone, Ramsey and Wise. Voting No: None.

HRA BUSINESS

Case #1: Consider Deal Structure Flaherty and Collins Apartment Project

Open Portion:

HRA Executive Director Nelson explained part of this meeting under State law will be closed in regard to the land sale. The public subsidy side will be reviewed under the open meeting portion. Tonight's case is not requesting any action but for staff to receive direction with regard to the deal structure for Flaherty and Collins.

Development Manager Lazan reviewed the staff report and explained the project has been submitted for Planning Commission review so it is available for public review.

This is a 250 unit above market rate project located on the west and south side of the existing and future expansion of the municipal parking ramp. The property address is 7700 Sunwood Drive NW and contains 3.1 acres of land. Discussion was initiated in October 2009 and the project is currently on track to close in April 2011 and start construction May 2011 with estimated opening of March 2012.

This does include a small retail component, after the last site visit by two HRA members to the project in Indiana, there was a desire to add a small retail component and the developer has agreed to include this. The current plans has 3,000 square feet and he has a LOI with a restaurant tenant and if we get positive direction tonight they will begin to negotiate a lease with that vendor as well.

This creates approximately 150 construction jobs through the 18 months and about 30 – 50 full time jobs once this project opens.

Commissioner Elvig commented he recalls the retail component, from his perspective the COR area surrounding the park really was restaurant row. It is the retail small downtown atmosphere and having retail close to the parking ramp on Sunwood going to the north, he stated that he feels that is the section to have it in.

Chairperson Dehen thought we were going to try to create some retail off the rail stop on the Civic Center Drive portion.

Commissioner Ramsey clarified that there was never a vision to have retail on Civic Center Drive.

Commissioner Elvig would like to encourage more retail along Sunwood Drive.

Commissioner Look asked do we want the retail there or not there on the ground floor.

Development Manager Lazan commented that we exercised retail on the ground floor, they went forward doing that at our direction and since then secured one LOI there is opportunity to discuss more retail to our applicant.

Commissioner Jeffrey asked does this change the financial picture of what our participation might be and what the returns might be if we are talking rental housing versus rental retail.

Development Manager Lazan answered yes, we created a problem and we solved the problem before we got our deal done but if we create a new problem we may not solve it the same way.

Chairperson Dehen asked once the construction starts is additional retail out other than the corner.

Development Manager Lazan responded once the final construction is complete the only retail we can put in is three thousand feet.

Motion by Commissioner Ramsey to close the meeting at 7:03 p.m. seconded by Commissioner Look.

Motion carried. Voting Yes: Chairperson Dehen, Commissioners Elvig, Jeffrey, Look, McGlone, Ramsey and Wise. Voting No: None.

This portion closed at 7:03 p.m.

Meeting re-opened at 8:05 p.m.

Development Manager Lazan explained three provisions in the deal classified as subsidies are: the capital/equity contribution/construction loan, the 2 million tax increment financing (TIF), the payment and seller of development fees roughly 1.77 million dollars. For clarification there are two components of the T.I.F. one is the new special legislative T.I.F which we are proposing to provide \$2 million dollars and the second is pooled tax increment funding.

Stacie Kvilvang, public finance consultant with Ehlers and Associates, explained the two financing sources. Their summary analyzes the financing for this project what they considered a public subsidy, what the risk factors are and what is being proposed to mitigate risk factors. The contribution to the developer of 1.3 million dollars is coming from the city's pooled TIF districts, coming under the legislative authority provided in the last legislative session. That funding will be reimbursement for costs other than what is considered qualifying TIF costs. Those dollars will not be paid to the developer until they show they have made those expenses, then the City will reimburse them. The second one is the development fees of the 1.8 million dollars is to reimburse the City and Met Council and others for various development fees and is paid up front by the City at the time of plat. The reason why they are using the existing TIF balances, roughly \$3 million dollars, those funds have the most flexibility to reimburse for those items because state law provides that authority to the city.

Commissioner Look asked of the 1.77 million how much of that is Met Council.

Ms. Kvilvang answered about \$400,000 and about 1.4 million is flexible for the City.

Commissioner Ramsey asked on the existing TIF, what other things would be using those dollars for.

HRA Executive Director Nelson stated that the funds from TIF District 1, 2 and 4 are pre-1990 legislative changes to tax increment financing law. Post-1990 districts are more committed to specific projects within the district.

Commissioner Elvig sees T.I.F. dollars for reimbursing ourselves on park dedication but wants to get back to the idea of retail and repaying ourselves and what's missing is the HRA is not getting refunded on anything. Can we finance a plan back to ourselves?

Ms. Kvilvang responded there are two issues: the City is the source of the financing for the loan of 1.3 million and the other source is financing the 1.8 development fees. The HRA is not bringing the dollars to the table. They are trying to structure to the larger financing plan for the COR as a whole and they are trying to set everything up as interfund loans so they have that ability to recapture those unrestricted TIF dollars down the road.

Ms. Kvilvang noted that the last one is \$2 million dollars is the present value of the Tax Increment that's generated and there plan is to keep that longer so, they don't want to wait 20 years to pay that off that is why they did the split at 85/15%. The HRA gets the first 15% and the remaining 85% goes to Flaherty.

Ms. Kvilvang explained that there are two things that happen with a minimum assessment agreement, if it's on for 22 million and the assessor says its worth 24 million that note will be paid off sooner. When the assessor assigns the value, it is done very conservatively.

HRA Executive Director Nelson discussed TIF District 2 funds and funding planned for CIP projects that would be utilized towards this project.

Ms. Kvilvang explained when they borrow the \$3 million to the District they are charging an interest at a statutory maximum of 4% to the District, it's another mechanism to figure out how to get the dollars back and how can we earn a return on the dollars we borrowed.

Commissioner Jeffrey is concerned about borrowing money from other TIF Districts and how many years will it take to pay it back.

Ms. Kvilvang answered 20 to 26 years over the term with exception of 1.3 million loan within 10 years.

Development Manager Lazan responded in addition to the corporate guarantee of Flaherty Collins Construction we are including provisions for this note that apply to the TIF so if they fail to pay this note they stop getting those payments as cross defaulted.

Commissioner Elvig asked what was the project that was sued and went bankrupt.

Development Manager Lazan responded it was a project in Charlotte, NC.

Commissioner Look asked if we require a performance bond.

Ms. Kvilvang responded the City is not in a position to require a performance bond.

Commissioner Look asked for some guarantee that this project will at least be complete.

Tom Bray, legal counsel with Briggs and Morgan, commented that a corporate guarantee is a better avenue to repayment than a second mortgage.

Development Manager Lazan would like discuss the loan term as a compromise as a 10 year fixed return of \$120,000 and after that tenth year any remaining balance is 6 and one quarter percent interest.

The Committee discussion was to leverage the retail piece.

Motion by Commissioner Ramsey to close the meeting at 9:22 p.m. seconded by Commissioner Look.

Motion carried. Voting Yes Chairperson Dehen, Commissioners Elvig, Jeffrey, Look, McGlone, Ramsey and Wise. Voting No: None.

Meeting re-opened at 9:24 p.m.

Motion by Commissioner Ramsey to re-open the meeting at 9:24 p.m. seconded by Commissioner Look.

Motion carried. Voting Yes Chairperson Dehen, Commissioners Elvig, Jeffrey, Look, McGlone, Ramsey and Wise. Voting No: None.

Case #2: Consider Proposal for Graphics COR/Rail Station

Development Manager Lazan reviewed the staff report and is asking the Committee to approve the attached proposal provided in the agenda and direct staff to complete the items in conjunction with the upcoming VA groundbreaking event.

HRA Executive Director Nelson reviewed that the Steering Committee has been meeting weekly planning the event and explained the expense Jim Deal, PSD is funding and the City value of the updated renderings

Motion by Commissioner Elvig, seconded by Commissioner Jeffrey, to approve the contract with Sharp Creative and direct the team to prepare the appropriate materials for the VA Groundbreaking ceremony.

Motion carried. Voting Yes: Chairperson Dehen and Commissioners Elvig, Jeffrey, Look, McGlone, Ramsey and Wise. Voting No: None.

COMMITTEE REPORTS

None

EXECUTIVE DIRECTOR'S REPORT

None

COMMISSIONER INPUT

None

ADJOURNMENT

Motion by Commissioner Elvig, seconded by Commissioner Jeffrey, to close the special meeting of the Housing and Redevelopment Authority.

Motion carried.

The special meeting of the Housing and Redevelopment Authority adjourned at 9:30 p.m.

Respectfully submitted,

Heidi A. Nelson
HRA Executive Director

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Mary Jo Warner
City of Ramsey, Public Works Secretary.