

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

The Housing and Redevelopment Authority conducted a regular meeting on Tuesday, October 23, 2012, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

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

Members Absent:     Commissioner David Elvig

Also Present:        HRA Executive Director Kurtis G. Ulrich  
                          Development Services Manager Timothy Gladhill  
                          City Attorney William Goodrich  
                          Development Manager Darren Lazan

**1.     CALL TO ORDER**

Chairperson McGlone called the regular meeting of the Housing and Redevelopment Authority to order at 8:55 p.m.

**2.     CITIZEN INPUT**

David Jeffrey, 5592 – 155<sup>th</sup> Lane NW, referenced the recent *StarTribune* article relating to the City of Ramsey and stated he had submitted a seven-page letter to the State Auditor that included 36 citing of meeting minutes and City documents obtained under Statute requests. He emphasized that the information he submitted to the State Auditor was factual with citing and not of opinion.

Chairperson McGlone took exception to the comments of Mr. Jeffrey.

Commissioner Ramsey respectfully requested the HRA forego this conversation and asked Mr. Jeffrey to step down.

Mr. Jeffrey stated his intent was to set the record straight that his document is cited and contained the truth of the facts.

### **3. APPROVE AGENDA**

The agenda was approved as submitted.

### **4. APPROVE MINUTES**

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

HRA Work Session – October 2, 2012  
HRA Regular Session – October 9, 2012

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

### **5. HRA BUSINESS**

#### **5.01: Approve Purchase Agreement – Lot 4, Block 1, COR TWO (Portions were closed to the public)**

Development Manager Lazan reviewed the staff report and asked if the HRA would like to discuss the option agreement/purchase agreement details in closed session.

City Attorney Goodrich advised that under Minnesota Statutes, the meeting can move into closed session to discuss confidential purchase agreements. He indicated closed session discussion will relate to property acquisitions of Lot 4, Block 1, COR TWO for future development. The closed session will be tape recorded and that tape will be maintained for a period of eight years.

Motion by Commissioner Ramsey, seconded by Commissioner Tossey, to move to closed session to discuss acquisition negotiations.

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

The HRA meeting moved into a closed session at 9:02 p.m.

The HRA reconvened in open session at 9:12 p.m.

Development Manager Lazan stated during the closed session the HRA held discussion and reached consensus to approve the purchase agreement for construction of a prototype McDonalds Restaurant. The offer under contract includes \$5,000 earnest money and a period of 170 days for due diligence with closing in the spring. The purchase offer of \$470,000 equates to \$10.79/foot net (1.0 acre net) and \$8/foot gross (1.36 acres gross). This is in the average calculated for the dashboard. The project development fee of \$51,441 would be phased over time per the contract.

Motion by Commissioner Ramsey, seconded by Commissioner Tossey, to approve the purchase agreement for Lot 4, Block 1, COR TWO, subject to final modifications by HRA Counsel and Adopt Resolution HRA#12-10-014 Authorizing the HRA Chair and Executive Director to execute the agreement and all other documents necessary to close.

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

Commissioner Wise returned to the HRA dais at 9:14 p.m.

Development Manager Lazan displayed a slide depicting the McDonalds Restaurant site, reviewed the components of the concept design, points of access, and rationale for constructing a roundabout to prevent backups onto the County road systems and assure all retail uses can be viable.

### **5.02: Development Management Compensation**

Development Manager Lazan reviewed the staff report and development management compensation worksheets, noting portions are paid on a monthly basis and portions on an incentive basis for projects under contract, closed, and constructed. The incentive based payments are based on development value (land sale proceeds, hard building costs, hard site construction costs, soft development costs). He requested approval of the first three compensation requests: McDonalds, SuperAmerica at Armstrong, and SuperAmerica at Ramsey Boulevard.

HRA Executive Director Ulrich stated he had reviewed these three compensation requests and found they were in accordance with the contract. It was noted the Development Team comprises the Deputy City Manager (which is being removed from the contract), Development Manager Lazan, his partner, and the HRA Executive Director.

In response to the HRA's questions related to whether the proforma will fluctuate once the project is constructed, Development Manager Lazan explained that was a source of discussion at contract negotiations. He stated the concept is to prepare the best possible proforma numbers when the deal is prepared to close. If there is significant change between closing and construction, it can be negotiated.

HRA Executive Director Ulrich advised the development fee is paid 20% at purchase agreement, 60% at closing, and the final 20% at occupancy.

Commissioner Backous asked HRA Executive Director Ulrich if he saw problems administering capitalized cost since it can change over time. He also asked what is considered 'significant,' perhaps 5%.

HRA Executive Director Ulrich stated practically the capitalized costs are subjective so there may be negotiations on what a "significant" change is for these smaller projects. He noted the

projects under consideration are fairly small so it is unlikely that the building costs will change significantly (5%). He stated the HRA can consider that as a negotiation point.

Motion by Commissioner Ramsey, seconded by Commissioner Backous, to approve the following compensation requests: McDonalds, SuperAmerica at Armstrong, and SuperAmerica at Ramsey Boulevard and direct staff to include these compensations in the upcoming closings.

Further discussion: Commissioner Wise stated his intention to abstain from consideration and vote on this case.

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

Development Manager Lazan presented compensation requests for the Sunwood Retail Area, noting due to the complex nature of development, this request does not “follow the mold” in considering the value. He explained to get the Sunwood Retail lots ready for the three users, the HRA could have ignored the neighboring owners and work only on the three parcels or work with those neighbors (Sophia Ramsey LLC and Coburn’s Anchored Center). Development Manager Lazan reviewed his work to address the needs of those properties related to access, parking, walkways, orientation of future retailers, buildability of existing pad, and current shortage of parking. All of that work netted no compensation for the Development Team.

Development Manager Lazan presented a compensation request for general coordination with Sophia Ramsey LLC equaling \$6,000 to address the platting agreement, final plat, easements, maintenance, and construction issues. In addition, he requested \$4,000 as the value of hard improvements (1/3 share = \$2,000 x 2%). He noted this work had resulted in providing increased parking, made the pad site more viable and valuable

Development Manager Lazan presented a compensation request for a development fee advance of \$25,000 for Lot 3 that would be deducted from future development management fees. He explained Landform had proceed with its efforts on Lot 3 based on HRA approvals, structured agreements and documents, and addressed construction component responsibility. Then, the HRA decided it would be more appropriate to wait for spring. Landform is requesting an advance of \$25,000 on Lot 3 that would be credited when Lot 3 closes.

HRA Executive Director Ulrich indicated this compensation request is more complex and the contract does not obligate the HRA to pay it. He noted this work for Sophia Ramsey may result in capturing fees on other parcels and there was some lot creation that may lead to additional development because Solomon picked up an extra piece and it would enhance the City’s tax base. He recommended considering the request for \$4,000 (Sophia Ramsey LLC value of hard improvements) but recommended postponing consideration and requesting additional documentation of the \$6,000 request (Sophia Ramsey LLC general coordination).

HRA Executive Director Ulrich then addressed the request for the Lot 3 advance. He explained it is the incentive fee on the land to provide a buildable lot so considering it would set a

precedent because it would result in paying for the creation of buildable lots. HRA Executive Director Ulrich noted the HRA had rejected the purchase agreement when it came up for consideration so, perhaps, if the HRA rejects it then it owes the Development Manager an advance for his efforts. He pointed out if the development of Lot 3 goes through then the Development Manager would be reimbursed fairly quickly but if it is not developed, there would not be reimbursement.

City Attorney Goodrich presented his review of the Landform contract, Section c, Page 12, number 4 and advised the contract does contemplate appropriate compensation on specialized deals.

HRA Executive Director Ulrich concurred the HRA has the authority but not the obligation under the contract.

Commissioner Tossey stated he supports approval of the \$4,000 for Sophia Ramsey LLC and to request additional documentation on the \$6,000 request. With regard to the \$25,000 Lot 3 advance, he asked if the contract assures Landform is paid for deals in progress that close even if its contract has expired.

HRA Executive Director Ulrich stated once an agreement is reached on incentive compensation, then it is paid in accordance with the schedule. If the Landform contract is terminated prior to January 31 or prematurely terminated, there is a 15-month window of time.

Commissioner Tossey asked why the HRA would consider the Lot 3 advance since that deal will get done, one way or the other, for the Armstrong overpass. He stated he would like the Lot 3 deal done sooner rather than later so the City can go to the Legislature to request the overpass. Commissioner Tossey asked again why the HRA would pay a Lot 3 advance now since the Landform contract has a contingency to assure the Development Manager will be paid.

Chairperson McGlone stated he found this situation to be different because the HRA decided to terminate the purchase by tabling indefinitely.

Commissioner Tossey stated there is a precedent issue and he wants to assure the HRA is not boxing themselves in.

Development Manager Lazan stated with the dynamic nature of this portion of the contract and request, it indicates there is no precedent and he would acknowledge it is considered on a case-by-case basis. He stated he had worked in good faith to bring the project (Lot 3) forward and believed it is a distinct difference that the project had received positive votes for over a year. Landform acted on that, expended a tremendous amount of work, and is asking the HRA to consider this advance request.

Commissioner Tossey felt the distinction on this deal (Lot 3) is that it has to get done to get the Armstrong Boulevard overpass because it goes through the Wiser Choice Liquor property. Because of that, Landform is assured to get paid for services rendered one way or the other.

Commissioner Strommen stated she understand the work put into this project and the concern that incentive compensation is to be incentive to close the project. She stated if there was not also an administrative fee in the contract, she may be more sympathetic but that is the difference for her. In addition, it gives her some “heartburn” because the work for Sophia Ramsey LLC should have come to the HRA up front and that Landform would expect compensation. Commissioner Strommen stated she still has “heartburn” about having to pay full compensation on a sale (Lot 3) to a member of this body. She stated she realizes that deal is not on the table but had previously asked the HRA to discuss that unique circumstances. Commissioner Strommen stated for these reasons she is not comfortable with the Lot 3 advance or the \$10,000 Sophia Ramsey LLC request.

Development Manager Lazan stated he agrees with the comment about the Lot 3 deal because it has taken twice as long and twice as many steps so he would welcome discussion. He noted that the City purchasing Mr. Wise’s property on one side in no way obligates Mr. Wise to locate on this side. It is a new deal with a purchase agreement. Development Manager Lazan stated he could argue it was more work than other deals. With regard to the Sophia Ramsey LLC issue, he stated if he had acted in his own selfish interest, he would not have spent that time but Sophia Ramsey LLC is an important partner in this project so he had acted accordingly to resolve those issues. Development Manager Lazan stated it is difficult to ask for compensation until the HRA sees the results and he understands this is a request and reflects on their relationship and efforts going forward.

Commissioner Tossey agreed with Commissioner Strommen that it would have been good to come forward before the work was done. He stated Sophia Ramsey LLC is an important partner, that work was done, and Landform should be compensated. But with the Lot 3 advance, it is assured Wisser Choice Liquor will be taken down for the Armstrong overpass and that purchase had only been postponed until after January 1, 2013, so Landform will get paid.

City Attorney Goodrich advised that five HRA members would be voting so three was the majority required to pass a motion.

Motion by Commissioner Ramsey, seconded by Commissioner Tossey, to approve the development management compensation related to Sophia Ramsey LLC for hard improvements (1/3 share = \$2,000 x 2%) in the amount of \$4,000, and to request additional documentation on the general coordination costs for the additional \$6,000.

Motion carried. Voting Yes: Chairperson McGlone, Commissioners Ramsey, Tossey, and Backous. Voting No: Commissioner Strommen. Abstain: Commissioner Wise. Absent: Commissioner Elvig.

The consensus of the HRA was to not take action on the Lot 3 development fee advance in the amount of \$25,000.

## **6. DEVELOPMENT TEAM REPORT**

Development Manager Lazan and HRA Executive Director Ulrich provided updates on projects and on-going negotiations and announced the upcoming grand opening of the North Star Station.

## **7. COMMISSIONER INPUT**

Chairperson McGlone reiterated his concern about the inaccuracies in the recent *StarTribune* article.

## **8. ADJOURNMENT**

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

Motion carried.

The regular meeting of the Housing and Redevelopment Authority adjourned at 9:53 p.m.

Respectfully submitted,

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Kurtis G. Ulrich  
HRA Executive Director

ATTEST:

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Jo Ann M. Thieling  
City Clerk

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