

**City of Ramsey**  
**Agenda**  
**Housing and Redevelopment Authority (HRA)**  
**Regular Session**  
**Tuesday June 25, 2013**  
**Immediately following City Council**  
**Council Chambers, 7550 Sunwood Drive NW**

- 1. Call to Order**
- 2. Citizen Input**
- 3. Approve Agenda**
- 4. Approve Minutes**
  1. Approve the Following Meeting Minutes:
    1. HRA Regular - June 11, 2013
- 5. HRA Business**
  1. Request by Flaherty & Collins to Restructure Loan Agreement Pertaining to The Residence at The COR
  2. Consideration of accepting improvements and approving final payment for North Commons improvements
- 6. Development Team Report**
- 7. Commissioner Input**
- 8. Adjournment**

**HRA Regular Session**

**4. 1.**

**Meeting Date:** 06/25/2013

**Submitted For:** Jo Thieling

**By:** Jo Thieling, Administrative Services

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**Information**

**Title:**

Approve the Following Meeting Minutes:

1. HRA Regular - June 11, 2013

**Background:**

Meeting minutes attached.

**Funding Source:**

N/A

**Action:**

Motion to approve the following meeting minutes

1. HRA Regular - June 11, 2013
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**Attachments**

061113 HRA Mts

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**Form Review**

Form Started By: Jo Thieling

Started On: 06/19/2013

Final Approval Date: 02/07/2013

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

The Housing and Redevelopment Authority conducted a regular meeting on Tuesday, June 11, 2013, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present:     Chairperson Randy Backous  
                            Commissioner Mark Kuzma  
                            Commissioner John LeTourneau  
                            Commissioner Chris Riley  
                            Commissioner Sarah Strommen  
                            Commissioner Jason Tossey

Members Absent:     None

Also Present:         HRA Executive Director Kurtis G. Ulrich  
                            Deputy Executive Director Timothy Gladhill  
                            Finance Director Diana Lund  
                            Fire Chief Dean Kapler  
                            City Engineer Bruce Westby  
                            Assistant to the City Administrator Patrick Brama  
                            City Attorney William Goodrich

**1.     CALL TO ORDER**

Chairperson Backous called the regular meeting of the Housing and Redevelopment Authority to order at 9:10 p.m.

**2.     CITIZEN INPUT**

There was none.

**3.     APPROVAL OF AGENDA**

Motion by Commissioner Tossey, seconded by Commissioner Kuzma, to approve the agenda as submitted.

Motion carried.    Voting Yes:   Chairperson Backous, Commissioners Tossey, Kuzma, LeTourneau, Riley, and Strommen.   Voting No: None.

**4.     APPROVAL OF MINUTES**

Chairperson Backous requested a clarification to the May 28, 2013, minutes, Page 3, Paragraph 5, to indicate: “Chairperson Backous stated proformas, by their very nature, are estimates and had been used when making this decision.”

Motion by Commissioner Tossey, seconded by Commissioner Riley, to approve the following minutes as revised above:

Regular Meeting Minutes dated May 28, 2013

Motion carried. Voting Yes: Chairperson Backous, Commissioners Tossey, Riley, Kuzma, LeTourneau, and Strommen. Voting No: None.

## **5. HRA BUSINESS**

### **5.01: Approve First Amendment to the Real Estate Contract between the Ramsey HRA and McDonalds USA, LLC**

Executive Director Ulrich reviewed the staff report, request of McDonalds for a six-month extension to their purchase agreement, and staff’s recommendation to shorten the extension to 90 days. It was known that McDonald’s submitted its building permits several weeks ago and has committed to the project but would like to extend the expiration of the contingency period to allow all contingencies to be completed prior to closing.

Motion by Commissioner Riley, seconded by Commissioner Kuzma, to approve the First Amendment to the Real Estate Contract between the Ramsey HRA and McDonalds USA, LLC with a 90-day extension of the contingency period.

Motion carried. Voting Yes: Chairperson Backous, Commissioners Riley, Kuzma, LeTourneau, Strommen, and Tossey. Voting No: None.

### **5.02: Adopt Resolution #HRA-13-06-107 Accepting Bids and Awarding Contract for COR TWO (Sunwood Retail) Stage 1 Improvements**

City Engineer Westby reviewed the staff report and recommendation the HRA accept the two bids received and award a contract for the COR TWO Stage 1 improvements to the lowest responsible bidder, Douglas-Kerr Underground, LLC of Mora, Minnesota in the amount of \$241,875 for the base bid, or in the amount of \$311,993.55 for the base bid plus alternate bid. It was noted that substantial completion of the project is anticipated to occur on or before August 2 with final completion on or before September 13. City Engineer Westby reviewed funding sources and noted McDonald’s has indicated it is agreeable to these milestones.

Commissioner Riley stated he was supporting the underground ponding system so businesses are not disrupted but the recommendation is to not do that at this time.

City Engineer Westby displayed a diagram depicting the location of the underground infiltration system and explained if the pond is built in the future, the pipe will be in that location up to the

last manhole so it will not disrupt roadways. He stated the installation is specialized and a stand-alone project, so the cost to install now or later would be \$70,000.

Commissioner Riley asked if McDonalds would share in the cost if installed at this time.

Executive Director Ulrich stated McDonalds does not pay for storm sewer, sanitary sewer, or water main as those costs were included with the lot price. However, SuperAmerica may pay a portion.

There was discussion on the benefit of having flexibility by not installing the pond at this time so there are more options in locating a future building.

Motion by Commissioner Tossey, seconded by Commissioner Strommen, to adopt Resolution #HRA-13-06-107, Accepting Bids and Awarding a Contract for the COR TWO (Sunwood Retail) Stage 1 Improvements to the Lowest Responsible Bidder, Douglas-Kerr Underground, LLC of Mora, Minnesota in the amount of \$241,875.50 for the base bid improvements only.

Motion carried. Voting Yes: Chairperson Backous, Commissioners Tossey, Strommen, Kuzma, LeTourneau, and Riley. Voting No: None.

Executive Director Ulrich stated he has received inquiries from Sophia Ramsey about when the pavement will be completed. He stated this issue will be presented to the HRA within the next 30 days.

**5.03: Approve Purchase Agreement for North Commons COR III (Portions were closed to the public)**

Executive Director Ulrich stated staff has received offers to purchase four lots in North Commons and requested the meeting be closed to consider the purchase agreements.

City Attorney Goodrich advised that under Minnesota Statutes, the meeting can move into closed session to discuss confidential or non-public appraisal data and acquisition negotiations. He indicated closed session discussion will relate to purchase agreements for Lots 1, 2, 3, and 4, Block 3, COR III North Commons development. The closed session will be tape recorded and that tape will be maintained for a period of eight years.

Motion by Commissioner LeTourneau, seconded by Commissioner Tossey, to move to Closed Session to discuss purchase agreements.

Motion carried. Voting Yes: Chairperson Backous, Commissioners LeTourneau, Tossey, Kuzma, Riley, and Strommen. Voting No: None.

The HRA meeting moved into a Closed Session at 9:30 p.m.

The HRA reconvened in Open Session at 9:59 p.m.

City Attorney Goodrich stated the HRA held discussion, gave sale price parameters to staff, and directed staff to take necessary steps to sell the lots at those sale prices. No final decision was reached and final approval will come back to the HRA at an open meeting.

**5.04: Purchase / Exchange of Property Outlot A RTC 8<sup>th</sup> Addition (Portions were closed to the public)**

Executive Director Ulrich presented the staff report and letter of intent from Erhart & Elfelt, LLC, representing PSD, LLC, to purchase Outlot A of the Ramsey Town Center (RTC) 8<sup>th</sup> Addition, a three-acre parcel, for \$130,680 to construct 12 twin homes consisting of 24 one-level ADA residences. This purchase is subject to the City completing the second lift on the streets that abut the purchased property. In addition, PSD will exchange Outlot A of the RTC 13<sup>th</sup> Addition for Outlot A of the RTC 7<sup>th</sup> Addition. He reviewed the terms of the letter of intent and stated the offer is for \$1 per square foot and the “all in” costs for the City is \$17.16 per square foot. Executive Director Ulrich noted this land has been vacant for a period of time. He recommended this discussion to closed session to discuss terms.

City Attorney Goodrich advised that under Minnesota Statutes, the meeting can move into closed session to discuss confidential or non-public appraisal data and acquisition negotiations. He indicated closed session discussion will relate to property purchase/exchange of Outlot A, Ramsey Town Center, 8<sup>th</sup> Addition. The closed session will be tape recorded and that tape will be maintained for a period of eight years.

Motion by Commissioner Riley, seconded by Commissioner LeTourneau, to move to Closed Session to discuss purchase agreements.

Motion carried. Voting Yes: Chairperson Backous, Commissioners Riley, LeTourneau, Kuzma, Strommen and Tossey. Voting No: None.

The HRA meeting moved into a Closed Session at 10:10 p.m.

The HRA reconvened in Open Session at 10:27 p.m.

City Attorney Goodrich stated the HRA held discussion and no final decision was reached except to direct staff to research relative market land values and report back at the next HRA meeting. Any final conclusions on selling the subject property will be made at a public meeting.

**6. DEVELOPMENT TEAM REPORT / EXECUTIVE DIRECTOR REPORT**

HRA Executive Director Ulrich reported on development activities.

**7. COMMISSIONER INPUT**

Commissioner LeTourneau asked if staff is monitoring the apartment and subsequent payments on progressive closing.

Finance Director Lund explained that to get a reduction in interest for the first loan, they need to pay \$2 million by July 12, 2013. She stated she has alerted them of that date, which is one year from the first payment of the bond sale. They have three years of capitalized interest on the debt.

Executive Director Ulrich reported he received a proposal from Flaherty and Collins to pay one-half the payment and receive one-half the benefit so that will be on the next HRA agenda.

## **8. ADJOURNMENT**

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

Motion carried.

The regular meeting of the Housing and Redevelopment Authority adjourned at 10:33 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.*

## HRA Regular Session

5. 1.

**Meeting Date:** 06/25/2013

**By:** Diana Lund, Finance

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### Information

**Title:**

Request by Flaherty & Collins to Restructure Loan Agreement Pertaining to The Residence at The COR

**Background:**

The City of Ramsey - HRA has received a written request (attached) from Ryan Cronk of Flaherty and Collins (F&C) in regard to a proposal of restructuring the initial loan agreement per the Development Agreement that was entered into by F&C Ramsey, LLC ("Developer"), F&C Ramsey Member, LLC ("Borrower"), The Housing and Redevelopment Authority in and for the City of Ramsey, Minnesota (the "HRA") and the city of Ramsey, Minnesota (the "City").

The requests proposes a restructuring of Note #2 (\$6,916,000 debt issuance) in regard to the prepayment plan stated in Section 8.5 of Article VIII of the Development Agreement. **Per Section 8.5 Prepayments:** Borrower may prepay Loan #2, in whole or in part, at any time and, if in part, from time to time, during the term of Loan #2. All payments shall be applied first to the payment of accrued, unpaid late charges, then to accrued, unpaid interest, if any, with the balance, if any, applied to the reduction of principal. If Borrower prepays \$2,000,000 or more on or before before the date 12 months after the date of the first disbursement of proceeds of Loan #2, the HRA shall forgive \$250,000 of the principal amount of Loan #1 (TIF #1 loan of \$1,420,000), such forgiveness to be effective as of the date Borrower has prepaid at least \$2,000,000.

To date, F&C has prepaid \$500,000 (November 2012). To take advantage of the \$250,000 "Forgiveness" towards Loan #1 F&C needs to pay \$1,500,000 by July 16, 2013 (12 months after date of first disbursement of proceeds of Loan #2).

F&C proposal is requesting that the Loan agreement be amended to allow a reduction in the prepayment amount that F&C is required to meet in order to receive the \$250,000 "Forgiveness" on the principal amount of Loan #1. F&C's proposal is to reduce the required prepayment amount from \$2,000,000 to \$1,000,000 and thus reduce the received "Forgiveness" from \$250,000 to \$125,000.

**Notification:**

Written Proposal Request from Ryan Cronk of Flaherty & Collins, received June 11, 2013 and Summary of status of the two Loans with F&C.

**Observations/Alternatives:**

HRA Options:

Accept F&C Proposal - Development Agreement and Loan Agreement will need to be amended. All legal and administrative costs should be paid by F&C. Makes a contribution towards reducing the outstanding principal on Loan #2. If \$1M total proposal is accepted, the principal balance of debt will be reduced by \$588,670 (\$411,330 of accrued interest).

Don't Accept F&C Proposal - The incentive was set at \$2,000,000 as F&C only had \$1M in their own equity in the project. The \$2m prepayment incentive was created to reduce the city's liability and risk. Concern over setting precedence. E.g., Will other contracts ask to be re-opened/amended? By not meeting the incentive date, F&C

would have to pay back the total amount to TIF #1. The \$250,000 missed incentive could be applied towards city improvements (road reconstruction) or to the debt related to Loan #2 if the city is not taken out per schedule. In short, if the city does not accept the proposal and the \$2M prepayment incentive is not met by July 16, 2013 the city will have received \$750,000 (\$500,000 prepayment from November 2012 and payback to TIF #1 for \$250,000). If the 1M is accepted, net result would be F&C paying to the City a total of \$875,000 (1M - \$125,000 incentive). Overall net result: \$125,000 to city (\$875,000-\$750,000).

**Recommendation:**

Staff recommends to not accept proposal.

**Funding Source:**

Loan #1 in the amount of \$1,420,000 was funded from the city's existing tax increment funds in Tax Increment Financing (TIF) District #1.

Loan #2 was a TIF bond issued in the amount of \$6,916,000

**Action:**

Motion to approve/deny proposed request by Flaherty and Collins for loan agreement restructuring for The Residence at the COR.

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**Attachments**

F&C Proposal

F&C Loans Status

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**Form Review**

<b>Inbox</b>	<b>Reviewed By</b>	<b>Date</b>
Kurt Ulrich	Kurt Ulrich	06/20/2013 04:25 PM
Form Started By: Diana Lund		Started On: 06/13/2013 09:51 AM

Final Approval Date: 06/20/2013

June 11, 2013

Kurt Ulrich  
City of Ramsey HRA  
7550 Sunwood Dr NW  
Ramsey MN 55303  
Via Email: kulrich@ci.ramsey.mn.us

Re: Proposal for Loan Agreement Restructuring,  
The Residence at The COR, Ramsey MN

Dear Kurt,

This letter is designed to serve as a proposal for restructuring of the initial Loan Agreement per the Development Agreement that was entered into by F & C Ramsey, LLC ("Developer"), F & C Ramsey Member, LLC ("Borrower"), The Housing and Redevelopment Authority in and for the City of Ramsey, Minnesota (the "HRA"), and the City of Ramsey, Minnesota (the "City"). The proposed restructuring of the Loan Agreement is specifically in regards to the prepayment plan on Loan No. 2 in the Loan Agreement and the forgiveness credit on principal amount of Loan No. 1 outlined in the initial Loan Agreement.

The initial Loan Agreement for Loan No. 2 states, in Section 8.1 of Article VIII of the Development Agreement, that to further assist Developer with the construction of the Housing Development Project, the HRA proposes to make a loan to Borrower in an original principal amount equal to the sum of (i) \$6,825,000.00 (ii) the Costs of Issuance pursuant to the terms of the Loan Agreement and the Note No. 2. In Section 8.5 of Article VIII it goes on to outline the options of prepayment that are available to the Borrower. It states the Borrower may prepay Note No. 2, in whole or in part, at any time and, if in part, from time to time, during the term of Note No. 2. Specifically it states if Borrower prepays \$2,000,000.00 or more on or before the date 12 months after the date of the first disbursement of proceeds of Loan No. 2 (July 16, 2013), the HRA shall forgive \$250,000.00 of the principal amount of Loan No. 1, such forgiveness to be effective as of the date Borrower has prepaid at least \$2,000,000.00.

Our proposed restructuring of the Loan Agreement for Loan No. 2, would result in a reduction in prepay amount that Borrower is required to meet in order to receive forgiveness on the principal amount of Loan No. 1. In conjunction with the reduction in prepay amount that Borrower is required to meet, our proposal also would reduce the received forgiveness amount on the principal amount of Loan No. 1. We would like to restructure the Loan Agreement to state that if Borrower prepays \$1,000,000.00 or more on or before the date 12 months after the date of the first disbursement of proceeds of Loan No. 2 (July 16, 2013), the HRA shall forgive \$125,000.00 of the principal amount of Loan No. 1, such forgiveness to be effective as of the date Borrower has prepaid at least \$1,000,000.00.

The proposed restructuring of the Loan Agreement for Loan No. 2 would effectively reduce the amount of prepayment required for forgiveness on the principal amount of Loan No. 1 from \$2,000,000.00 to \$1,000,000.00 as well as reduce the amount of forgiveness on the principal amount of Loan No. 1 from \$250,000.00 to \$125,000.00. Essentially our proposal would result in a 50% decrease in both the prepayment amount require for forgiveness on the principal amount of Loan No. 1 as well as the amount of forgiveness on the principal amount of Loan No. 1.

Consideration to approve said proposal is very much appreciated.

Very truly yours,



Ryan D. Cronk  
Flaherty & Collins

## Status of F&C-Residence at the COR two Notes from the City

**NOTE #1 (TIF Loan)** – Balance owing of \$1,300,000 (\$120,000 of original \$1,420,000 paid at closing)

Per Development Agreement Under Article VII Note #1 Section 7.7: “If Borrower repays \$2,000,000 or more the outstanding amounts due under Note #2 (Bond) on or before the date 12 months after the date of the first disbursement of proceeds of Note #2 the HRA shall forgive \$250,000 of the principal amount of Note #1, such forgiveness to be effective as of the date Borrower has prepaid at least \$2M of the amount due under Note #2.” **As stated under Note #2 below: \$500,000 was applied to accrued interest and principal and the date of the first disbursement from Loan #2 was July 16, 2012. Thus, the ending date for obtaining the \$250,000 in principal forgiveness for Note #1 would be July 16, 2013, at which time an additional \$1,500,000 needs to be paid to the city.**

**NOTE #2 (Bond)** - Balance owing of \$6,450,448 (\$6,916,000-\$91,000 advanced back to HRA for issuance costs & \$374,552 paid towards principal on 11/1/12 net of accrued interest per calculation below). **F&C is to pay simple interest on the original issue amount of \$6,825,000 at the rate of 6.27% per annum for 18 months from July 16, 2012 to January 16, 2014. If at January 16, 2014 the city does not receive \$2,500,000 (\$3,000,000-\$500,000 11-1-12 paydown) the interest rate increases to 8.27% per annum.** The 8.27% rate stays in effect until the earlier of F&C prepaying a total of \$3M or the maturity date of the debt. If \$3M or more is received prior to the maturity date, the interest rate is reduced to 6.27% from the date the total \$3M is received. **The entire outstanding principal balance and all accrued, unpaid interest under Note #2 are due and payable in full upon the earlier of June 1, 2015, or sale of the development property.**

**Section 8.5 Prepayments:** Borrower may prepay Note #2, in whole or in part, at any time and, if in part, from time to time, during the term of Note #2. All payments shall be applied first to the payment of accrued, unpaid late charges, then to accrued, unpaid interest, if any, with the balance, if any, applied to the reduction of principal.

Application of \$500,000 prepayment on November 1, 2012 (Council accepted terms on 10-30-12)

Principal of Note #2: \$6,825,000

Interest Rate: 6.27%

Interest Rate term: 107 Days (July 12, 2012 – October 31, 2012)

Accrued Interest: \$125,448

Amount applied to principal reduction: \$374,552

**Net Principal balance of Note #2: \$6,450,448 (\$6,825,000-\$374,552)**

Accrued interest Owing to Date: From October 31, 2012 – July 16, 2013

Principal Balance: \$6,450,448

Interest Rate: 6.27%

Interest Rate Term: 258 Days

Accrued Interest: \$285,882

**HRA Regular Session**

5. 2.

**Meeting Date:** 06/25/2013**By:** Bruce Westby, Engineering/Public Works

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**Information****Title:**

Consideration of accepting improvements and approving final payment for North Commons improvements

**Background:**

On May 28th, the HRA authorized staff to direct County Line Excavating to remove all unused materials from the 13 unit residential lot development parcel bounded by Bunker Lake Boulevard, Zeolite Street and 148th Lane NW, and to spread the existing stockpiles of fill and topsoil back out on the site, then to seed and mulch the parcel in accordance with the proposal received from County Line Excavating for abandoning the project.

On Thursday, June 13th, County Line Excavating completed the requested work and they have since requested final payment in the agreed upon amount of \$103,889.25.

Below is a summary of the partial payments made to date to County Line Excavating for work previously completed on the North Commons project:

- Partial payment #1 - approved 1/22/13 in the amount of \$19,723.42
- Partial payment #2 - approved 2/26/13 in the amount of \$13,210.07
- Partial payment #3 - approved 5/28/13 in the amount of \$13,988.75

Upon making final payment in the amount of \$103,889.25, the contractor will have received a total of \$150,811.49 for their work on this project. Staff from the engineering department reviewed all pay applications and punch lists to ensure that all work paid for has been completed.

Regarding the contractor's ongoing obligations for work completed, it is staff's opinion that upon acceptance of the improvements and approval of final payment, County Line Excavating should be released from all future obligations for work completed on this project. The storm sewer they installed on the 13 unit parcel is not connected on either end and will therefore not be subject to maintenance considerations. In addition, the final seeding that was completed was not part of the initial contract.

**Notification:**

No notifications were necessary in relation to this case.

**Observations/Alternatives:**

Because the work that was completed falls outside the executed contract, staff believes the contractor has fulfilled their obligations and therefore final payment should be made and the work should be accepted as complete with no further obligations being required of the contractor in the future in relation to this project.

**Recommendation:**

The Engineering Technician IV has inspected the completed work and the City Engineer recommends accepting the improvements and approving final payment to County Line Excavating for IP 12-25, North Commons, in the amount of \$103,889.25.

**Funding Source:**

Funds for this work will be paid through the project.

**Action:**

Council is being asked to accept the improvements and approve final payment in the amount of \$103,889.25.

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**Form Review**

**Inbox**

Kurt Ulrich

Form Started By: Bruce Westby

**Reviewed By**

Kurt Ulrich

Final Approval Date: 06/20/2013

**Date**

06/20/2013 04:40 PM

Started On: 06/19/2013 11:12 AM