

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

The Housing and Redevelopment Authority conducted a regular meeting on Tuesday, August 23, 2011, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson David Elvig
 Commissioner Randy Backous
 Commissioner Colin McGlone
 Commissioner Bob Ramsey
 Commissioner Sarah Strommen
 Commissioner Jason Tossey
 Commissioner Jeffrey Wise

Also Present: Deputy City Administrator Heidi A. Nelson
 Public Works Director Brian Olson
 Economic Development/Marketing Director Aaron Backman
 Fire Chief Dean Kapler
 Development Manager Darren Lazan
 City Attorney William Goodrich

CALL TO ORDER

Chairperson Elvig called the regular meeting of the Housing and Redevelopment Authority to order at 9:04 p.m.

OPEN FORUM

There was none.

APPROVAL OF AGENDA

Commissioner Backous requested to add Case #3 Review Landform Contract.

Motion by Commissioner Backous, seconded by Commissioner Strommen, to add Case #3 Review Landform Contract and approve the agenda as amended.

Commissioner Wise questioned what the purpose of the case would be.

Commissioner Backous stated he has in the past expressed concern with this contract, and he requested to discuss the contract in terms of the incentives. It was expected that some buildings would be seen at this point, and there are none. He said it seemed the contract is not working as it was intended.

Commissioner Ramsey noted the proper motion would be to terminate the contract and renegotiate the contract, as it is against policy to revise contracts while they are in effect.

Commissioner Backous stated that was his intent.

Amendment Motion by Commissioner Backous, seconded by Commissioner Strommen to add Case #3 Discuss Termination of Landform Contract and approve the agenda as amended.

Further discussion: Commissioner Strommen suggested the title of the case be changed to "Discuss the Renegotiation of the Contract." She indicated she had seconded the motion in order to add it to the agenda for discussion. Commissioner Ramsey commented he preferred to bring this to a work session as the meeting tonight may not be the appropriate venue. Commissioner McGlone questioned whether this item can be added since it was not made public prior to the meeting. City Attorney Goodrich explained this is a regular HRA meeting and items can be added. Commissioner Wise requested this item be added to a work session.

Motion carried. Voting Yes: Chairperson Elvig, Commissioners Backous, Strommen and Tossey. Voting No: Commissioners Ramsey, McGlone and Wise. None.

APPROVAL OF MINUTES

Motion by Commissioner Ramsey, seconded by Commissioner Wise, to approve the following minutes:

HRA meeting minutes dated Tuesday, June 14, 2011

HRA meeting minutes dated Tuesday, June 21, 2011

Motion carried. Voting Yes: Chairperson Elvig, Commissioners Ramsey, Wise, Backous, McGlone, Strommen, and Tossey. Voting No: None. Absent: None.

HRA BUSINESS

Case #1: Consider Proposed Deal Structure – The Residence at The COR Project

Development Manager Lazan reviewed the staff report.

Executive Director Nelson reviewed the history, market, demographic and economic benefits of the project. She noted there will be an additional 200 jobs in construction of the three main projects in The COR, and the number of spinoff jobs would be more than 600. She reviewed the project timeline, which projects the opening of this project in the fall of 2012.

Development Manager Lazan reviewed the existing deal points: \$250,000 land sale included 300 parking stalls; \$2 million pay as you go TIF note; \$1.3 million loan for a 10-year term.; development fees paid from TIF balances and \$16 psf lease backstop on retail. He noted there have been several financial challenges. The project was presented to 40 banks, and 3 brokers.

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He pointed out this is the type of project the residents have said they wanted, and it is a very difficult project to bring in. The new structure removes the backstop on retail and includes a request for approximately \$7,000,000 in construction financing. He explained this catalyst project would include a vertical mix of uses, would support both existing and new retail uses, and make use of the existing and the proposed ramp. He said he heard comments repeatedly at the Game Fair that residents are in favor of the rail stop and are hoping that something more will be developed as a result.

Stacy Kvilvang, Ehlers and Associates, reviewed the financial components. Total development costs have increased by approximately \$1.2 million. Eighty percent of the debt service must be repaid by the City, and it can be repaid by TIF funds from District 14, which is The COR. If there is not enough funding to pay the debt service, the monies will have to be levied and taxpayers would need to pay. She noted the risks are that the City is entering into a loan situation. The building could have a higher vacancy than anticipated. There could be lower rents, or the inability to increase rents to keep up with expenses.

Development Manager Lazan reviewed how the shortfalls would be covered. There will be rental revenues; corporate contributions to operating an LLC; David Flaherty has a personal guarantee with PNC and the HRA; TIF 14 can be used; Allina and the VA Clinic and other projects within the District can be accessed. He added that other funds could become available such as the possibility of land sales. The guarantees are powerful. He emphasized the taxpayer would only be levied in a complete last resort and there are numerous levels before that would happen.

Commissioner Tossey questioned where Mr. Flaherty's assets would go before his personal guarantees to PNC and Ramsey were paid.

Development Manager Lazan stated Mr. Flaherty is personally and corporately responsible, and his assets would not go to anyone else first. Due diligence was performed to assure his personal worth.

Ms. Kvilvang stated in the event the City is left with bonds to pay, she noted there are some options. She explained the TIF funds as projected should cover the debt service.

Executive Director Nelson stated the question has been asked why PNC is not financing more of the project and it is because there is a lack of comparables in the area. This is a different product type.

Commissioner Tossey pointed out that if it gets to the TIF District, it is affecting the taxpayers. There are still roads to pay for and other projects could be delayed if TIF funds are used. He stated he does not think the City should participate in financing.

Commissioner Ramsey commented he does not see how the project could fail, and he does not expect the rents will decrease to the point where citizens are affected.

Commissioner Strommen expressed her opinion that she likes the project since it is consistent with the original vision. The degree of the City's involvement is a concern. The mixed use is the toughest component. She pointed out other cities have not been successful with this model. She agreed with Commissioner Tossey that it does relate to the TIF District.

Development Manager Lazan noted they have had discussions of other like projects that were and were not successful. He pointed out the rail is the component in Ramsey that the others did not have.

Commissioner Wise said the risk of doing nothing is bigger. There is always a risk and the work that has been done for this project so far has set it up to succeed.

Motion by Commissioner Ramsey, seconded by Commissioner Wise, to direct the Development Team to proceed to document modifications based on discussions at the meeting, and the direction of the HRA and to direct the Development Team to proceed with preparations related to the sale of TIF Revenue Bonds in support of the financing associated with the Flaherty and Collins project.

Further discussion: Commissioner Backous commented he is unsure if the term "mixed use" is appropriate. Commissioner Ramsey replied the intention is to add more retail. Commissioner Strommen stated the retail is not working in mixed-use buildings.

Motion carried. Voting Yes: Chairperson Elvig, Commissioners Ramsey, Wise, and McGlone. Voting No: Commissioners Backous, Strommen and Tossey. None. Absent: None.

Case #2: Discuss the Termination of Landform's Current Contract

Executive Director Nelson stated she is unprepared to talk specifics with the contract. The City Attorney did retrieve a copy from the file and suggested she take the Commissioners' input and discuss at the next work session.

Commissioner Backous brought up several concerns. He said there has not been anything brought forth that the City did not have to fund or subsidize. If the economy and image were great, the HRA wouldn't need Landform. Landform is being paid to overcome these issues, and Commissioner Backous said he expected results. There are no performance metrics in the contract and no incentives to move things quicker. He acknowledged the master planning was done well and he does see the potential but felt the rest of Ramsey is being neglected. He stressed that he had no interest in firing Landform; he just wanted to structure the contract the way it should have been originally.

Commissioner Tossey expressed concern with the Flaherty and Collins project. He said he would like to discuss this in a work session or a closed session without Landform in the room. He said when the City Attorney's contract was discussed, the attorney was not in the room and he preferred it was the same when Landform's contract was discussed.

City Attorney Goodrich replied there is no basis for a closed session. He chose not to be present when his contract was negotiated, and the Commission can ask that Mr. Lazan not be in the room when Landform's contract is under discussion.

Commissioner Strommen noted this is not a personal issue, though she has had concerns for some time about the structure of the contract. She stated there is structure around developing The COR, and structure around developing the City, but the structures should be nested more. She said she would like to have a discussion for that reason.

Commissioner Wise noted when Mr. Backman was hired he was to concentrate on development outside The COR while Landform concentrated in The COR. There is more time spent on projects within The COR as a Council because the staff must work through many related issues.

Motion by Commissioner Tossey, seconded by Chairperson Elvig, to continue the discussion of Landform's contract to the next work session.

Further discussion: Development Manager Lazan responded that nothing is done outside The COR on his part. When projects came to work with him, and he couldn't work with them for The COR, he brought them to another site within the City. Commissioner Backous emphasized the intent was not to fire Landform, but only to discuss the contract.

Motion carried. Voting Yes: Chairperson Elvig, Commissioners Tossey, Backous, Ramsey, Strommen, and Wise. Voting No: Commissioner McGlone. Absent: None.

COMMITTEE REPORTS

None.

EXECUTIVE DIRECTOR'S REPORT

None.

COMMISSIONER INPUT

None.

ADJOURNMENT

Motion by Commissioner Ramsey, seconded by Commissioner Wise, to adjourn the regular meeting of the Housing and Redevelopment Authority.

Motion carried.

The regular meeting of the Housing and Redevelopment Authority adjourned at 11:05 p.m.

Respectfully submitted,

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Heidi Nelson
HRA Executive Director

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Chris Moksnes
TimeSaver Off Site Secretarial, Inc.