

**CITY OF FRIDLEY  
HOUSING AND REDEVELOPMENT AUTHORITY MEETING  
JUNE 7, 2018**

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**Chairperson Gabel** called the Housing and Redevelopment Authority Meeting to order at 7:00 p.m.

**MEMBERS PRESENT:** Pat Gabel  
William Holm  
Gordon Backlund  
Stephen Eggert  
Kyle Mulrooney

**OTHERS PRESENT:** Paul Bolin, HRA Assistant Executive Director  
Wally Wysopal, City Manager  
Jim Casserly, Development Consultant  
Scott Hickok, Community Development Director  
Paul Hyde, Stacks VIII, LLC

**Action Items**

**1. Approval of Expenditures.**

**MOTION** by Commissioner Eggert to approve the expenditures. Seconded by Commissioner Mulrooney.

**Chairperson Gabel** asked for an explanation about the money paid to the Minnesota Department of Health.

**Paul Bolin**, HRA Assistant Executive Director, said there are different permits the City is pulling as it gets ready to do the parkway project. They have had to move some lines for the City's water treatment plant. There are a number of permits they will see over the next couple of months as things move forward.

**Chairperson Gabel** asked and the Health Department gets one, too.

**Mr. Bolin** replied, yes, because of the well.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON GABEL DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**2. Approval of the May 3, 2018, Meeting Minutes.**

**MOTION** by Commissioner Holm to approve the minutes as presented. Seconded by Commissioner Eggert.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON GABEL DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**3. Annual Election of Officers.**

**Commissioner Holm** nominated Pat Gabel as the Chairperson. Seconded by Commissioner Eggert.

**Commissioner Holm** nominated Stephen Eggert for Vice-Chairperson. Seconded by Commissioner Backlund.

**Jim Casserly**, Development Consultant, asked if they have ever nominated a treasurer.

**Paul Bolin**, HRA Assistant Executive Director, said the treasurer has traditionally been the City's finance director.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON GABEL DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**4. Approval of TIF District #24 & Development Agreement – Stacks VIII.**

**Paul Bolin**, HRA Assistant Executive Director, stated Hyde Development is purchasing and redeveloping the former All Temp storage building located at 5101 Industrial Boulevard. It is immediately north of the existing Northern Stacks Business Park. This site is contaminated and the building requires significant changes in order to meet the needs of today's industries. In addition to their \$10 million investment in the acquisition, the planned renovation, and a portion of the contamination cleanup, Hyde Development needs approximately \$660,000 from the HRA through tax increment and is seeking another \$682,000 in grants from the Met Council and from DEED to help with the cleanup of the contamination that exists on the site.

**Mr. Bolin** stated the proposed TIF district for this site is a soils district. It does have a maximum life span of 21 years. Staff has run some projections which show it will likely be paid off in less than 15 years. In a soils district, only the items that are identified in the RAP for the development, that is approved by the MPCA, are eligible for reimbursement.

**Mr. Bolin** stated some of the activities that are in that RAP which would be eligible for the increment include vapor mitigation, constructing engineered driveways and paved areas to act as a barrier to some of the contaminated soils that can remain on the site, storm water enhancements and protections, constructing clean green areas outside, modifications to the existing grades on the site through the excavation, and then moving around the contaminated soils. The soil that cannot be placed on site will be removed.

**Mr. Bolin** said a resolution for the creation of the TIF district and a Development Agreement were prepared. The development agreement spells out the obligations of the Authority and of Hyde Development. It requires that the increment can only be spent on those eligible items listed in the RAP. It also addresses the timing of when they would issue the TIF revenue note. Mr. Hyde would need to complete all the work by December 31, 2019. Once Mr. Hyde provides proof of those expenses, up to the \$660,000, then the Authority would go ahead and issue that TIF note.

**Mr. Bolin** said Attorney Casserly was heavily involved in putting together the TIF plan for this and the contract for development. They recommend the HRA adopt the resolution that modifies the redevelopment plan and creates TIF District #24. They would then be looking for just a simple motion approving the contract for development.

**Chairperson Gabel** asked if Attorney Casserly would want to explain anything about his projections. She said she thought they were straightforward.

**Attorney Casserly** replied Attorney Greg Johnson does their analysis and these are very typical of the spreadsheets and projections that have been prepared for the Authority over many, many years. What they do is they will run through different scenarios. This is probably a good idea to go through this. If you look at the no inflation one, they will see the first arrow he has on the right hand margin shows what the current base value is of the building and the land. It is a total of \$6.66 million. That is what the current value is. Paul Hyde can provide much more information about the various costs and the total costs. He has prepared some pretty detailed analysis showing the total amount of investment that needs to be put into the project. At the end of the day there will be something in excess of \$11 million that will be spent on this project. They have calculated that the estimated market value would be about \$10.5 million. They have tried to be reasonable. That comes out to per square foot of building, \$59 a square foot, for market value. He believes that is in line with some of the other buildings that have been built out there. That is why that number is being used. Mr. Hyde can speak with the restoration and rehabilitation of it.

**Attorney Casserly** stated one of the things that is going to happen is that land is worth \$2.25 per square foot and, as a practical matter, it is probably overvalued because of the contamination that exists on the site. There is considerable expense, something in the neighborhood of \$1.6 million, that is going in to clean up the site and prepare it so the building can be fully functional. With that in mind where the value is going from \$6.6 to \$10.5 million. Remember in this tax increment district the \$6.6 million is still being taxed by all the other taxing jurisdictions. The Authority is not giving up any part of that. It is only the increase over \$6.6 running up to about \$10.5. That is what is being captured to pay for the remediation and improvements. Unlike a lot of other districts, and Mr. Bolin explained it perfectly, you can only spend increment on those costs that have been part of a response action plan (RAP). They just make sure that those costs in fact are for those purposes and at the end of the project they aggregate those amounts. That will become the amount of the revenue note but it cannot exceed the \$660,000.

**Attorney Casserly** stated much like the other Stacks projects, the HRA is going to be working on overseeing grants that are coming in from DEED and the Met Council. It will oversee its own expenses that it is going to reimburse for through the revenue note, and that is exactly what the

HRA has been doing for the last four or five years now for the other parts of the Northern Stacks projects. This is really just a continuation of what the HRA has been doing. Also, like the other Stacks projects, the Hyde Group will be owning the land and the building so they are not purchasing it from the HRA. They have control of it and, when they perform, and then the HRA provides this revenue.

**Attorney Casserly** stated the present value they are using is at the next arrow at the bottom of the page which is the 5.7 percent that was shown as one of the note terms on the screen. If you show that increase in market value from the \$6.6 to the \$10.5, you collect the taxes on that over a period of 21 years (the tax increment/spread), and you assume an interest of 5.7 percent (which is really what a present value rate is). Then if you look on the third page that tells you the amount of increment that is generated each year that is available. That is Column G on that schedule and Column H is the cumulative amount of increment that is available each year. Columns I and J tell you the present value of the semi-annual increment and then of the cumulative increment.

**Attorney Casserly** stated that is where the numbers come from and the reason why there is a little arrow then. If that increment comes in as projected, and the market value goes on at approximately \$59 a square foot, and the project gets completed in the next 18 months, and the tax rates stay at approximately the same as they are today and without any inflation, the HRA would have about \$660,000 in present value in about 13 years. It might be 14, maybe 15 years, but if these assumptions are anywhere close then that would be realistic.

**Attorney Casserly** stated the second one called 2.5 percent inflation, they always use inflation when they prepare tax increment plans because they simply do not know how much value is going to be going on. They also do not know if the Authority may want to have an opportunity to use some increment for some other kinds of projects. It is very difficult to use increment in a soils condition district (a very limited district) for anything other than specifically responding to a response action plan. That is if the 2.5 percent inflation simply tells you, if they go to the third page, that you get roughly \$660,000 a couple of years earlier.

**Attorney Casserly** stated as a practical matter it is probably safer to use the no inflation one. Probably give them a little better perspective. The 2.5 percent inflation, again, they always put inflation in when they are doing the tax increment plans. That is why he thought it would be good to see what both of them looked like and also see there is an opportunity to pay this off more quickly. Unlike having raw land available and developing improvements, there is already a substantial amount of taxes being paid on this site and they will be continued to be paid just as they were before.

**Paul Hyde**, Stacks VIII, LLC, stated he saw the HRA maybe a month ago when they were getting ready for their grant applications. They are close to signing a lease for almost all of Stacks VI. They have significant activity on the vacancy in Stacks V. They are underway with their boiler room shelling out. They are going to put in all the windows, the parking lot, the landscaping, fix the roof, put in the floor, the heat and lights, so it will show better to tenants; and they have interest there from everyone from beer to ice cream to regular old office. That will be done some time in the fall, and they hope to have some news there through the course of 2019 on tenants for that space. They recently closed on their long-term financing for Stacks II, III, and IV. They are keeping those buildings. They just put a long-term mortgage on with

Allianz Life Insurance Company ten days ago. They intend to hold those buildings for a long time. The plan is to do the same with the remaining buildings once those are leased.

**Mr. Hyde** stated as they were marching their way through the project, probably five years earlier than they thought, they started the projections, they said, shoot, they kind of want to keep going. They still have interest in the Stacks Park. They started looking around trying to find where they might have opportunity to continue the redevelopment. The All Temp building came up for sale last fall. They put it under contract. They are buying it for \$7 million, roughly \$40 a square foot. They are going to put another \$5 million into it. Some of that is environmental work. The bulk of it is work they are going to do to put in a new roof, sprinkler system, and LED lights. They are going to paint the outside of the building and put in new windows to make it look and feel like a Stacks building.

**Mr. Hyde** stated once they do the environmental cleanup consisting of two buckets of things, the first managing some of the polluted soils that are on-site which are leftovers from the original BAE site (this used to be the runway for Mr. Hawley's plane from the BAE days) which gives them an opportunity to reconfigure the site, get some of that outside trailer storage off that front door and push it back. Put a pond up on that corner of the site which is really the front door to the project, along with some landscaping and really green up the space. That will all take place over the course of the fall and winter and in the spring of next year. At that time they will have a building that looks, acts, and feels a lot like a Stacks building but at a significantly lower cost than new construction which they hope they can offer in rental rates to tenants less than new construction costs and attract maybe a little broader group of tenants there.

**Mr. Hyde** stated they are thrilled at who they have in the Park. Everyone from distribution to go-cart tracks to entertainment companies, defense contractors and now even medical technology (Resolution Medical is there). They were just under construction with Stacks VII with LKQ. They are bringing them in from Minneapolis to Fridley even though they are just down the road. They are a large automotive parts distribution center taking all of Stacks VII. They expect to see a variety of users for the Stacks VIII building.

**Mr. Hyde** stated in order for them to finish the project they needed these pollution cleanup grants to do that soil cleanup work outside. They also found significant solvent vapor issues underneath the slab which is not a surprise given the site's prior use as a printing operation. Some of the solvent used in that printing business spilled or were dumped and ended up where those vapors are trapped under the floor so they will have a vapor mitigation system installed, too. The two buckets of environmental issues are cleaning up the soil and handling the vapor.

**Mr. Hyde** stated their cleanup plan has been approved, their grant applications are in, and they are fielding questions weekly from the grant funders. They have had a very good response when they met and previewed the project with them, and they hope to hear at the end of June.

**Mr. Hyde** stated the last piece of this was the work that the grants do not fund but fits nicely within the confines of the soils condition district; hence, their TIF application. Their due diligence period ends on July 3. They expect to hear from the grant funds by then, and that is why they are trying to get this TIF application approved next week so they have both their

sources of funding done by their contingency period expiration which would lead them to close on the site in July.

**Commissioner Holm** asked Mr. Hyde whether the funding will not be finalized until July, is that what he is saying?

**Mr. Hyde** replied, they worked getting their bank loan commitments now; and those will be contingent on getting the grant funds and the tax increment package put together. As a spinner of plates, he is spinning three plates right now, the TIF, the grants, and the bank debt. Hopefully they will all land at the same time at the end of June which is what they have done on all the Stacks projects up to date.

**Commissioner Holm** stated but there is a significant amount of funds for cleanup, and that is not finalized until July.

**Mr. Hyde** replied DEED and Met Council typically announce the last week of June. They will never have announced later than the 4<sup>th</sup> of July which is why his due diligence contingency date is July 4.

**Commissioner Holm** stated to Mr. Hyde they intend to do significant renovations on this building. Does that mean the current occupants will be moved elsewhere or displaced for a period of time or what happens there?

**Mr. Hyde** replied, the current tenant is Murphy Warehouse. A well-known Fridley business. Murphy purchased the business from the family who owns the building and signed a lease to stay there for several years. They are talking to Murphy about staying. They are really a third-party logistics provider so they probably cannot afford the rent they are going to charge with this renovation. They are trying and it may or may not work with them. That is one of the paths they are exploring. They are in there through the end of November.

**Chairperson Gabel** asked, is that when their lease expires?

**Mr. Hyde** replied, correct.

**Chairperson Gabel** stated they need to do two things: pass a resolution for the TIF district and approve the contract.

**MOTION** by Commissioner Holm approving the TIF District #24 for Stacks VIII. Seconded by Commissioner Eggert.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON GABEL DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**MOTION** by Commissioner Holm approving the Development Agreement by and between the Housing Redevelopment Authority and Stacks VIII. Seconded by Commissioner Eggert.

**Attorney Casserly** stated the title of the Development Agreement should reference Northern Stacks VIII. Also on the front page of the redevelopment contract itself, the contract should also have the word “Northern” in front of Stacks. The correct name of the entity is Northern Stacks VIII, LLC.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON GABEL DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**Commissioner Holm** stated he would like to know a little bit more about the revenue note. He asked attorney Casserly to explain it and asked whether this is something the HRA is not going to sell?

**Attorney Casserly** replied, no.

**Commissioner Holm** stated it is referred to as a revenue note. That implies somebody is going to acquire that for revenue.

**Attorney Casserly** replied, the revenue that is referred to is the revenues generated by the tax increment. Not the revenues someone would pay to purchase the note. That is why it is a revenue note.

**Commissioner Holm** stated they are collecting the funds including a 5.75 percent recognition of the cost of money, but for this development they would have invested in some other project that would have a similar rate of return. That is the logic behind the 5.75.

**Attorney Casserly** replied, that is partially correct. However, as a real more practical matter it really reflects the cost of money for a high quality project. That is really what the 5.75 percent is. It is not very much. That is why we like to loan money to ourselves as a real practical matter. State Statute allows us to charge 3.50 or 4.00 percent for monies they loan to our districts so we can reimburse ourselves. It is actually a very sound financial arrangement for the Authority to do that, and it is a better return than they are generally going to have on any of their invested funds.

**Attorney Casserly** stated the risk is that the project does not always get finished. That reimbursement is not guaranteed. Just like in this revenue note. If for some reason the projects did not increase in value and, instead of \$10.5 million it ends up only being \$8 million, the note will never be paid. The note very clearly points out that it is only the revenues generated by this specific project that are pledged to the payment of the note. Then it points out at the end of the term of the note, any unpaid amount shall be deemed paid in full. The note then is extinguished, and the agreement also expires. That is how these notes work.

**Commissioner Holm** stated and similar to what he described they recover those funds. They are done with that district and the full tax increment goes back to the taxing authority.

**Attorney Casserly** stated, that is correct. The district is decertified and the increased value is then taxed by all the jurisdictions.

**Commissioner Backlund** asked if it was subject to arbitrage.

**Attorney Casserly** replied there would be no arbitrage possibility on this because they have not sold bonds to invest in anything. This is just internal.

## 5. Locke Parkway – Consent to Bid Award

**Mr. Bolin** stated Locke Parkway is the new parkway they discussed previously that would go through the private development that would be adjacent to the new Municipal Center. The parkway is necessary to allow the residential projects to be constructed and accessed. As they are aware they have already signed an agreement with Pulte Homes who will be starting building patio homes very shortly. As part of that they are going to be putting in some private roadways through their development that would then tie into this new parkway and some of the new utilities that will run along with the new parkway.

**Mr. Bolin** stated the project itself will consist of the street which includes installing a new water main, storm sewer, sanitary sewer, and small utilities which are things like cable and street lighting. As far as the street project itself goes, it will involve constructing a new roundabout where the parkway will meet up with the frontage road. It will also have a divided parkway. There will be a divided parkway with plants and other things in the medians. He showed a map of the parkway where it north to 71<sup>st</sup> Avenue and there is a small parking area for what will eventually be a small playground area. Then that will connect up with 71<sup>st</sup> Avenue for now. It will go from the existing frontage road, head east to the far end of the development property, and then turn north up to 71<sup>st</sup>.

**Mr. Bolin** stated the City engineering department put together a bid package for this as they do on all street projects and open bids. The winning bidder (lowest, responsive bid) was from Peterson Companies, Inc. which came in at just under \$1.3 million. This is under the City Engineer's most recent estimate which was at \$1.5 million which is quite an improvement over the \$2 million they had been discussing as the potential cost for the parkway for the past year or more.

**Mr. Bolin** stated the City Council accepted the bid at their May 29 meeting. The City's water funds are going to contribute \$189,000 towards the water main itself so part of that \$1.3 million, just under \$200,000, is going to come from the City's water funds. The installation of the parkway is not only a TIF-eligible cost but it is also the type of necessary infrastructure that the Authority has traditionally put in to accommodate redevelopment projects like this. As they have discussed the type of TIF dollars that can be generated by different types of housing around the site, they have always been mindful and try to keep a placeholder of somewhere around \$5 million that would go back into the Authority to reimburse for the acquisition and the roadway and the other enhancements that they will be making as the project continues.

**Mr. Bolin** stated he recommends the Authority simply authorize the expenditure to install Locke Parkway.

**Commissioner Backlund** asked since this is a brand new project, he has two questions. One is was there any thought for creative use of greywater? Also, what is the SAC charge?



**Scott Hickok**, Community Development Director, replied the SAC charge now is up to about \$2,500 per unit.

**Commissioner Backlund** stated that is if you have a garbage disposal or not.

**Mr. Hickok** replied, that is right. It is a much simpler formula on a single-family home than it is on a complex building like the city hall or public works building.

**Commissioner Backlund** asked what about the greywater? It is a simple thing to use the greywater for watering and then go down in the sewer.

**Mr. Hickok** replied they have looked at a number of different uses. The City probably has one of the most advanced storm water systems in the civic campus that will only need a little bit of help from the patio homes in terms of additional pond area. The way that the City's pond recycles water and brings it out to, one, be an amenity and almost pool quality at the top where they have the aerators and then it goes down to lower level which is more like a wetland condition. That in and of itself was inventive in the re-use of the water that was very helpful. They also did look at early on at heating through thermal energy underneath the pond. They looked at using the storm water to irrigate the site. Although the City has a more standard irrigation system here, they would like to think that they have really made good use of the storm water on the site; and they are not at this time planning to irrigate the patio homes with this greywater. They certainly have an amenity they have created through the use of that storm water for sure.

**Chairperson Gabel** asked if the \$2,600 per unit was for sewer.

**Commissioner Backlund** replied it is the sewer availability charge.

**Chairperson Gabel** asked if you had to have WAC and SAC.

**Mr. Hickok** replied, the City does not have WAC. The City has participation by the developer on utilities. The City does not have a sewer per connection charge per se here, but they certainly are going to be responsible for their fair share of utilities to connect to the City's system. It is a new system and that is what they will be running in part through this parkway that is being installed. It will also have a storm water sanitary system and other features that will then be linked to this new development.

**Chairperson Gabel** asked if it was per unit.

**Mr. Hickok** replied, it is not per unit. They will pay their SAC and then they will pay their fair share of utility connections.

**Chairperson Gabel** stated she intrigued they thought there was enough traffic for a roundabout.

**Mr. Bolin** replied, there was a lot of thought and discussion that went into the roundabout. The hope and thought is that eventually the parkway will continue north of 71<sup>st</sup> all the way up to 73<sup>rd</sup>. Also if they will recall this is being designed to reroute how traffic from the neighborhood from

the south exited the site as well as the church and school so that access at 69<sup>th</sup> that goes into the neighborhood to the south there, that is going to be cut off once the new streets are put in and the new parkway. This will benefit not only that neighborhood but folks at City Hall. It will function a lot better moving that traffic in and out of that neighborhood by having the roundabout.

**Mr. Bolin** stated as far as for emergency vehicles right now the situation is there is one lane of travel each way. With the roundabout that portion is getting widened out as well so if they had to get through there, a vehicle could pull off out of the way and emergency vehicles could still get through. The way the roundabout is designed is there is a portion in the center that you will not be able to drive over but there is a good portion of it that will be stained a different color, raised a little bit with a surmountable curb where emergency vehicles could drive over it as well. This is going to allow traffic to flow much better through the site.

**Mr. Hickok** stated he thinks this is a great example where the City and HRA have listened very closely to what citizens were saying about difficulty in getting out of their neighborhood. This is a refreshing solution for them that will allow them to not sit as they have but to go up, to get around the roundabout, and get into the queue at a much better position to get out onto University Avenue than they ever have before. It will be like they are living in a new neighborhood. That is all part of the intake the City got from them in the number of meetings that they have had with them.

**Chairperson Gabel** stated from Mr. Bolin's statements, she is assuming they have not yet had any luck with the Department of Transportation to allow the emergency vehicles direct access onto University?

**Mr. Hickok** replied, that discussion continues. There is certainly a strong interest on the part of both the Chiefs to make sure that happens. It is a matter of continuing until they get a "yes".

**MOTION** by Commissioner Eggert approving Locke Parkway – Consent to Bid Award. Seconded by Commissioner Holm.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON GABEL DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**Informational Items:**

**1. Potential Changes to Loan Program.**

**Mr. Bolin** stated he is not asking for any action on these proposed changes. He is simply presenting this so he can get comments and answer any questions, they can make any changes the HRA feel are necessary, and bring these back to them at a future meeting for their approval at that time.

**Mr. Bolin** stated what they are looking to add is a senior deferred loan program. Really the intent of the program would be to provide an incentive for Fridley residents to make improvements that could allow them to stay in their homes longer by widening doors, etc.

However, also for folks who are thinking of potentially selling their home a few years down the road it will give them an opportunity to make some updates to the home they could enjoy before selling the home to someone else who may be looking into moving into the community.

**Mr. Bolin** stated they would set up the loan with a 0 percent interest rate. It would be deferred and due upon the sale of the home, transfer of ownership, or if the home ends up not being the primary residence any longer. A couple of the other pieces are, at least one of the homeowners would need to be 62 years of age or older to qualify for the program; and they would be looking at a \$25,000 maximum loan with this. They would allow a loan to value ratio of 110 percent. It would have to be an owner-occupied unit. It would allow the same interior/exterior improvements they allow with the traditional loan program. As far as the underwriting goes, they would be looking for if there is still a mortgage that the payments have been kept current. Real estate taxes have been kept current and there are no liens, judgments, bankruptcies, or foreclosures.

**Chairperson Gabel** asked whether CEE handles this like they do the others.

**Mr. Bolin** replied, yes.

**Chairperson Gabel** stated there would be some cost to the HRA. Maybe when the home is sold a small fee would be paid to cover. Something perhaps like \$200 or \$500 to cover their costs. Some way they meet that expense.

**Mr. Bolin** replied that is a great point.

**Commissioner Backlund** asked if this would go on the property as an assessment against the property.

**Mr. Bolin** replied this will be an actual mortgage against the property.

**Commissioner Backlund** asked how sweat equity would be handled.

**Mr. Bolin** replied, they do not allow sweat equity. Just as with their existing loan program, they will only reimburse for materials.

**Commissioner Eggert** stated it is certainly easy to understand “due upon sale”. When you talk about transfer, he knows there are TOD’s and he suspects that when there is a TOD then the children get a bill for this loan. Is that what happens?

**Mr. Bolin** replied, correct, any time the title were to transfer.

**Commissioner Eggert** asked and when it is no longer a primary residence, like many do they go to the south and lose this as their homestead which is now being tracked a little closer. Staff becomes aware of this through the tax rolls basically.

**Mr. Bolin** replied, yes.

**Commissioner Mulrooney** asked for an example of a non-eligible improvement.

**Mr. Bolin** replied, hot tubs. They have some fairly detailed information on what is eligible. Things that are not eligible are those things you can pick up and move with you. They do not want to fund appliances. Although they do fund furnaces. Renovating bathrooms are eligible. Anything from that to siding, roofing. It is not just necessities.

**Commissioner Eggert** stated they saw the demographics that the City loses its 74 plus residents more than other suburbs because of lack of areas for them to move to. This looks like it would be a terrific marketing opportunity with the residents. In talking with the residents out in the community, they are working very hard at figuring how they can stay. This will be a good opportunity.

**Chairperson Gabel** stated she likes this one, too, and thinks it is a good idea.

**Mr. Bolin** stated the next new program is one that Center for Energy and Environment (CEE) and Center Point have been working on together. Really the intent of the program which is called the CenterPoint On-Line Bill Repayment Program is to make it easier and quicker for homeowners to complete some energy efficiency improvements by including the loan payments on their utility bill. The funds would be loaned to residents. It is very specific eligible energy improvements. The term is “rebateable energy efficient improvements” so it is things like the 92 percent efficient furnace. They do have the criteria in their packet.

**Mr. Bolin** stated what they would be looking at as far as some of the terms with this and, unlike all the other programs, they really have secured debt – they have a mortgage with the HRA’s products. This would be an unsecured loan. The way it would work is as far as the underwriting and that type of thing as well, a lot of it is based on your credit score and your payment history. The amount you can borrow is also based on your credit score. If you have a credit score less than 600 you would not be eligible. However, if it is between 600 and 680 you can borrow \$10,000. If your credit score is over 680 you can go up to \$20,000. They would be looking at specifically using the HRA’s loan dollars and offer a 4.5 percent interest rate. The same as the HRA’s other programs.

**Mr. Bolin** stated the way the actual collection would work is if you were to borrow money through this program, CenterPoint would have a separate line on your bill. They would collect those funds for the HRA and quarterly turn those back to the HRA with the full accounting of where those came from. CEE’s role in this is they are going to be the intermediary between the cities and CenterPoint. They will be doing the collections. If somebody misses three payments, they are not eligible for the program anymore, and their loan goes into CEE to start the collections process on that.

**Mr. Bolin** stated although this is new to this area. This is not something that is new. The energy providers have been doing programs like this in other states for quite a few years. Most of these programs have less than a 1 percent rate of failure for people to pay. As to their typical loan programs, if you have a 3 percent rate, that is excellent.

**Mr. Bolin** stated he thinks people are just psychologically trained thinking, "I need to pay my utility bill."

**Mr. Bolin** stated this is a special program. CenterPoint and CEE went to the Legislature and got permission to set this up. They still have to do a number of filings with the State yet. They would not be ready to roll this program out now until early 2019, January/February timeframe. They are still working out all their details. They just hired the IT people they need to make all this work. He wanted to get the information to the HRA and, if it is something they would be interested in, he would continue to pursue this with CEE and he can pass any comments onto them as well.

**Mr. Bolin** stated in 2015 they will recall they made some changes to their loan programs and actually added a rental property loan program. The only way you could fix up a rental before is if you actually lived in one of the units, and they had it capped at 4-unit buildings. They thought by getting rid of the ownership requirement it may generate some interest in the program; however, they were still limiting it to buildings that had 4 units. What they are proposing is to expand the scope a little bit and take a look at offering this for 1 to 12-unit buildings. The City does have a number of 11-unit buildings. A lot of them were built and the 12th unit became the laundry room, storage, or an office.

**Mr. Bolin** stated they did have interest from a property owner who has a few of these 8 to 12-unit buildings. That was kind of the impetus for bringing this forward. The property owner stated she would really take advantage of the program if they were to include some of these larger buildings.

**Mr. Bolin** stated they made these changes a little over two years ago, and they have not done a single loan in that 2 to 4-unit category. They can certainly take a look at going up to 12 and also including 1-unit buildings. Over the last ten years they have had a number of single-family homes that have become rental units now. The way the typical loan is set up, they will only loan if you live in your single-family home. The code enforcement people get calls about single-family rentals in neighborhood. If you do not drive by your property every day you may not notice things like the gutters falling off, the windows are starting to rot, and there may not be a lot of incentive to put money back into those homes if your rent is being paid.

**Mr. Bolin** stated for addressing some of those problems they would recommend allowing the 1-unit rentals as well. It would be a resource where the code enforcement people are dealing with these properties they can offer and maybe can address some of those problems by giving them a little bit of incentive through some lower interest money than they can go borrow elsewhere.

**Mr. Bolin** stated like they had done before they would keep the specific allowable uses of the funds to be fixing code deficiencies and then exteriors. If the community is going to loan money to essentially a business for improvements, those dollars should show up on the outside of the building itself so the neighbors are getting something out of it.

**Commissioner Eggert** asked is the \$50,000 max what the limit is for the 2 to 4-units?

**Mr. Bolin** replied, yes, that has been the maximum.

**Commissioner Eggert** stated if they are thinking of up to 12 units, it is a much bigger building. Should they maybe allow steps for bigger buildings, a larger loan amount?

**Chairperson Gabel** stated that is a good idea because \$50,000 will not go far for a 12-unit building.

**Mr. Bolin** replied he likes that idea. They will take a look at some buildings and kind of see what would make sense. Try and figure out maybe on a per unit basis what the maximum would be.

**Commissioner Eggert** stated in his mind he is thinking \$50,000 for 4 units and \$150,000 for 12.

**Chairperson Gabel** stated and you do have a debt-to-income ratio but also, particularly for sole proprietorships and some of these, those people need to have some sort of a credit check, a credit score that lives up to their potential to repay these loans.

**Chairperson Gabel** stated it is a good idea to do all of these. It is a way to make some improvements in the community and make it easier for some of these people to do this.

**Commissioner Eggert** asked Mr. Bolin, knowing that a single-family home in his neighborhood that went rental, two and one-half/three years ago, its market values have increased now and the tenant's lease has come up, the house is going up for sale. Is he seeing that happen?

**Mr. Bolin** replied that is a trend he is seeing not just in Fridley but elsewhere as values have now come up. Some people want to get out of the rental business as they are able to sell their home and make some money on it. Now that the City has done an excellent job the five or six years of licensing rentals, he can do some checking there and see if they are seeing a decrease in the single-family rentals.

**Commissioner Eggert** asked if the licenses are renewed annually

**Mr. Hickok** said they were renewed annually.

**Commissioner Holm** stated he knows that commissioners have participated in other HRA-sponsored activities like Home Energy Squad visits, etc. One of these programs may very well apply to himself. He does not know if the HRA attorney would approve of a commissioner using one of these programs, but in light of the fact it is open to all residents he does not know how the Commission would feel about that. However, if he was interested in applying for one of these items, he does not think it would be appropriate for him to vote on it so he would respectfully abstain. Obviously if somebody decides he should not apply for it, he will not.

**Chairperson Gabel** stated she does not see what difference that would make. Commissioner Holm is just another tax-paying citizen in this community and he can do anything and everything that anybody else in this community can do. She certainly would have no objection to that.

**Commissioner Eggert** stated on a smaller scale he remembers several of them participating in the Energy Squad program, and he would think they would be a good example for the community.

**Attorney Casserly** stated they are not voting individually on these anyways. If you meet the program requirements, there is nothing to vote for or against. This is not the home loan improvement program. This is just a program for which the HRA has laid out eligibility and anybody who meets that criteria can participate. He does not see any issue at all. As a matter of fact it is positive for the program that people would participate.

**Commissioner Backlund** stated he has no problem with any commission member doing anything or similar to especially to let everybody know they are participating which is a positive.

**Chairperson Gabel** stated, right, lead the way for other members of the community to realize this is a good program and that it is available to the whole community.

**Commissioner Eggert** stated they see obviously the commercial investment in their community. They also need the residential investment to keep it vibrant.

**Mr. Bolin** stated attorney Casserly is 100 percent correct. They use the Center for Energy and Environment to do all of the HRA's loan processing. Even at the staff level they do not know who has applied for a loan. At the end of each month they will get a report that has a last name and an address if a loan was given out with a dollar amount. City staff does not have a say in who gets a loan. The HRA as a Board does not have a say in that either. If you meet the criteria you are eligible.

**Wally Wysopal**, City Manager, stated the HRA members have not done anything to make the requirements suit their specific needs. The record does not point any of that out. It is a generalized program based on needs of the community. Even so that they do not vote on and staff does not even know who is applying for the loans, they never formulated this program to serve your self interest. It is a community-interest program.

**Commissioner Mulrooney** stated as to the funding at the bottom of the memo, does he know what their runway is or what too successful would mean for the senior program?

**Mr. Bolin** stated they do look at the cash balances quite frequently but if all of a sudden they had a million dollars of these things, especially the deferred loans coming in, they would have to maybe put the brakes on it a little bit. Even if all of a sudden they had \$500,000 out in deferred loans in a month, they would probably want to step back a little bit and maybe follow how the County does the first-time homebuyers program where they make an allotment for each year and it is kind of first come, first serve.

**Mr. Bolin** stated he would hate to put an exact dollar amount on it at this time, but they have talked about getting a million dollars' worth of loans out there. With the deferred loan piece, some of those they may get paid back in a year. With others it might be 25 years or so before they get back. That is something they will want to kind of keep an eye on and track.

## 2. Housing Program Update

**Mr. Bolin** stated they did one Revolving Loan this past month which gives them four for the year to date. They had four Remodeling Advisors visits in May, making it six for the year. The Home Energy Squad did 3 visits in May but according to Stacy Camp they have 18 visits lined up for the next month and one-half or so.

**Mr. Bolin** stated with both of the above programs, with the loan programs, they are really trying some different marketing efforts to get the word out there. That is why it is a good time to add some additional programs. They have some different giveaways that have been going out. The Police Department along with the Code Enforcement folks have been doing a number of neighborhood meetings. They have some chip clips and pizza cutters with the information if anyone is interested in a loan the items have the phone number and web address on there. They also have things like Night to Unite coming up and any other City events they are trying to get information out to people. They have some new handouts that have at different locations so people can learn more about the loan programs. Also, they are going to try running some specials here in August. They have some lawn chairs with the logo on them and they will do a promotion where the first 12 people to apply for a loan will get a chair.

**Mr. Bolin** stated they had a lot of help from Raquel before she left for a new position, and they now have Brooke who is taking over and they will see a seamless transition there and see these marketing efforts continue especially on some of the social media sites the City has.

### **ADJOURN:**

**MOTION** by Commissioner Eggert to adjourn. Seconded by Commissioner Backlund.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON GABEL DECLARED THE MOTION CARRIED UNANIMOUSLY AND THE MEETING ADJOURNED AT 8:27 P.M.**

Respectfully submitted,

Denise M. Johnson  
Recording Secretary