

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

The Housing and Redevelopment Authority conducted a regular meeting on Tuesday, November 13, 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:         HRA Executive Director Kurtis G. Ulrich  
                            Finance Director Diana Lund  
                            Development Services Manager Timothy Gladhill  
                            Management Analyst Patrick Brama  
                            City Attorney William Goodrich  
                            Development Manager Darren Lazan  
                            Interim Engineer Shane Nelson

**1.     CALL TO ORDER**

Chairperson McGlone called the regular meeting of the Housing and Redevelopment Authority to order at 8:07 p.m.

**2.     CITIZEN INPUT**

There was none.

**3.     APPROVAL OF AGENDA**

Development Manager Lazan requested the agenda be revised to remove Case 5:01, which will be considered at the next HRA meeting.

Motion by Commissioner Elvig, seconded by Commissioner Ramsey, to approve the agenda as revised to remove Case 5.01, Preparation and Submittal of Stormwater Management Plan for The COR.

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

#### **4. APPROVAL OF MINUTES**

None.

#### **5. HRA BUSINESS**

##### **5.01: Approve Preparation and Submittal of Stormwater Management Plan for The COR**

This case was removed upon adoption of the agenda.

##### **5.02: Consider Award of Construction Contract – North Commons**

Development Manager Lazan reviewed the staff report and presented the bids received for the work associated with North Commons, a 17-lot subdivision in the residential area north of Bunker Lake Boulevard. He described the North Commons project components and work included in the bid. Development Manager Lazan reviewed project funding and benefits the City will realize from this project. Development Manager Lazan advised he found the bids to be the best that can be anticipated for a project with this high number of challenges.

Development Manager Lazan then presented the North Commons proforma including three anticipated income returns based on the lot sale price and expenses. He noted he is proposing reduced development fees related to water and sanitary sewer laterals that would be subject to review and approval by the Council. It was noted this proforma included no acquisition dollars and anticipates HRA proceeds of \$53,836.

Commissioner Tossey asked how many lots have been sold.

Development Manager Lazan stated one lot is under contract but the site has not been marketed.

Commissioner Tossey asked why this matter is before the HRA tonight when there are no interested buyers and prior HRA direction was to bring this item back in the spring.

Development Manager Lazan stated the HRA motion had been amended by Commissioner Elvig to rebid the project for spring construction.

Commissioner Tossey noted when this project was originally brought forward, there were supposed to be interested builders.

Development Manager Lazan stated it is still fairly active. He reviewed that the first offer to purchase included the potential for that builder to take over all of the lots but the HRA expressed interest to bring in multiple builders. If approved tonight, staff will develop a marketing plan and put it out to the development community.

Commissioner Tossey stated he would not support moving forward to expend \$500,000 in the hope of a \$30,000 return until it is known there will be buyers for the lots.

Chairperson McGlone stated builders buy lots and the HRA can't sell this land until lots have been created to sell.

Commissioner Wise asked if this property will not be developed by private developers.

HRA Executive Director Ulrich stated that is correct, public intervention is needed for this property to develop.

Commissioner Strommen asked staff to provide the proforma as part of the case report so it can be reviewed prior to the meeting. She asked if there is urgency to this action.

Development Manager Lazan stated if not approved, public improvements would not be completed that this project would fund. In the short-term, the HRA has received a good bid for this project and if rejected it would have to be rebid at a future date. He noted the direction of the HRA months ago was that the bid prices were too high and to rebid the project over a longer term to get better prices.

Commissioner Strommen asked whether the proforma is anticipating that with one buyer it would still not be at a break even.

Development Manager Lazan pointed out that even with the lowest lot price scenario, the City would still receive \$130,300 as well as infrastructure improvements and funding for the park.

Commissioner Wise stated staff has indicated this property will not develop without public intervention and while he knows many don't like the government to be involved in development, sometimes that is the only way things happen, such as with the stadium.

Commissioner Elvig reviewed that this project had started from Commissioner Tossey's indication that residents in this area wanted the park developed because they had been promised a park. In that effort, the City looked at how it could afford to develop the park and decided to offset those costs by putting lots up there. He stated he would like the HRA to have more land sale commitments and suggested staff ask the bidder how long he would hold the numbers. Commissioner Elvig raised the option of having a set percentage of the lots sold, such as 50%, at which time the HRA could release the project.

Commissioner Tossey agreed that residents in that area want a park and he had met with Parks and Assistant Public Works Superintendent Riverblood multiple times. He asked if it makes sense to spend \$500,000 to make \$35,000. Commissioner Tossey indicated he is not saying to not do the project, but to wait until more lots are sold. He suggested marketing the four lots that are ready to sell, noting some of the lots will require a lot of fill to develop.

Commissioner Ramsey stated he is not opposed to moving forward and found it is a valid point that the land has not been marketed. He agreed this land will never develop via the private sector and another question is when the storm sewer will have to be fixed, this winter or next spring, because those costs have to be incurred anyway. Commissioner Ramsey stated he would like to

hear the consensus of those who will be on the Council after January 1<sup>st</sup> and whether they think it makes sense to move forward or should be delayed for several weeks to provide time to market the lots and get an indication of the commitment.

Commissioner Wise pointed out there had been similar concerns with the Sunwood Drive realignment project that was approved with money spent and no land proceeds. But, at that time, the City had pending purchase agreements on two of the properties that would have put funds back into the system.

Commissioner Backous stated he finds the concerns expressed to be valid and agreed it is hard to market lots that do not yet exist. In addition, he did not know how strong a commitment to purchase a lot would be. Commissioner Backous stated he thinks something needs to be done and he liked the suggestion of Commissioner Elvig for a contingency motion to release the project when a certain percentage of lots have been sold.

Chairperson McGlone stated that sounds good but you cannot sell lots when lines do not exist on a map.

Commissioner Backous stated it would at least show some amount of commitment by the HRA.

Development Manager Lazan stated he was unsure whether the open bid law allows the HRA to ask the bidder to extend the bid date. He reviewed that the HRA previously had a commitment to buy all of the lots over a given period of time but the HRA wanted it opened to other builders so it agreed to sell only one lot to that buyer. Development Manager Lazan stated he has recently talked to three brokers who are interested and wanted to know when the lots would be delivered.

Commissioner Strommen asked about the option of presales before moving forward with the project. She noted funding is proposed from an internal loan on the short term that would be paid back with future sale proceeds. Commissioner Strommen asked about the current level of obligations and loans from the Landfill Trust Fund or other internal funds and questioned the intended time horizon on the proforma.

Development Manager Lazan stated the proposal outlined previously for the 15 lots was a three-to five-year timeline and that remains the projection with three to five lots being sold per year. He indicated HRA Executive Director Ulrich and Finance Director Lund had recommended use of the Landfill Trust Fund.

Finance Director Lund addressed the acquisition cost, and said the HRA should be aware that it will be booked as a loss on the record because no land sale proceeds are coming in.

Development Manager Lazan clarified the proforma contemplates \$206,000 would be received in development fees in addition to \$40,000 to repay park construction costs.

Finance Director Lund stated when presented in August, the funding source was the Landfill Trust Fund, which was to be reimbursed at the time of future land sales. However, it will show as a loss in HRA books.

HRA Executive Director Ulrich pointed out that only a portion of the funds would come from the Landfill Trust Fund and other sources, like the Stormwater Fund, will be used for this project.

Development Manager Lazan stated he can do an analysis of initial costs but would guess it to be the original \$420,000 plus \$30,000, for a total of \$450,000.

HRA Executive Director Ulrich advised that according to the City Attorney, the HRA can presell lots but then it needs to perform if selling under certain conditions.

Chairperson McGlone asked how the HRA can presell lots that do not yet exist.

City Attorney Goodrich advised the lots can be described by metes and bounds or the HRA can file the plat. But, whether or not someone will sign a purchase agreement based on a recorded plat or drawing, is an issue. Secondly, in order to extend the bid, the HRA would need to negotiate with the contractor and if they agree, the HRA can extend the bid but if extended too far, other bidders may complain. City Attorney Goodrich advised the City had extended bids in the past with approval of the contractor.

Commissioner Ramsey asked how the \$40,000 for the park is accounted for because normally those dollars would be profit.

Development Manager Lazan stated it is a benefit to the City across the board and even at the lowest lot cost scenario, the City ends up with 15 homes, a park and storm pipe being paid for, and will receive building permit fees and taxes so there are still upsides to the City.

Commissioner Ramsey stated there are at least three houses under construction in that area. He thought the Northstar Train stop was driving some of that development along with Legacy Christian Academy.

Commissioner Elvig stated he thinks an absorption rate of three to five years is fairly accurate. He noted presale is common and usually requested by the bank. He has no issue with asking the low bidder to extend the bid since the project would be constructed in the spring anyway and the HRA could then market lots through the winter.

Commissioner Backous asked why the HRA previously turned down a purchase agreement for the whole project.

Development Manager Lazan explained staff had presented for approval a contract to have an exclusive builder of all 17 lots, buying two to three lots at a time. However, the direction of the HRA was that lot sales would go faster if opened to the private market so the purchase agreement was changed with that builder to include only one lot.

Commissioner Backous stated he would have supported approval if someone paid a check to cover the HRA's cost and investment.

Commissioner Tossey stated the original builder wanted most of the lots but had altered some of the options to include preferred and non-preferred lots.

Development Manager Lazan stated the original builder had submitted a \$25,000 check under an agreement for all 17 lots. When the HRA gave direction to allow other builders in, he went back to the original builder who indicated he still wanted to move forward with one lot.

Chairperson McGlone stated that past conversation changed at the same point as it is tonight about paying money to make money.

Commissioner Tossey stated he thought lots were to be marketed during the interim from the August 13, 2012, meeting.

Development Manager Lazan advised that in today's marketplace when buyers are rare, it is difficult to get presales on raw land. In addition, other developed lots are available in the general area and competing with the HRA's lots.

Chairperson McGlone stated with the sale of typical lots, the builder may put down a deposit on the lots and then pay for the lots as he takes them down. He did not think that 50% of these lots would presell when the lots are not yet developed. Chairperson McGlone asked the HRA if it wanted to move forward with this project and solve the park, sewer, and drainage problems that already exist. He referenced the proforma, noting the bottom line profit is \$130,300, or could be \$215,300 or \$330,000 depending on the lot cost.

Commissioner Strommen stated she thinks it is worth trying to presell lots and appreciates Commissioner Elvig's proposal if consensus can be reached that it is worth trying. She noted, however, that the City Attorney had indicated if the HRA hits that number of presales, it is obligated to move forward.

Development Manager Lazan stated the purchase agreement with the first builder was for exclusive development rights and to partner with the HRA to promote the project. The first builder would have had rights to all 17 lots if taken at a certain burn rate and the HRA had to produce all the lots for him to close on the first lot. Development Manager Lazan stated the first builder was never obligated to close and if that had occurred, then the option would run out and the HRA would market the lots to others. He indicated that \$25,000 had been deposited and the contract was forwarded for HRA approval but the HRA thought it could achieve a better price and complete sales faster if it was opened to other builders.

Chairperson McGlone stated the HRA also did not like the bid on the grading.

Commissioner Ramsey stated he remembers that discussion at a previous Work Session meeting and that the HRA thought it could complete it faster with more builders. He indicated he likes

Commissioner Elvig's idea. He suggested this consideration be brought back in two weeks so staff can market the lots in the meantime and negotiate with the contractor to extend the bid.

Chairperson McGlone stated someone has to expend the dollars and it is the HRA, not the builder.

Commissioner Ramsey noted even if this project only makes \$130,300, it is probably a wise investment given the low percentage paid on investments today.

Development Manager Lazan stated the proposal from the original bidder occurred in the May/June timeframe. He reviewed the extensive and time-consuming work he had undertaken over the past two years with free engineering and park design, neighborhood meetings, and funding solutions. Development Manager Lazan stated he does not think marketing over the next several weeks will yield a high level of presales.

HRA Executive Director Ulrich asked the HRA if there is any interest in pursuing Anoka County HRA money to fund this project to preserve the City's reserve balances, noting this is a housing project and should qualify.

Chairperson McGlone stated he would have no objection to that option as long as it didn't hold up the project.

Commissioner Elvig stated he thinks the HRA can get letters of intent on the lots. He indicated he had thought the first proposal was too low and the HRA did not get good bids because it was too short of a time frame. Commissioner Elvig stated he would support moving forward to accept the bid contingent on 30% presale/letters of intent with earnest money of \$5,000 per lot and a minimum price per lot of \$40,000 to \$45,000 between now and project start date in the spring.

Development Manager Lazan advised the transaction would have to be purchase agreements because Bond Counsel Tom Bray had indicated he would not allow the HRA to enter into letters of intent because they are "buyer's documents."

City Attorney Goodrich suggested the motion not accept the bid but, instead, direct staff to negotiate with the bidder for an extension for award at a later date.

Motion by Chairperson McGlone, seconded by Commissioner Wise, to award the contract for construction of North Commons to County Line Excavating in the amount of \$417,373.22; to approve the proposed project pro-forma for North Commons; and, direct the Development Team to proceed with the project and market the finished lots.

Further discussion: Development Manager Lazan indicated the bid is structured to allow project start during the winter if weather allows with completion in the spring. He noted staff had spent one month and considerable expense to prepare the bid for this project. Commissioner Backous stated the bidders also spent time and expense to submit a bid, which should be respected.

Chairperson McGlone felt it would be easier to sell developed lots in the spring, which may also result in selling for a higher amount.

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

## **6. DEVELOPMENT TEAM REPORT**

Development Manager Lazan reported on the negotiated reinstatement of the McDonalds Restaurant purchase agreement, which will be presented next week at a Special Meeting. He provided updates on projects under construction and land sale negotiations.

Commissioner Backous asked whether the issue with the Connexus utility box had been resolved.

HRA Executive Director Ulrich stated he met with all parties involved and offered a proposal to split the \$19,000 costs to relocate the utility box with the City, Connexus, and Landform each paying one-third of the cost. However, he has not been able to come to agreement with Landform in terms of their percentage.

Development Manager Lazan stated it has been well documented that Landform did all humanly possible to prevent this from happening by raising the issue initially, alerting Connexus to not place the utility box on that corner under any circumstances, had placed a conference call for clarification on the location, provided Connexus with a CAD file to identify the location, and provided an exhibit that showed it was to be 81 feet from the curb line. Instead, Connexus took Landform's instruction and put the transformer in the middle of Sunwood Drive. Development Manager Lazan noted Landform had proposed to do the constructing surveying/staking but it was taken away and given to WSB. When Connexus had to move that transformer from the wrong location, they went to the job trailer and asked about a new location and WSB said okay. In addition, Connexus sent an e-mail to all but Landform of the location. When Landform arrived on site, they immediately said the utility box was in the wrong place. He noted the only comment to date about potentially having opportunity to stop this was that it was discussed in the job trailer when Landform employees were in the trailer at the same time. Development Manager Lazan pointed out it was built last year and he thought it was done so he did not instruct Landform inspectors to "keep their eyes open" for it. He believed Landform took more care to assure it was not constructed incorrectly and it still ended up in the wrong location. Development Manager Lazan stated his position that Connexus has the "lion's share" and WSB has another large share of responsibility because they ultimately directed Connexus to construct the utility box in that wrong location.

HRA Executive Director Ulrich stated Development Manager Lazan has not had the opportunity to offer that explanation before the other parties.

Commissioner Wise asked why the City should pay anything.

HRA Executive Director Ulrich explained that as part of the process, the City signed off on the final plans and it did so electronically.

Commissioner Tossey asked HRA Executive Director Ulrich if he disputes what Development Manager Lazan has stated.

HRA Executive Director Ulrich stated his viewpoint is that Landform was given a construction administration contract to provide for coordination among the various parties including WSB and the City. Coordination was Landform's primary job and they sent a representative to the meeting where this decision was made who was not aware of where the Connexus box should have been located so he felt Landform was somewhat responsible and it was fair to appropriate some of the cost to Landform.

Commissioner Backous stated this issue will not be resolved tonight and suggested HRA Executive Director Ulrich be asked to schedule another meeting with all parties to negotiate a settlement.

HRA Executive Director Ulrich indicated all parties have a compelling reason why they should not be responsible so to resolve the issue, he had suggested splitting the costs.

Development Manager Lazan stated he understands that reasoning but if the utility box had been put in when Connexus was told of the location, the issue would have been over. He suggested there is a difference between directing and placing something in the wrong location and failure to catch something in the trailer. He noted the City had reviewed and accepted the plans and may think it should share in that responsibility, but he had previously stated he did not think so. Development Manager Lazan stated his position that Connexus and WSB had put the utility box in a location they were specifically told not to place it.

The consensus of the HRA was to ask HRA Executive Director Ulrich to schedule another meeting with all parties in attendance including Development Manager Lazan to negotiate a settlement.

## **7. COMMISSIONER INPUT**

None.

## **8. ADJOURNMENT**

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

Motion carried.

The regular meeting of the Housing and Redevelopment Authority adjourned at 9:22 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.*