

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

The Housing and Redevelopment Authority conducted a regular meeting on Tuesday, October 5, 2010, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

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

Also Present: HRA Executive Director Heidi A. Nelson
 City Administrator Kurtis G. Ulrich
 Finance Officer Diana Lund
 Public Works Director Brian Olson
 Planning Manager Amber Miller
 City Engineer Tim Himmer
 Parks Supervisor Mark Riverblood
 Development Manager Darren Lazan

CALL TO ORDER

Chairperson Dehen called the regular meeting of the Housing and Redevelopment Authority to order at 7:45 p.m.

OPEN FORUM

There was none.

APPROVAL OF MINUTES

Motion by Commissioner Wise and seconded by Commissioner Look to approve the following meeting minutes:

1. Special Meeting Minutes dated Tuesday, June 29, 2010
2. Special Meeting Minutes dated Tuesday, July 13, 2010
3. Special Meeting Minutes dated Tuesday, August 24, 2010

Motion carried. All in favor.

APPROVAL OF AGENDA

Motion by Commissioner Jeffrey and seconded by Commissioner Look to approve the agenda as submitted.

Motion carried. All in favor.

HRA BUSINESS

Case #1: Consider Parking Ramp Phase II Design Services

Director of Public Works Olson stated that we talked about this item on September 21 where we requested authorization to negotiate a contract directly with LSA Design, Inc. for an amendment to the final design and construction administration contract for the 200-car parking ramp expansion. Authorization was granted and staff requested a proposal from LSA. He noted the proposal is included with this agenda and outlines the responsibilities to complete the second phase of the parking ramp. He stated that the contract separates the work elements into four separate tasks to allow for easier understanding and reviewing the work and fees proposed for each step. He proceeded to go over the contract in detail. He talked about this being contingent upon Flaherty & Collins agreeing to the terms of tasks one and two and agreeing to pay for that and it does have timeframes involved. The cost for the HRA will remain the same.

Development Manager Lazan updated that Flaherty & Collins has agreed to pay costs to adapt that ramp. You have significantly reduced the customized items. If we don't do it – we don't pay for it.

Mr. Olson stated that the other two tasks were federal documentation and the bidding process. He talked about how the cost was brought down to \$88,000 and if you want to go any lower than that, you will have to hire someone else. Lasher will have someone on site to review everything – completing all general requirements. One other piece that has not been taken care of is soil testing – specialized concrete testing. It's estimated at about \$75,000 and he will bring that forward.

Councilmember Elvig asked if Flaherty and Collins doesn't need trafficking stops in this.

Mr. Olson stated they do not necessarily need secured parking anymore but we want them to have signed parking for their units.

Mr. Lazan stated that they feel they can take care of secured parking if they need to with signed parking.

Motion by Commissioner Elvig and seconded by Commissioner Ramsey to authorize staff to utilize the Landfill Trust Fund and enter into a contract with LSA Design, inc. for an amendment to the final design and construction administration of the 200-car parking ramp expansion contingent upon the apartment project developer agreeing to the cost of design modifications stated in Task II of the proposal.

Further discussion: Mr. Olson stated that staff will not authorize LSA on Tasks 3 and 4 until we get some buy-in. Chairperson Dehen noted that the whole project has been tentatively approved and we will not pay him one cent until the Council approves this project so why are we approving this now. Mr. Olson replied that there is \$3.5 million in general money that we need to secure. Councilmember Dehen inquired what if the rest of the project does not come to fruition. Commissioner Ramsey stated we will build the ramp regardless - we do not want to lose the \$3.5 million. HRA Executive Director Nelson announced that a work session has been scheduled with the HRA and Flaherty & Collins for October 19 and we will walk through the entire deal then. That's the time line – get it in front of the HRA and then come back to the HRA for approval in November or December. Chairperson Dehen thought it would come to the City Council. Ms. Nelson replied it comes to the Council to do the development review piece but the purchase agreement and loan guarantee, etc. will all be provided by the HRA. Chairperson Dehen expressed concern about how the public becomes aware of this to which Ms. Nelson replied this is all public information. Chairperson Dehen stated it's a nice project but this City Council knows that he is opposed to the funding. He asked how the public will know his opposition. Commissioner Ramsey stated what we are voting on is regardless if the Flaherty & Collins Project happens. Commissioner Look stated that our goal is to try to build this along with the Flaherty & Collins project – he would not care to see the parking ramp alone. He stated he is in support of this with the Flaherty & Collins project only – if it “goes naked” he is stepping off the bus. Commissioner Ramsey stated that when we are talking about giving them something – think of the fact that we will be losing \$3.5 million if we do not build the ramp. Councilmember Elvig stated it's also a message you send to the people who put money together for us. We are out of the pool in the future if we give grant money back. Commissioner Look stated he agreed but we are not responsible to the grant givers – we are responsible to the people of this City. These people outside these walls either have or do not have confidence in us. Chairperson Dehen stated he did not if he agreed with it either way. He stated he will not vote for it but he certainly will not vote for it without the project just because we might lose money from a grant. Commissioner Wise stated he is leery of voting for this without the Flaherty & Collins project. Mr. Olson stated we cannot wait because it takes probably one to two and a half months to go through the federal process. This ramp was designed to accommodate a VA Clinic. Flaherty & Collins has agreed to pay for these changes and then we have to get approval from MnDOT again. He reiterated Flaherty & Collins will pay for the modifications for this project. All we are talking about is modification to the design and contract modifications. We are not going to incur \$88,000 until we initiate the project. Commissioner McGlone stated this ramp is something grant money was received for. It's for the grant project and he stated he would vote for it – pass it – it's going in the ground because he did not want to send back \$3.5 million. Commissioner Ramsey reiterated he did not want to give back the \$3.5 million and then have to build the ramp and pay for the whole thing. Commissioner Look stated he agreed and added that Council needs to make sure the Flaherty & Collins project goes through. Commissioner Look noted the first two tasks deal with Flaherty & Collins. With regard to Task 3 – he did not want to go down this road if Flaherty & Collins is not coming – let's make sure we do not torpedo the project. Chairperson Dehen stated there has already been a consensus if it's not going forward. Efforts to torpedo will make everyone else look bad. Commissioner Elvig stated we have to see details of the Flaherty & Collins project and he did not want to be hoodwinked into this. He feels every one of these is separate. He talked about the rail stop and the parking ramp of Mr.

Deals. Development Manager Lazan stated there is no black and white on this project. Flaherty & Collins will spend over \$100,000 just producing a set of plans – everyone is incurring costs. They would have to be under construction before June 30.

Motion carried. Voting Yes: Commissioners Elvig, Ramsey, Jeffrey, Look, McGlone and Wise. Voting No: Chairperson Dehen.

Case #2: Consider Sale of land – Outlot A, RTC 7th Addition

Executive Director Nelson stated that staff received a Letter of Interest for the purchase of land – Outlot A, RTC 7th Addition for a senior housing project. We did approve a purchase agreement for Toties Development for Suite Living, which is 80 to 90 units. Toties is moving forward and they could be for sale maybe in the spring. It's important to review where we are at with other senior housing projects. We know there is a market to support 70 to 90 units. We have received a Letter of Interest from Edgewood, based in North Dakota, for the 3.49 acres north of The Draw Park. She pointed out the parcel they are looking at. This goes head to head with Suite Living. We had a conference call and they said they said they would go head to head with Suite Living. Terms of the Letter of Interest is \$5 a square foot – capped at \$250,000. She did not know what the development fee would be. One other group we have talked with is First Phoenix. We recommend going back to First Phoenix and letting them know we have received a Letter of Interest from another company – she wondered if the HRA would like to give them a chance.

Commissioner Ramsey stated he is not interested in extending any other offers. The market study says what it will support. We already have a good deal – why interject competition. That's over a third of what we could get – if they are really interested, they will be hanging around.

Chairperson Dehen stated he agrees with Commissioner Ramsey. It does not seem prudent to negotiate with them but would it be prudent to just tell them no, we are just not interested in that price. Maybe let them figure what the market can support. If they pay the same price, why do we worry about how many come in.

Development Manager Lazan stated that, today we know the market can only support 70 to 90. We got that information from a housing study from Anoka County. Others have done that study and ended up basically with that same number. He stated he will make an assumption only one can make it. Our job is to build value and he wanted nothing but wins. This is a very quality offer and a very quality project. He stated staff went back to Edgewood and told them but what if they say they will step up their bid and do it the same as the other.

Commissioner McGlone stated we are developers of this project – we have the responsibility to our shareholders. We have the responsibility to make the right decisions and we do not want to cripple ourselves. He stated he has no appetite for them to undercut the market. We have a responsibility to get the best deal and to set proper bars for the price of the land. We have to pay back the public.

Chairperson Dehen stated he did not feel anyone here agrees that second project is competitive but the question is, do we continue to talk with them about possibly bringing in another project.

Commissioner Ramsey stated they cannot compete without a subsidy.

Chairperson Dehen expressed agreement with Commissioner Ramsey. He stated right now their offer is not as good, so we say no we will not accept this but we will consider other options.

Commissioner Wise stated we cannot be so shortsighted to think of businesses coming in that do not have an effect on other businesses – how many gas stations are sitting empty for example.

Commissioner Elvig stated we have someone who has seen this market place. They have paid a premium for them to come in here. It's wrong for us to say we will restrict others. He totally agreed with the free market but he thinks we have to initiate conversation with these people. If we say yes to \$17 a square foot, then we need to make sure the price is not fixed for anyone else wanting to come in. He did not want to dictate who comes in but he stated he thought we should go back to them.

Commissioner Ramsey stated it's a free market but we own the land and we need to make sure our entire project is successful.

Chairperson Dehen stated they are not competitive but the question is what do we do with them. Do we say they are not competition so get out of here or do we go back and say we are not selling this for less than \$17 a square foot and we do not give them a subsidy.

Commissioner Ramsey stated we say we are not accepting any other plans for this type of business – if it changes we will go back to them.

Commissioner Wise stated that if you have a study showing it will not be able to be supported, it's stupid to allow this.

Commissioner Elvig stated that retail develops retail – energy develops energy. What if someone came in with \$19 a square foot – do we take it – of course we would – we would let them “duke it out”.

Commissioner McGlone stated we are not The COR world. We have a responsibility to the taxpayers to pay attention to what studies are telling us. It sounds and looks stupid on paper and at \$19 a square foot – it's still stupid.

Development Manager Lazan stated that you take away a big chunk of creating value by picking and choosing pieces. The product and return will be better. He felt that generally the government needs to stay out of it, but we are the landowners.

Commissioner Wise talked about reasons for putting certain like businesses next to each other.

Commissioner Look stated if the second party is higher he would advocate going back and talking to them. Why are we picking and choosing which ones we are doing free market for we are not subsidizing one against the other. He stated he did not want any exclusivity unless someone wants to pay for it. There is nothing like letting people know others are interested – it builds an incentive.

Discussion ensued relating to ability to pick and choose and what has been said to one or the other – Commissioner Wise cautioned that our word is gold.

Commissioner Elvig stated to be careful about saying pick and choose. He agreed at times we will pick and choose but he did not feel we want to start that precedent. We can pick and choose by money only. He asked if there was a consensus that we send Mr. Lazan to say we are not interested unless they substantially increase the price.

Commissioner Wise stated we are going with the original.

Commissioner Ramsey asked if the consensus is we are not interested at this time and we will let them know if anything changes.

Commissioner Elvig and Chairperson Dehen stated we could say we are not interested unless they raise their offer significantly and there are no subsidies.

Commissioner Look stated we did not go through a bidding process. We need something in the ground. This is a live one and we should get going on it. In the future when we have less land, let's start playing ball.

Consensus was to cut them lose and contact them if something changes.

Case #3: Consider Proposed Development at NE Quadrant of Ramsey Boulevard and BNSF Railroad

Development Manager Lazan stated this site was the subject of efforts in the past to locate a gun range and pro shop facility. After discussions back and forth, the Development Team reached out to the proposed business owner in an effort to structure a deal within The COR for this user and several sites were explored. After considerable discussion, it appeared the use may best be suited for the original property. If this is acceptable to everyone, he would bring an offer back to the next HRA meeting. The user can move forward with the project on the piece of land on the east side of Ramsey Boulevard outside The COR. He talked about some of the concerns with areas inside The COR for this type of business. We reworked that site plan to get three pads on that site plus we are working on parking configurations. He stated this is outside The COR so he is asking the HRA to extend his contract outside The COR. He noted that a considerable amount of time had been spent on this and he would like to close the deal. He proposed a scaled-down version of his agreement in The COR and he would like to fine-tune this and bring it back.

Commissioner Ramsey stated he is not confident in this site plan as we need to know the on and off ramps; however, he is fine with the project.

Commissioner Wise commented that we have had this gentleman at about four different locations so far and he wondered how strong this truly is. He was not in favor of spending money if nothing was happening.

HRA Executive Director Nelson stated that we have not finished this through the engineering and code perspective. With pulling this piece in and putting it in the development contract, all of these over there would be paid like in The COR and she wanted to make sure everyone is aware of that.

Chairperson Dehen asked if there are projects in the City that we can do on our own, without a Development Manager.

Ms. Nelson replied we had an Economic Development person doing that type of work.

Chairperson Dehen stated so because we do not have an Economic Development person we have our Development Manager out there. If we get someone in, what's the cost for Darren and our internal costs. If this business comes in here are there vibration issues with the rail stop this close to the range. Does that have any effect on shooting.

Commissioner Ramsey stated the train has nothing to do with it. He stated that Mr. Lazan was working with this gentleman when he was going to go into The COR.

Commissioner Elvig stated that part of the problem of paying a large commission up front without knowing what the deal is – he would be reluctant to say just make it work. He stated he does not have a problem with Darren doing it when we do not have anyone on staff that can. His concern is when we have the Development Manager and are paying him, then there is the engineering – he would rather have someone else doing engineering.

Ms. Nelson stated we could put this on hold and when we hire and bring that Economic Development Marketing Manager board, he could be brought in on this project. However, this person probably will not be on board until the end of November and you need time to get some feet under you. She stated she wanted to differentiate that the role of the Economic Development Manager is the whole City versus just our downtown center. There is a fair value in Darren working with this but we do not want to diminish the fact that we can put this on hold for the Economic Development Manager.

Chairperson Dehen stated that whether it's Darren Lazan or someone coming on board – what difference does it make. Its EDA or HRA – someone still has to do it.

Ms. Nelson stated we have moved this gentleman around about four times. From a site perspective – what makes sense. It appears Sergio has the funding so do you want the Development Manager to do this work now?

Commissioner McGlone stated we are not there yet with our internal person. This deal has worked with this person and he did not have a problem on a case-by-case basis expanding Mr. Lazan's role to get this project over the finish line. Let's put this under one umbrella.

Commissioner Look stated we generally gave about \$25,000 per job created in subsidy. We currently do not have a training facility for our Police Officers – this is something that will benefit them. This is land that we own that as a City we can carve out a chunk and say to Sergio this is our land – you carve it out and get it done Why do we think we have to hire someone for this. You have the rights to this property if the deal is completed. Now we have more in it than just the land. He should be coming to the Planning Commission and approving the designing – he should bring his own development manager.

Commissioner Elvig stated he would like to know what we are getting for our Police Department with the land we are giving. He added we have to compensate Mr. Lazan with something; he has been working with this guy for a long time. We owe Mr. Lazan some hours of effort in some capacity.

Chairperson Dehen stated he disagrees with the compensation thing.

Mr. Lazan stated he thought Sergio would be paying for the land and we will work on something. He stated he did do a lot of work in good faith that the work done would be honored.

Commissioner McGlone stated that if the economic person was on staff today and up to speed and it was not otherwise special that it fall under the realm of that individual's job to get that work – fine – but we are not there yet. This management deal has kept this business here and has made sure it has not gone anywhere else.

Commissioner Ramsey agreed that if Mr. Lazan had not shepherded that deal it would have been gone and he needs to be compensated.

Commissioner Look stated this is the reason he was against hiring the individual we hired as there will be a conflict.

Commissioner Elvig stated he agreed the problem can and likely persists bur right now we do not have the option of someone in-house. He agreed if Mr. Lazan had not been there, this deal would have fallen off. In a month or two that will change as we will have a person on board. There will need to be some sort of compensation for this but he expressed concern about double dipping.

Motion by Commissioner Ramsey and seconded by Commissioner Wise to approve the extension of the DM contract terms to the parcel described as the NE Quadrant of Ramsey Boulevard and BNSF Railroad and direct the Development Team to prepare contract documents reflecting the summary deal structure of consideration by the HRA.

Further Discussion: Commissioner Look asked what are we talking about with Sergio's project alone. Mr. Lazan stated that when we negotiated, we went through the process for ability to

negotiate engineering. Designating Landform as the project engineer, the price was dropped. Mr. Lazan proposed we take the capital cost of this building only and make money up on other pads and we do engineering on these. It might be a \$20,000 Development Management fee but he has to do all the Development work. Chairperson Dehen asked do we not have the person that can deal with his request. It feels like we are doing everything to babysit this. Maybe someone on staff could shepherd this. Mr. Ulrich stated this project was seen as a strategies priority for the City and because of that, we devoted whatever resources to staff we had. It went from Sean Sullivan to Darren Lazan looking at COR sites. So we have had both internal and consultant staff working on this and it's being babysat a little. It's an important project in the City. Sergio is not really a developer – he's a businessman that wants to do this. Our development contracts did anticipate that Darren Lazan may work outside The COR and on a case-by-case basis. He had done some work on it so we felt it was a natural extension. We have someone else that can work on it but this recommendation seemed to be a good fit. He thought we are not expecting a lot out of this development. If you say this is a priority, we will put the work into it. We need to step up and take the role of developer. Commissioner Wise stated let's not muddy up the water – let's not wait – Darren has shepherded this project – let's keep it this way. Chairperson Dehen inquired if it is one pad or three. Commissioner Wise stated one pad. Commissioner Ramsey stated it's kind of like someone doing a training job – he's already got the job – let's compensate him and get this done. Chairperson Dehen stated we talked earlier about giving chunks of land away but are we selling this land and they will be paying for that. Mr. Lazan stated the third pad will more than cover that. Commissioner Elvig stated he agreed to move this along but we do not know what it will yield. We have to keep it as the one pad now. He said to Mr. Lazan – your engineering fees will likely be financed under the building of this project. You will be working as engineers for him. Mr. Lazan stated we will do parking lot and road extension and he will build the curb in. We will do it as the developers. Commissioner Elvig stated that engineering is the price of reduced compensation on the commission. He stated he did not want to put another \$20,000 in on top of the commission for land. Mr. Lazan stated we will bring the deal forward – if it dies – it dies. Commissioner Ramsey clarified that Mr. Lazan is only getting commission on the one deal. Mr. Lazan stated that from what he has heard tonight, he is concerned about acting in good faith. Chairperson Dehen commented that this deal was in the works before Mr. Lazan was contracted with. Mr. Lazan stated he is working very hard with this person. He added he is not a broker and listed the work he's done.

Motion carried. Voting Yes: Commissioner Ramsey, Wise, Elvig, Jeffrey, Look, and McGlone.
Voting No: Chairperson Dehen.

Case #4: Consider Fall/Winter 2010 and Spring 2011 ICSC Conference Participation

HRA Executive Director Nelson presented information on the ICSC Conferences. There are a couple of opportunities prior to the Las Vegas conference. The Chicago Deal Making conference is October 28 and 29, 2010. Staff recommends sending a limited team to that conference and reported that Michael Greeby will be there coordinating meetings and representing The COR project. The estimated cost for Chicago is \$2,500. The CneterBuild Conference is December 1 – 3, 2010, and the purpose of attendance would be for training and continuing education for the Development Management Team staff as well as continuing the presence of The COR project with the retail market and meeting with potential developers. She

reported that a proposal has been submitted to ICSC for a presentation of public-private partnerships to be made at the conference by Lazan and Nelson. The estimated cost is \$3,500. The big ICSC conference is scheduled for Las Vegas May 22 – 25, 2011. This past year, the HRA secured a booth in the main hall for presenting The COR to developers and retailers. Staff is seeking direction with regard to the desire of the HRA to continue its presence at the conference with a booth in the main hall and whether any changes to the 2010 Recon booth for The COR are desired. Funding would come from the HRA budget.

Commissioner Elvig was in favor of the conferences and added that he felt the booth for the Vegas conference is adequate. He thought the City should send a representative to Chicago.

Chairperson Dehen asked if we have to pay Greeby for being there.

Mr. Lazan stated they are part of the advance the Team gets but essentially Greeby and Cronk are free but for expenses.

Chairperson Dehen asked if their representing the City was a part of that.

Commissioner Look asked about a cap to which Mr. Lazan replied \$120,000.

Commissioner Ramsey stated that with regard to the ICSC Conference in Vegas, the size of the booth depends on the size of the group. We feel we would have way too many people for that size of booth – he would like to see that size doubled.

Commissioner Look agreed it should be twice that size.

Commissioner McGlone agreed – go big or go home. He wondered what money we are getting back as an incentive for us.

Mr. Lazan stated he would check out the price for a booth twice the size of the one we had and also check out a better location.

Mr. Ulrich stated that location is a priority. He suggested maybe going with a broader attendance of people across the county – send fewer to Vegas and then be able to send a couple people to other areas.

Consensus of the Commission was that the Chicago conference is okay just being represented by Greeby, send Lazan and Nelson to Phoenix and then come back with more discussion on the ICSC Conference in Las Vegas and bring back options for the booth.

COMMITTEE REPORTS

None.

EXECUTIVE DIRECTOR'S REPORT

None.

COMMISSIONER INPUT

None.

ADJOURNMENT

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

Motion carried.

The regular meeting of the Housing and Redevelopment Authority adjourned at 9:38 p.m.

Respectfully submitted,

Heidi Nelson
HRA Executive Director

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Jo Thieling, City Clerks