

BOARD OF COMMISSIONERS
WASHINGTON COUNTY COMMUNITY DEVELOPMENT AGENCY
WASHINGTON COUNTY, MINNESOTA

The Washington County Community Development Agency Board of Commissioners convened in Regular Session at Washington County CDA, 7645 Currell Blvd., Woodbury, MN on May 15, 2018. Staff present: Barbara Dacy, Executive Director; Melissa Taphorn, Deputy Executive Director; Aaron Christianson, Director of Finance; Ann Hoechst, Housing Assistance and Administrative Services Director; Chris Eng, Economic Development Director; Bill Lightner, Community Development Project Manager; Kristen Scobie, Community Development Project Manager II; Angie Shuppert, Community Development Programs Manager; Elena Shulman, Community Development Project Manager I; Kathryn Paulson, Community Development Project Manager II; Heather Posthumus, Senior Homeownership Specialist; Portia Jackson, Homeownership Specialist; Becky Nelson, Senior Accountant and Leni Healy, Administrative Assistant.

Also present: David Mol, Redpath and Company; Madeline Kastler, Resident; Chris Stolka, MWF Properties and Craig Theis, Dougherty and Company.

Meeting called to order at 3:00 p.m.

Ms. Dacy indicated that the first order of business would be election of officers for the Board. Commissioner Widen asked if anyone had expressed a willingness to serve as an officer of the Board. She indicated individuals had either volunteered or would accept a nomination to be placed on a slate of officers.

ELECTION OF OFFICERS

Commissioner Widen moved to approve the following slate of officers:

Chair: Brian Zeller

Vice Chair: John Belisle

Secretary: Steve Ryan

Commissioner Miron seconded the motion. Motion carried 6-0.

ROLL CALL

Commissioners present: Dingle, Miron, Zeller, Widen, Ryan and Belisle.

OPEN FORUM

None

CONSENT CALENDAR

Consent Calendar agenda items are generally defined as items of routine business, not requiring discussion, and approved in one vote. Commissioners may elect to pull a Consent Calendar item(s) for discussion and/or separate action.

Minutes of Regular Meeting
April 17, 2018

Minutes of Personnel Committee Meeting
April 25, 2018

Abstract of Bills, April 30, 2018
Total: \$1,653,660.42

A-1 Resolution No. 18-18. Resolution Authorizing the Adoption of the Amended Annual Contributions Contract to Include the Veterans Affairs Supportive Housing Budget Authority

A-2 Resolution No. 18-19. Resolution Authorizing Reservation of Gap Financing for Redevelopment and Rental and Ownership Housing in Washington County (GROW) Fund for Green Twig Villas II; and Authorizing Execution of Related Loan Documents

Commissioner Miron moved to approve the Consent Calendar, seconded by Commissioner Widen. Motion carried 6-0.

PRESENTATIONS

P-1 2017 Operating and Audited Financial Statements Results

Mr. Christianson reviewed some of the 2017 operational results. He reported that there were no internal control or compliance findings over financial reporting and Minnesota Legal Compliance requirements. He stated that during the Single Audit (i.e. the "federal award" audit,) it was reported that there were no internal control or compliance findings related to the management and expenditure of the federal awards. He indicated that this is significant given that the amount of federal expenditures is approximately \$3.2 million and includes thirteen grants affecting all aspects of the Agency's business. He indicated that all Agency staff and the Shelter Corporation team were to be congratulated for working together to ensure that the Agency's finances are appropriately maintained and for properly following federal program requirements.

Commissioner Belisle asked if the Glen will pay back funding once the limited partners are on board. Mr. Christianson answered that at project completion installments two and three will be used to pay back the CDA. He said that the funding was set up on a two-year loan with interest only in June and in February it will be principle and interest. He indicated that everything is scheduled to be paid back by mid-2019 at two percent interest.

Commissioner Zeller asked about the debt coverage ratio. Mr. Christianson responded that the goal has been 1.2 but it is due to be discussed in the debt management policy. Commissioner Zeller indicated that was a traditional minimum standard. Mr. Christianson stated that the current ratio is affected by the Piccadilly pay out. He anticipates that the ratio will come back up. Commissioner Belisle asked if the ratio will increase during 2018. Mr. Christianson stated that the same issue will occur with pay off the Series A bonds related to Piccadilly but during 2019 the rate should show an increase.

Mr. Christianson introduced David Mol, CPA, of Redpath and Company to discuss the scope and results of the audit issued on May 4th. He explained that the auditors determined the financial statements were presented in accordance with the Generally Accepted Accounting Principles (GAAP) and were free of material misstatements. He indicated that the results were an unmodified or clean opinion issued on the 2017 financial statements. Mr. Mol indicated that the Agency received the Government Finance Officers Association's Certificate of Achievement for "Excellence in Financial Reporting" for the 2016 financial statements. Mr. Mol stated that the 2017 financial statements may be submitted for the 2017 award.

P-2 Recognition of the Homeownership Division for the Minnesota Homeownership Advisors Network Excellence in Service Award

Ms. Taphorn presented an "Excellence in Service" Award, a significant recognition by the industry, from the Minnesota Homeownership Advisors Network. She explained that this was given to the Agency to recognize Heather Posthumus, Senior Homeownership Specialist and Portia Jackson, Homeownership Specialist, for their devoted service. She further explained that the Excellence in Service award recognizes their collaboration with the Black Women's Wealth Alliance (BWWA) which approached the Agency about educating Black women involved in a homebuyers' club using the HomeStretch curriculum. She said this collaboration was unique in that it brought together an agency with an established trust among Black women skilled at wealth creation, adept at pre-purchase advising and financial capability building. The Agency tailored the curriculum to be culturally specific to African Americans.

PUBLIC HEARING

A-5 Resolution No.18-20. Resolution Adopting the 2019 Qualified Allocation Plan and Housing Tax Credit Program 2019 Procedural Manual for Housing Tax Credits

Commissioner Zeller requested a motion to open the public hearing on Resolution No. 18-20. Commissioner Miron moved to open the hearing; Commissioner Widen seconded the motion. Motion carried 6-0.

Ms. Taphorn explained that the Housing Tax Credit Program (HTC) was created by the Tax Reform Act of 1986 to stimulate private investment in affordable Housing development. She said that Section 42 of the Internal Revenue Code (IRC) requires allocating agencies to develop a Qualified Allocation Plan (the "QAP") which sets forth the selection priorities and process for distribution of tax credits within their jurisdiction. She indicated that the estimated amount of 2019 HTC is \$636,395, based on the distribution plan implemented by Minnesota Housing and a \$2.70 per capita volume cap. She explained that the amount includes the additional credits for the 2018 HTC program resulting from the increase approved in Consolidated Appropriations Act of 2018. She stated that the 9% tax credits are awarded to projects through a competitive process and the Agency will receive applications by July 12, 2018.

She indicated that staff is recommending a minimal number of changes to the QAP and the Procedural Manual to be amended to clarify various topics.

Commissioner Widen moved to close the public hearing on Resolution No. 18-20. Commissioner Miron seconded the motion. Motion carried 6-0.

Commissioner Zeller asked if this action would affect just housing or would economic development be involved. Ms. Taphorn indicated that this refers to housing only.

Commissioner Belisle asked if any preference was given to size or length of the program and if a single application would be considered for the nine percent program. Ms. Taphorn indicated that usually there are not enough funds to cover a full project so it is expected that the applicants will submit proposals for subsequent years. She explained that if a project was submitted that could be completed in one year and scored the necessary points, the application could be considered but it would not receive preferred consideration.

Commissioner Belisle asked if the four percent state bond allocation was gone for this year. Ms. Taphorn replied that those funds weren't completely gone, however she is aware of several projects that are holding off on their applications for timeline purposes.

Commissioner Belisle wondered if the income averaging was available now or would legislation have to be enacted. Ms. Taphorn answered that the federal legislation had passed so income averaging is allowable, but they want to make sure that it is in the Qualified Allocation Plan before implementing it with any adjustments the Agency would want to make.

Commissioner Belisle moved to approve Resolution 18-20, seconded by Commissioner Widen. Motion carried 6-0.

NEW BUSINESS

A-4 Resolution No. 18-21. Resolution Approving Bond and Note Financing Through the Dakota County Community Development Agency and Authorize Further Actions Relating to the Glen at Valley Creek

Ms. Taphorn explained that The Glen at Valley Creek, LLC, which the Agency is the sole member of the managing member WCCDA Glen, LLC, proposes to finance the redevelopment and construction of The Glen at Valley Creek, a 42-unit affordable senior apartment building. She said the financing plan includes tax-exempt private activity bonds and four percent Low Income Housing Tax Credits but due to the oversubscription of private activity bonds allocated through the state, the Agency sought bonds from entitlement issuers. She said the Dakota County Community Development Agency approved issuance of \$7,000,000 of multifamily housing revenue bonds and loan the proceeds to the project. She explained that the bonds, when issued, will be special limited obligations of the Dakota County CDA with the principal and interest payable solely from the project. She said the bonds will not be a liability or general or moral obligation of Washington County or the Agency. She indicated that the bonds will be secured with mortgages and notes for the two series issued.

Ms. Taphorn stated that Dakota County CDA will be issuer; Dougherty and Company will be the underwriter and US Bank will be the Trustee. Ms. Taphorn introduced Craig Theis from Dougherty and Company which negotiated the sale of the Series A Bonds. Mr. Theis explained the details of the financing elements of the project.

Commissioner Belisle asked what the current rate would be given today's market. Mr. Theis answered that the current rate is a 4.78. Commissioner Belisle wondered about paying off Series A and Series B loans. Mr. Theis responded they are amortized right away and set up with a balloon payment.

Commissioner Belisle moved to approve Resolution 18-21, seconded by Commissioner Ryan. Motion carried 6-0.

A-5 Resolution No. 18-22. Resolution Approving Certain Matters Involving the Agency, Company and Managing Member Related to the Glen at Valley Creek

Ms. Scobie explained the variety of issues in this resolution including the financing and expanded on the resident services which will be provided at The Glen. She explained that a new approach to resident services may include social services, transportation, in-home and personal care, homemaking and nursing services will be available. Residents will not be required to use the offered services. She discussed the management roles of the Agency.

Commissioner Belisle asked if a performance bond from the contractor was required. Ms. Scobie indicated that performance bonds were required.

Commissioner Belisle moved to approve Resolution 18-22, seconded by Commissioner Ryan. Motion carried 6-0.

A-6 Resolution No. 18-23. Resolution Approving Low Income Housing Tax Credit Allocation to Green Twig Villas II in the City of Oak Park

Mr. Lightner explained the low income new construction project using for four percent tax credits. He outlined that the application is for \$418,297 (400,000 tax credits.) He explained that this project is paired with tax exempt bonds and located in The City Oak Park Heights which will be issuing the bonds. He indicated that the application was given thirty-three points of a thirty-point minimum. He stated that it is located in an area with existing facilities and with a higher income area and low-income employment. He indicated that it is a three-story building marketed to seniors.

Commissioner Ryan commented that such facilities are needed in this area.

Commissioner Miron moved to approve Resolution 18-23, seconded by Commissioner Ryan. Motion carried 6-0.

A-7 Resolution No. 18-24. Resolution Authorizing Reservation of Gap Funding for Redevelopment and Rental and Ownership Housing in Washington County (GROW) Fund for Langdon Flats; and Authorizing Execution of Related Loan Documents

Ms. Scobie explained that Langdon Flats is a proposed multifamily rental development which will add 174 units of workforce housing in Cottage Grove and will serve households below 60% of the area median income. She stated that the developer is seeking a deferred loan from the Agency under the Gap Financing for Redevelopment and Rental and Ownership Housing in Washington County Fund ("GROW Fund") of \$1,000,000. She outlined that the proposed financing plan for Langdon Flats includes a first mortgage from Minnesota Housing tied to the sale of tax-exempt private activity bonds, equity from the sale of Low Income Housing Tax Credits, a tax increment financing mortgage from the City of Cottage Grove, subordinate loans from Minnesota Housing and its funding partners, and a deferred developer fee and general partner's note.

Ms. Scobie requested that the Board authorize a GROW Loan of up to \$390,000 for the project. She said that the proposed development meets program eligibility criteria for affordability, leverage of public and private funds, and organizational capacity and the project addresses the GROW Fund priorities of new construction

of affordable rental units. She requested approval of a reservation of GROW Funds up to \$390,000 to be distributed when the fund balance is sufficient, assuming other financing and municipal land use approvals are secured, and the project moves forward. She explained that the GROW allocation will be structured as an installment loan bearing interest as the project can pay as determined once the project secures other funds and the gap and cash flow are finalized. She indicated that the final amount of GROW funds will be determined prior to closing and will not exceed the minimum amount required to ensure feasibility.

Commissioner Zeller asked GROW funds were recently awarded to the City of Cottage Grove. Ms. Scobie affirmed that GROW funds were used for the Habitat for Humanity project in Cottage Grove. Commissioner Zeller asked if there was any internal concern for the allocation of such funds to one community in any one year. Ms. Scobie indicated that their main concern was the commitment of the City to project plus staff did not foresee other communities with these unique needs.

Commissioner Belisle asked for clarification concerning the repayment of funds for the Habitat for Humanity and the Langdon Flats projects. Ms. Scobie answered that the Habitat for Humanity funding will not be repaid but the Langdon Flats project will be repaid.

Commissioner Belisle moved to approve Resolution 18-24, seconded by Commissioner Widen. Motion carried 6-0.

A-8 Resolution No. 18-25. Resolution Authorizing Depository Services for Governmental Entities

Mr. Christianson indicated that the Agency designated U.S. Bank National association as the Authority's official Depositor of its funds and identifies the "authorized signers". He stated that currently the authorized signers are the Executive Director and the former Board Chair. A new authorized signer from the Board needs to be determined by the Board as well as authorizing the Executive Director.

Commissioner Zeller asked about the frequency of these duties. Mr. Christianson indicated that a signature plate is utilized and does not require a manual signature for each transaction. Commissioner Zeller questioned who controlled the plate and the record of its use. Mr. Christianson indicated that the plate is controlled by a key and the key and plate and stored in separate places. He further explained that the Finance Staff implements a series of controls over the documentation and approval of expenditures.

Commissioner Widen moved to name Commissioner Zeller as an authorized signer. Commissioner Miron seconded the motion. Motion carried 6-0.

DISCUSSION

D-1 Key Assumptions for the 2019 Budget

Mr. Christianson stated that the purpose of this discussion was to review several considerations of basic assumptions in preparing for the 2019 budget and to receive questions and instructions from the Board before creation of the budget. He identified senior housing, GROW program, homeownership and economic development as the main assumptions on strategic initiatives. He also addressed assumptions on operation revenues and reserves; operation and program expenses; levy assumptions; and operating and long-term capital reserves. He suggested that the Finance Committee could meet on June 5th at 3 PM to draft a preliminary budget. He indicated that last year Commissioners Widen, Belisle and Zeller served on the committee. The Commissioners agreed to continue to serve. Mr. Christianson indicated that a budget draft will be presented at the June 19th regular Board meeting and may consider requesting a levy at the August 21st meeting.

REPORTS

Ms. Dacy suggested that in the interest of time, the Agency directors could answer any questions the Commissioners may have in lieu of full reports.

The Commissioners did not have questions.

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ADJOURN

Commissioner Miron moved to adjourn. Seconded by Commissioner Belisle. Motion carried 6-0.

Meeting adjourned at 4:52 P.M.

/S/Brian Zeller

Chair/Vice Chair Commissioner