

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 March 19, 2019 at 3:04 p.m. Staff present Barbara Dacy, Executive Director; Melissa Taphorn, Deputy Executive Director; Chris Eng, Economic Development Director; Aaron Christianson, Finance Director; Ann Hoechst, Housing Assistance and Administrative Services Director; Ashley Engh, Finance Assistant Director; Becky Nelson, Senior Accountant; Elena Shulman, Project Manager I; Kristen Scobie, Project Manager II; Kathryn Paulson, Project Manager II; Bill Lightner, Project Manager II; Ryan Gruber, Human Resource & Communications; Angie Shuppert, Community Development Programs Manager; Sandy Meza, Office Manager and Warren Westcott, Territory Sales Manager, Golden Shovel Agency.

ROLL CALL

Commissioners present: Green, Zeller, Widen, Ryan, Belisle, Karwoski and Dingle.

Commissioner Absent: None

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
February 19, 2019

Abstract of Bills February 2019
Total \$3,561,439.21

A-1 Resolution No.19-09. Resolution Authorizing Execution of a Construction Contract for the Oakhill Well Project

**Commissioner Zeller moved to approve the Consent Calendar, second by Commissioner Widen
Motion Carried 7-0.**

PUBLIC HEARING

A-2 Resolution No.19-10. Resolution Adopting The 2020 Qualified Allocation Plan And Housing Tax Credit Program 2020 Procedural Manual For Housing Tax Credits

A-3 Resolution No. 19-11. Resolution Amending the Low Income Housing Tax Credit Program Qualified Allocation Plans for 2016, 2017, 2018 and 2019

Ms. Taphorn presented the proposed 2020 Qualified Allocation Plan and amendment to the 2016-2019 Qualified Allocation Plans for the Low Income Housing Tax Credit Program. She reminded the commissioners that the proposed changes are focused on the income averaging provision, as discussed in February. Ms. Taphorn also spoke about the impact the program has on affordable rental housing market and the selection scoring. She explained that a public hearing is required for all amendments and annual plans. Two resolutions requiring action are proposed.

**Commissioner Zeller moved to open the Public Hearing, second by Commissioner Karwoski.
Motion carried 7-0.**

Ms. Taphorn indicated that she received two letters and proceeded to read each comment letter supplied by Dominion and Housing Justice Center. Dominion comments were as follows:

“Regarding Section 7.5 (c) It appears that Washington County will require sponsors to designate a specific number of unit types that will be used in income averaging, and that these unit types must remain fixed throughout the compliance period. While this approach may make compliance easier to monitor, we think that it reduces a sponsor’s ability to respond to changing market conditions over compliance periods that will last 15-30 years. We think that more flexibility should be allowed. CDA should allow the same flexibility it currently allows for shifting designations among tax credit units; or if income averaging warrants a different approach, allow a shift in unit designation with the approval of the CDA.

Regarding Section 7.5 (c)(i) we don’t believe Washington County CDA should limit the use of income averaging to only 100% tax credit projects. We anticipate that most projects using income averaging would be 100% tax credit projects but there might be exceptions. The 100% requirement appears overly restrictive.

Regarding Section 7.5 (c)(iii) we believe “reasonable parity” needs definition if the provision is retained. We suggest the provision be eliminated in its entirety, allowing for flexibility to meet market conditions. For example, we can envision a scattered site project using 4% bonds, with one site for 30% AMI SRO units to support homeless individuals and the other site for families at 80% AMI, which could generate enough revenue to pay for services at the SRO property. Washington County CDA should encourage this kind of innovation.

Regarding Section 7.5 (c)(v) We do not agree with the provision that the maximum number of income averaged increments should be limited to four. We do not understand what benefit this provision provides, except maybe to make compliance slightly easier to monitor. Again, we believe this provision should be eliminated as we doubt it many if any projects will elect to have more than that but think the flexibility will drive innovation.

Regarding Section 7.5.(c)(vii) Stipulating that rents on units designated for project-based vouchers should be the lesser of the imputed income limit or payment standard means that project feasibility would become more difficult since project sponsors will be able to support lower debt levels, which means that governmental authorities will either have to provide higher capital subsidies or projects simply will not be proposed because they are not feasible. We are not convinced that the savings here in rental subsidy is a good idea.

Article XII – Credits for Buildings Financed by Tax-Exempt Volume Limited Bonds

Section 12 (a): Regarding the point scoring, Washington County CDA should consider allowing a graduated point scoring for every “x” number of years of 15 years of affordability, instead of 7 points for 30 years and 3 points for 25 years. In highly competitive award processes, this could further identify superior applications.”

The Housing Justice Center’s comments were as follows:

“Amended 2016-2019 QAP: Understanding that the Amendments to the 2016-2019 QAP are intended to address the limited changes to the tax credit program, we are limiting our comments to the provisions dealing with income averaging. We strongly support the requirements under 7.5(c)(iv) requiring unit parity. Particularly in an environment where there is a critical shortage of affordable homes for larger families, we believe that this will create a fuller range of opportunities and make the most of scarce public resources.

Under 7.5(c)(viii) the CDA is proposing that the imputed income for the purposes of income averaging must match the rent level for the unit. This approach helps ensure that the offset for owners targeting some units at 80% AMI is based on charging 30% AMI rents rather than depending on subsidies to serve lower income households at a high cost to the CDA. We are concerned, however, that this could still place too much of the limited project-based voucher authority in higher income-targeted units, limiting the opportunity to use these resources in units that have both lower contract rents and lower income targets. Utilizing project-based vouchers to add additional affordability to units with rents at 30% may allow people with significantly lower incomes to access the type of housing that is nonexistent in many communities.

Draft 2020 QAP, Self-Scoring Worksheet, and Procedure Manual: In addition to reiterating our comments about the revisions to the 2016-2019 QAP, we have a number of additional concerns about the QAP.

1.I of the self-scoring worksheet establishes 5 points for projects that enter into an agreement to provide rental assistance. The worksheet does not, however, indicate the number of units or provide any income targeting of those units. Additionally, 1.I does not allow a development to claim points for both rental assistance and Serves Lowest Income Tenants/Rent Reduction under 2.D. By limiting the ability to attach rental assistance to the units that are receiving points under 2.D. option 4 (30% rent limits) the CDA is losing the opportunity to ensure that some of these units are more deeply affordable with rents tied to household incomes at a lower cost to the CDA. We believe that there is a way to structure these criteria that both incentivizes developers to underwrite a number of units to 30% rents and provides additional affordability to very low-income households who cannot afford even deeply affordable units. For example, the CDA could allow an applicant to receive points for both rental assistance and serves lowest income for the same unit if the rental assistance makes the subsequent unit affordable at 20% AMI or some other affordability level beyond what is currently required under the serves lowest income category.

We also believe that in the interest of long term affordability, Washington County CDA should eliminate the ability of developers receiving points for Serves Lowest-Income to raise the rent percentiles they are targeting after year 5. Developers already have the ability to raise rents as median income changes. A family able to pay rent at 30% AMI should not have to absorb the normal rent increases that occur due to changes in AMI and additional rent increases up to the 40% AMI rent levels. For example, a three-bedroom unit at 30% AMI is \$735. That same unit at 40% AMI is \$981. Even over a period of three years as contemplated in the QAP, this represents at least a \$246 rent increase or over 30%. This also represents the loss of deep affordability using scarce resources after a relatively short amount of time."

It was recommended and discussed to remove the limit of four income and rent increments but to leave the other language as is but re-evaluate next year.

Commissioner Belisle asked for clarification on what "development type" means in the selection point categories. Ms. Taphorn said it is about new construction, supportive housing, and preservation. There are more points for preserving existing affordable units.

**Closed Public Hearing by Commissioner Green and second by Commissioner Widen.
Motion carried 7-0.**

Commissioner Belisle recommended deleting the last sentence of Section 7.5 (c)(vi) in the 2020 Qualified Allocation Plan as well as in the amended Qualified Allocation Plans for 2016, 2017, 2018 and 2019. 5.
**Commissioner Zeller moved to approve Resolution No. 19-10 as amended by Commissioner Belisle, second by Commissioner Dingle.
Motion carried 7-0.**

**Commissioner Zeller moved to approve Resolution No. 19-11 as amended by Commissioner Belisle, second by Commissioner Dingle.
Motion carried 7-0.**

NEW BUSINESS

A-4 Resolution No. 19-12. Resolution Authorizing Execution of a Grant Agreement with the City of Cottage Grove for the Predevelopment Finance Fund.

Mr. Eng gave an overview of a grant application funding request from the City of Cottage to develop a mixed use development plan for the 61 acres next to Walmart on US Hwy 61. The site was first farm land then became a drive-in theater which closed in 2013. The property has been vacant since 2013. Cottage Grove has applied for grant assistance from the CDA's Predevelopment Finance Fund for \$20,000 as part of a \$40,000 mixed-use development plan for the 61 acres. The CDA's grant funds will be matched 1-to-1 with Cottage Grove City funds.

Commissioner Zeller asked if the property owner is a willing participant. Mr. Eng said according to the City of Cottage Grove, there are actually two owners, and both have expressed interest in selling. Commissioner Zeller asked if this is this a concept plan. Mr. Eng said it is a concept plan; master plan, utility plan and road

plan. Commissioner Karwoski asked what the zoning is for this property. Mr. Eng stated it is zoned commercial. Commissioner Biden requested that Mr. Eng find out if the property owner can contribute to the cost of the study. Mr. Eng agreed.

**Commissioner Green moved to approve Resolution No. 19-12, second by Commissioner Ryan.
Motion carried 7-0.**

A-5 Resolution No. 19-13. Resolution Amending the Classification and Compensation Plan; Creating Housing Program Support Assistant Position Description; Establishing Wage Range

A-6 Resolution No. 19-14. Amending the Classification and Compensation Plan; Creating Administrative Specialist Description; Establishing Wage Range

Mr. Gruber stated that staff is recommending three things 1) Looking to create capacity for the Rental Assistance Specialists; 2) Looking to get a stronger Administration Division to help all Directors and especially Economic Development Director; 3) and create a stronger career path for the Administrative Assistant. We are proposing to take the Office Manager position and make it a Rental Program Support Assistant to support Rental Assistance Specialists and Homeownership Specialists and other housing needs. The Administrative Specialist will be doing support for the Board, the Economic Development Director, document management and retention; and being a backup to the Human Resource and Communications Coordinator.

Commissioner Widen asked about the budget for these positions. Mr. Gruber stated that Office Manager position is already funded, and we are cutting that in half and use one half funding for the Housing Program Support Assistant and the other half will be through Rental Assistance. The other half for Administrative Specialist is from the Office Manager and one half from Economic Development which has already been approved some time ago. There is nothing to be added to the budget.

**Commissioner Widen moved to approve the Resolution 19-13, second by Commissioner Green
Motion 7-0**

**Commissioner Widen moved to approve the Resolution 19-14, second by Commissioner Green
Motion 7-0**

DISCUSSION

D-1 Golden Shovel Agency Market/Promotional Services and Dedicated County Economic Development Website

Mr. Eng began the discussion by describing efforts we have recently undertaken for county-wide marketing and economic development promotion. He highlighted the Minnesota Real Estate Journal Development Summits, MNCAR EXPO, recent articles published and other events. He described a need for a dedicated economic development website for selling the county which is different than the CDA website which is more informational by design.

Warren Westcott, Golden Shovel Agency was introduced to discuss helping create marketing and communication strategies between digital and/or video means and has been talking with CDA staff since July of last year on some possibilities. Mr. Westcott indicated, anyone can create a website, but often they will reach only about 20% of their goals. The Golden Shovel Agency offers assistance to help identify your target audiences; create a comprehensive communication strategy including social media, blogging, site selection experts and thought leaders.

Commissioner Zeller wanted to see an example of a website developed by The Golden Shovel Agency. Commissioner Zeller found one called Western Iowa Advantage and asked how the Washington County economic development site would compare to this site. Mr. Westcott said they are all built from scratch. Commissioner Belisle asked how do we measure success. Mr. Westcott said by analytical data, and we can have a report as often as you would like. Mr. Zeller asked if this is a 5-year contract. Mr. Eng said yes. Mr. Westcott stated we can cancel anytime with a 30 day notice.

REPORTS

COMMUNITY DEVELOPMENT DEPARTMENT

Ms. Taphorn said the CDA was approved by HUD to provide Reverse Mortgage Counseling. The CDA is one out five agencies to offer this sort of counseling. Commissioner Belisle asked if the CDA gets paid for doing this. Ms. Taphorn said the CDA is paid through grants but does not charge a fee to the client.

ECONOMIC DEVELOPMENT

No Comment

FINANCE AND PROPERTY MANAGEMENT

No Comment

RENTAL ASSISTANCE

No Comment

EXECUTIVE DIRECTOR

The County Board appointed Commissioner Johnson, myself and Chris Sorenson to attend a region wide effort for the unsheltered homeless at the end of March. Also, Ms. Dacy stated that she is invited to participate in the Transportation Consortium of Stakeholders to advance some of the recommendations of the recent transit study. She will be on the Steering Committee and the Economic Development Director will be part of the employment workgroup.

Minnesota NAHRO has a Commissioners Fundamental Training up at Maddens on May 22nd and 23rd. Ms. Dacy stated that there are funds in the budget if anyone is interested attending.

BOARD COMMENTS

No Comment

CLOSED EXECUTIVE SESSION

Motion to move into Closed Executive Session for the purposes of reviewing real estate appraisal data by Commissioner Ryan and second by Commissioner Dingle. Motion carried 7-0.

Motion to return to the regular session by Commissioner Zeller and second by Commissioner Dingle. Motion carried 7-0.

ADJOURN

Meeting adjourned at 5:32 p.m.


Chair/Vice Chair Commissioner