

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

The Housing and Redevelopment Authority conducted a regular meeting on Tuesday, February 28, 2012, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

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

Members Absent:                   None.

Also Present:                       City Administrator Kurtis G. Ulrich  
  HRA Executive Director Heidi A. Nelson  
  Public Works Director Brian Olson  
  Parks Supervisor Mark Riverblood  
  Senior Planner Timothy Gladhill  
  City Attorney Bill Goodrich  
  Develop Manager Darren Lazan  
  Landform Project Principal and Planner Kendra Lindahl  
  Tom Bray with Briggs & Morgan  
  Stacie Kvilvang with Ehlers & Associates

**CALL TO ORDER**

Chairperson McGlone called the special meeting of the Housing and Redevelopment Authority to order at 9:09 p.m.

**OPEN FORUM**

There was none.

**APPROVAL OF AGENDA**

Motion by Commissioner Wise, seconded by Commissioner Ramsey, to approve the agenda as revised to consider Case 5.3 to prior to Case 5.1.

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

## **APPROVAL OF MINUTES**

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

HRA Meeting Minutes dated November 1, 2011  
HRA Meeting Minutes dated November 22, 2011  
HRA Meeting Minutes dated December 6, 2011  
HRA Meeting Minutes dated January 10, 2012  
HRA Meeting Minutes dated January 17, 2012  
HRA Meeting Minutes dated January 24, 2012

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

## **HRA BUSINESS**

**Case #3: Adopt HRA Resolution No. XXX Authorizing Sale of Bonds for The Residence at The COR – Flaherty and Collins and Debt Subordination Agreement for PNC Bank Financing**

HRA Executive Director Nelson reviewed the staff report.

Tom Bray, Biggs & Morgan, presented his memorandum dated February 22, 2012, detailing the Debt Subordination Agreement, remedies available to the HRA under the Purchase Agreement, Development Agreement, Loan Agreement, Promissory Notes, Pledge Agreement, Guarantees, and described the Debt Subordination Agreement impacts on those remedies.

Commissioner Elvig stated this was discussed during the Work Session, has been under considered for two and a half years, and probably the best deal the HRA will get on this project. He indicated he had voted in support of this project but was concerned that in the Subordination Agreement, PNC took first position. Commissioner Elvig felt the “bottom line” is that the Agreement does not contain many remedies the HRA can comfortably exercise without placing itself in further jeopardy. He was also concerned about the provision for mezzanine financing and had hoped the Agreement would have been perfected to incent Flaherty & Collins to make equity puts. He asked the development team what it can do, at this point, with Flaherty & Collins to better the HRA’s position and perfect the payment since that cash is imperative to collect.

Development Manager Lazan stated it is important to address where we are at in discussions. He indicated the HRA has a development/purchase agreement in place, and approved, which has been presented to Flaherty & Collins and PNC as final approved documents and incorporated into loan documents. Development Manager Lazan advised there was only a limited amount of trading the HRA can do at this point. He explained the items in the Subordination Agreement impact those documents but one area they can address is providing stronger assurances on capital contributions. It was noted Flaherty & Collins is ready to close this Friday.

Commissioner Backous stated he had voted against this in September and remembers the Subordination Agreement was left open and there were discussions and concerns expressed about the Subordination Agreement. Now the HRA is being told this has been the agreement all along and the HRA has to accept the agreement because they are running out of time.

Development Director Lazan stated the deal between the HRA and Flaherty & Collins has been done since September, 2011. The Subordination Agreement is between the City and PNC, was mentioned during earlier discussions, and the current approved documents act as a vehicle to address concerns related to TIF. Development Director Lazan explained this Subordination Agreement is not an amendment to the purchase agreement or change to the deal but an agreement to provide a “road map” in case everything goes wrong; to provide a process in what the HRA can do. He noted that as much as it may limit some portions, it also adds assurances to provide a process so the HRA knows when it can step into the process. This is a side agreement with PNC that started with a template agreement written by PNC and the Development Team made monumental progress, from both the PNC’s and HRA’s perspective. Development Director Lazan clarified this Subordination Agreement was contemplated in all of the other documents and any time constraint has come from the extent of discussions, number of revisions, and additional considerations given to the document.

Commissioner Backous stated that while he loves the project, he does not support the Subordination Agreement.

Commissioner Elvig stated this is a grand project and he believed the HRA was “stepping out” a long ways, noting it had been mentioned during the Work Session that it took 17 years for a similar project to recover funds. He noted the Right of Reverter would allow the HRA to take over an empty shell but the bank can drain all of the money out of it. He would rather Flaherty & Collins give latitude in the Right of Reverter in return for actual cash. Commissioner Elvig felt, at the end of the day, the project will get built and ultimately pay taxes some day. His concern is if the project is not sized out appropriately with the rents, the appraisal may come up short.

Development Manager Lazan stated it is reasonable to ask; however, there is a danger with redealing so the Development Team wants something in hand with which to negotiate.

Commissioner Elvig agreed the HRA would need to negotiate with Flaherty and Collins, not PNC.

Commissioner Strommen stated if something can be done to better the City’s position, she would be in support of that effort. She stated she likes the project but the extent of the City’s role is not within her personal comfort zone so consistent with past votes, she will not support approval.

Commissioner Tossey stated this consideration is against everything he wanted to do and he had only voted in support of doing an appraisal. He explained that to him, it was a matter of semantics and he knows the HRA entered into a contract in September saying it would agree with a Subordination Agreement. Commissioner Tossey stated it is his understanding that if the

HRA does not agree with bonding it would have to come up with close to \$9 million on its own. Commissioner Tossey stated he felt the City should never have agreed to a \$3 to \$4 million parking ramp and had put the “cart before the horse.” He stated he hates governmental involvement in financing, but now the HRA has agreed, in a contract, and approved a ramp expansion for them, not for the train station. Commissioner Tossey expressed his indecision about whether to vote in support or against this item.

Commissioner Wise stated the City had looked for funding for a train stop, lobbied for the train stop, and brought it up many times that there would be an apartment complex with many people likely to be in a certain demographic living in suburbia but working downtown. The City used that situation to get \$14 million of funding to build a train stop. Commissioner Wise stated if the HRA does not move this item forward, he believed Ramsey would lose all credibility.

Commissioner Ramsey stated it is true that the City pitched funding for the rail stop saying that residents from this apartment complex would be riding the train. The City had money for the parking ramp expansion and if he had thought this project would not move forward, he would have supported giving back that federal money. Commissioner Ramsey stated he is surprised it has come to this point because he firmly believed that on September 27 it was a done deal, the contract was signed and delivered, and should be honored.

Motion by Commissioner Ramsey, seconded by Commissioner Wise, to adopt Resolution #HRA 12-02-004, for sale of up to \$7,450,000 Taxable G.O. Tax Increment Bonds, Series 2012, and approval of the Debt Subordination Agreement with PNC Bank for private financing.

Further discussion: Ms. Kvilvang stated consideration is for the sale of up to \$7.45 million in tax increment bonds issued pursuant to Statutes 469 and 475, the tax increment statute and general bonding statute. Under Statute 469, the HRA can issue bonds without referendum because 20% of the principal expected to be paid is from tax increment of the project to construct the apartments. Previous consideration had been given to three-year temporary bonds because by the end of year three, the development would be complete and the first lender would then put a larger mortgage on the project, taking out the City’s investment. Ms. Kvilvang explained that in looking at the tight three-year timeline to get to the point of stabilization for final financing, and in light of the current 60-year low rates, the Development Team suggests the option of a ten-year bond with a three-year call. Ms. Kvilvang explained the difference between the two is that there is flexibility in a ten-year bond. The cost differential is predominantly in capitalized interest of about \$240,000. However, if the HRA had to issue a second temporary bond, it would cost \$100,000 so the net difference is about \$140,000. It was noted that Flaherty & Collins and PNC don’t have a say in the form of bond that the HRA considers and there would be no out-of-pocket costs for the City since it is project costs. Ms. Kvilvang asked the HRA its preference in bond term. Commissioner Elvig asked whether the net cost difference of \$140,000 would be passed to the developer. Mr. Bray explained the developer’s obligations to the City are in the promissory notes that are separate from the bonds. Regardless of the source of funds or type of bond to raise money to lend to the developer, the developer will repay the principal amount, up to \$91,000 for the cost of issuance, and a flat interest rate of 6.27% with an increase to 8.27% if not paid at the 18-month point. It was noted those interest rates do not vary with the HRA’s interest rates. Commissioner Elvig asked whether only \$91,000 would be covered by the developer of the

\$140,000 for the ten-year bond or \$100,000 for the three-year bond. Ms. Kvilvang explained it is only the cost of issuance that is capped at \$91,000 and the bigger difference is capitalized interest, which is covered by the developer. Commissioner Elvig asked if there is a term between three and ten years that can be considered. Ms. Kvilvang indicated staff can look at a five-year term, which would shrink the amount of capitalized interest; however, the market is comfortable with a ten-year term. Commissioner Ramsey stated it sounds like there is a better market appetite for a ten-year bond and asked whether the motion needs to identify the term of the bond. Ms. Kvilvang recommended the HRA provide direction in how to structure the deal (at ten years or less), which will then be considered by the City Council.

Friendly amendment accepted by Commissioner Ramsey and Commissioner Wise to direct staff to pursue a ten-year bond.

Further discussion: Commissioner Wise asked about the length of term for the Right of Reverter. Development Manager Lazan answered it is 6-8 months. Commissioner Wise asked whether there could be negotiations with Flaherty & Collins up to that point to ease the HRA's minds. Development Manager Lazan indicated that revision negotiations would have to occur this week because closing is this week and the documents would be executed. Development Manager Lazan indicated that between now and Friday is enough time for those negotiations. Commissioner Tossey stated he is torn on this decision because he believed strongly in contracts and this body had agreed to the contract even though he voted against. He indicated he intends to vote against this motion.

Motion as amended carried. Voting Yes: Chairperson McGlone, Commissioners Ramsey, Wise, and Elvig. Voting No: Commissioners Backous, Strommen, and Tossey.

**Case #1: Consider Contract for Alternative Urban Areawide Review Update for The COR**

Senior Planner Gladhill reviewed the staff report.

Commissioner Elvig asked whether there were concerns with Landform (a commissioned sales group) being the HRA's paid consultant and also doing work for the Alternative Urban Areawide Review (AUAR) update that is to be a separate nonbiased document.

City Attorney Goodrich stated the City has a relationship with Landform, an engineering group, and its professional requirements would not allow it to make a biased recommendation.

Commissioner Ramsey reminded all that when the contract with Landform was negotiated, it was part of the agreement that this type of work would be given to Landform as concession for a lesser contract than originally contemplated.

Motion by Commissioner Ramsey, seconded by Commissioner Wise, to approve the required sections only of the Work Plan for the AUAR Update for The COR.

Motion carried. Voting Yes: Chairperson McGlone, Commissioners Ramsey, Wise, Backous, Elvig, Strommen, and Tossey.

**Case #2: Initiate Strategic Plan for the Development of North Commons**

Parks Supervisor Riverblood reviewed the staff report and requested comment on grading the area of the five future lots requiring 6,000 yards of material, which is currently available on the south side of Bunker Lake Boulevard, and the top soil requirement itself. He requested authorization for the City Attorney to work with staff to get easements, which will connect a larger group of residents to The COR.

Development Manager Lazan presented the concept grading plan, described the fill components, and location of the test beds.

The Commissioners stated their support for the project and thanked Parks Supervisor Riverblood for making this creative recommendation.

Motion by Commissioner Tossey, seconded by Commissioner Strommen, to initiate the first phase improvements for North Commons pursuant to the proposed Work Plan, and issuance of an RFP to address the topsoil requirement experiment, and direct the City Attorney to acquire and record the trail easement over Willemite Way in favor of the City.

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

**Case #3: Authorize Sale of Bonds for The Residence at The COR – Flaherty and Collins and Debt Subordination Agreement for PNC Bank Financing**

This item was considered prior to Case #1.

**EXECUTIVE DIRECTOR’S REPORT**

HRA Executive Director Nelson reported on project negotiations and indicated that over the next few weeks, staff will work out her transition from the organization.

Development Manager Lazan briefed the HRA on discussions with the Hope Fellowship Church.

**COMMISSIONER INPUT**

None.

**ADJOURNMENT**

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

Motion carried.

The special meeting of the Housing and Redevelopment Authority adjourned at 10:21 p.m.

Respectfully submitted,

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Kurtis G. Ulrich for Heidi A. Nelson  
HRA Executive Director

ATTEST:

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Jo Ann M. Thieling  
City Clerk

Drafted by Carla Wirth  
*TimeSaver Off Site Secretarial, Inc.*