

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 21, 2019 at 3:00 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; Kathryn Paulson, Project Manager II; Bill Lightner, Project Manager II; Angie Shuppert, Community Development Programs Manager; and Sandy Meza, Office Manager. Guests present; Dave Mol, Partner Redpath and Company.

ROLL CALL

Commissioners Present: Green, Widen, Ryan, Belisle, Zeller and Dingle.

Commissioner Absent: Miron

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 16, 2019

Abstract of Bills April 2019
Total \$1,395,940.27

- A-1 Resolution No.19-18. Resolution Authorizing Extension of the Operating Agreement Between the Landfall Village and the Washington County Community Development Agency
- A-2 Resolution No. 19-19. Resolution Authorizing Execution of the Bridges Rental Assistance Program and the Bridges Regional Treatment Center Rental Assistance Program Agreements with Minnesota Housing Finance Agency
- A-3 Resolution No. 19-20. Resolution Increasing the Oakhill Well Project Contract Authorization

Commissioner Ryan moved to approve the Consent Calendar, seconded by Commissioner Green Motion Carried 6-0.

PRESENTATION

P-1 2018 Audit Operating and Audited Financial Statements Results

Mr. Christianson said the 2018 audit has been concluded and the Comprehensive Annual Financial Report (CAFR) has been sent to Washington County and distributed as appropriate. Mr. Christianson presented highlights of the 2018 accomplishments, significant and unique expenditures, and identified indicators of the financial strength of the Agency's rental portfolio.

Commissioner Miron arrived at 3:15p.m.

Mr. Christianson pointed out that revenues increased \$1.3 million over 2017, mainly a result of the land sale and grant receipts for construction of The Glen at Valley Creek. The total Agency expenses remained flat at \$17,487,246. This resulted in a \$2.9 million increase in the Agency's net position. The overall property vacancies have been at a historical low and been consistent since 2016. The pledged debt service coverage dipped to 1.06 in 2018 as a result of the Piccadilly Square bonds; however,

increases to 1.63 when adjusted for the equity investor installments. The outstanding debt per unit and per capita have declined since 2015. This leaves the properties in a positive \$24.7 million net position.

Mr. Mol from Redpath and Company presented the 2018 Agency audit. The audit included reviewing the CDA's internal controls, federally funded programs, and uses industry standards. The audit The CDA was awarded the certificate of achievement for excellence in financial reporting for the Government Finance Officers Association (GFOA). An Unmodified or "clean" opinion was issued on the 2018 financial statements. Redpath encountered no difficulties in performing the audit and had no disagreements with management.

Commissioner Belisle asked if the land held for resale, shown in the financial statements, is all located in Newport. Mr. Christianson said yes.

P-2 Public Housing Primer

Ms. Taphorn indicated that Commissioner Belisle requested staff present brief educational presentations on Agency operations. The first presentation is on the Agency's Public Housing portfolio. Ms. Taphorn provided the history of the public housing program and the 105 units located in Washington County.

Commissioner Belisle asked about the structure type of the scattered sites. Ms. Taphorn said the majority are townhomes with 11 single family. Commissioner Belisle asked if HUD fills the gap between tenant paid rents and operating expenses. Ms. Taphorn said theoretically that is true; however, there has not been enough money appropriated. The CDA, for example, is subsidizing its public housing with over \$110,000 of local levy each year. Ms. Taphorn said HUD has a goal to convert 105,000 public housing units to a Section 8 funding platform by September 2019. Staff will explore the options available to see if they make sense for the Agency to pursue. The first step will be obtaining input from current residents.

Commissioner Belisle asked how HUD selects which projects are funded, pointing out that there seems to be more demand than capital funds. Ms. Taphorn said they are portioned out by housing authority, so it is not a competitive process for the funds. Commissioner Belisle asked if the CDA is bound to keeping the scattered sites located as is or if they could be relocated to one site. Ms. Taphorn said this is an option under the disposition process.

NEW BUSINESS

A-4 Resolution No. 19-21. Resolution Authorizing Application to Federal Home Loan Bank of Des Moines for Affordable Housing Improvement Loan Program

Ms. Shulman sought approval to submit an application to the Federal Home Loan Bank Board to supplement the Washington County Home Improvement Loan Program. The application would request \$100,000, which would increase the homeowner rehabilitation loans from \$18,000 to \$28,000 to meet the cost of necessary improvements being identified. The grant would assist ten homeowners.

Commissioner Zeller asked if individuals apply directly for the grants. Commissioner Belisle said no, the CDA receives the grant and applies the funds to the existing loan program. Commissioner Zeller asked if the amount was exactly \$10,000 for each home. Ms. Schulman said yes, it must be \$10,000 equally. Ms. Taphorn added that the loan amount would be adjusted if the work was less than \$28,000.

Commissioner Ryan moved to approve Resolution No. 19-21, seconded by Commissioner Widen. Motion carried 7-0.

A-5 Resolution No. 19-22. Resolution Authorizing Reservation of Gap Financing for Redevelopment and Rental and Ownership Housing in Washington (GROW) Fund for the Woodbury Family Housing Development.

Ms. Taphorn presented a \$75,000 request for GROW funds for a development of 100 workforce units. The MWF Properties proposal includes a mix of 1, 2, and 3 bedrooms units; rents affordable to

households below 60% are median income (AMI) and 5 units set aside for 30% AMI households. The site is located east of the Walmart on Hudson Road in Woodbury. Ms. Taphorn shared a breakdown of the \$24.7 million development budget. The development has not submitted a plan or any other application to the City for review. Staff recommends approving a reservation of \$75,000 and return at a later date for a full approval once the City has reviewed the land use application.

Commissioner Zeller asked what the \$3.2 million of soft cost could be. Ms. Taphorn said architectural, engineering, legal fees, costs to syndicate the tax credits, loan and bond financing fees, any environmental studies, and tax credit fees. Commissioner Zeller asked if we verify those expenses. Ms. Taphorn said yes, they are verified at the end through a cost certification, not at the beginning. Staff reviews the costs for reasonableness. Commissioner Belisle said that Minnesota Housing will scrutinize the costs quite a bit if they apply for their first mortgage. Commissioner Zeller said that he was considering the costs and how much equity they have in the deal. Commissioner Belisle said they are deferring most of the developer fee.

Commissioner Miron moved to approve Resolution No. 19-22, seconded by Commissioner Dingle. Motion carried 7-0.

DISCUSSION

D-1 Key Assumptions for the 2020 Budget

Ms. Taphorn said the purpose of this discussion item is to identify the CDA's strategic initiatives for 2020 and related budget assumptions. The initiatives and assumptions will be used to determine staffing and program or project expenditures to be included in the 2020 budget. Ms. Taphorn provided a brief overview of the four strategic initiatives: building our future, economic development, serving our seniors, and housing choice.

Commissioner Green asked what is precipitating the 500-unit growth in affordable rental development and if it is related to financing. Ms. Taphorn said the financing rates are low and tax credit equity rates are high. These conditions are contributing the development boom.

The CDA's strategic initiatives for 2020 also include the continuation of our core services of economic development, senior and workforce apartments, housing finance programs, and rental and homeownership programs.

Mr. Christianson pointed out that CDA operations and programs are funded by the net revenues of the CDA owned properties, grant funds from outside agencies, fees for services, and the CDA levy. When developing the budget, all sources of revenues are exhausted, fund balance carryover is considered, and expenses are scrutinized before consideration of a levy increase. The 2020 budget will assume a 2% rent increases at all properties except Briar Pond and Woodland Park, which are proposed to have a 3% rent increase. The budget assumes a 3% vacancy rate at senior properties and a 5% vacancy at family and tax credit properties. This would generate approximately \$110,000 in additional rental income to offset CDA operations.

Commissioner Zeller asked if the 2% to 3% increases were typical over the past five years. Mr. Christianson said the CDA increased rents 1% per year for a couple of years, then 1% at senior properties and 2% family properties. In 2019, the rent increase was 3% for Woodland Park and Briar Pond and 2% for all other properties.

Commissioner Belisle said he was wondering about the impact of the rent decreases at Piccadilly Square during lease-up, how it is doing now, and if those unit rents could be raised to meet the original projections and asked if staff could provide that information for discussion at the Finance Committee meeting.

Other revenue income assumptions are to maintain the existing grant revenues at existing levels. Expense assumptions include the salary adjustment rate as agreed upon in the bargaining agreement and the addition of one staff position of Community Development Technician. Shared responsibility for healthcare cost increase to be negotiated in the fall. The budget will not include

Regular Board Meeting

May 21, 2019

Page 4

salary and expenses for an additional Resident Assistance Specialist, as approved by Personnel Committee, but could be added if grant funding becomes available. The budget assumes sustaining the operating reserve and long-term capital reserves at levels consistent with the reserve policies.

Mr. Christianson proposed June 18, 2019 at 1:30 for the Finance Committee meeting. Commissioner Belisle said that time works for all three of the committee members. The 2020 budget will be presented to the full CDA Board on July 16, 2019 and levy approval request on August 20, 2019.

REPORTS

COMMUNITY DEVELOPMENT DEPARTMENT

Ms. Taphorn said that she wanted to bring their attention to her memo attached to her report as a follow up to last month's questions on the Minnesota Cities Participation Program. She announced that the final budget bill did not include the elimination of single-family bond set-aside but did include a two-year decrease in the set-aside from 31% to 21%.

Commissioner Belisle said it was a well thought out memo, it explained everything, and was a very good job.

ECONOMIC DEVELOPMENT

Mr. Eng said that Xcel Energy announced plans to shut down the King Plant in Oak Park Heights. Commissioner Zeller asked if the property is protected by the Wild and Scenic Rivers Act. Mr. Eng said that is still being researched. Commissioner Zeller asked if the announced closing date for the King Plant is in 2030. Mr. Eng said no it is closing 2028. Commissioner Zeller asked if anyone has spoken to Anderson Windows. Mr. Eng said no not yet but it is on our radar.

FINANCE AND PROPERTY MANAGEMENT

Mr. Christianson said he will send out a new calendar request for the Finance Committee meeting.

RENTAL ASSISTANCE

Ms. Hoechst announced that the CDA has been ranked a high performer again under the Section Eight Management and Assessment Program (SEMAP). This ranking indicates that the CDA has surpassed the recommended operating standard procedures for the Housing Choice Voucher program. The CDA has been awarded a two-year contract in the amount of \$500,000 for the Bridges and Bridges Regional Treatment Center programs. Commissioner Belisle said good job.

EXECUTIVE DIRECTOR

Ms. Dacy wanted the commissioners to be aware of two upcoming events. The Employee Appreciation Lunch begins at 11:30 a.m. on Wednesday, June 12th. County Commissioner Weik spoke with the new Commissioner of Minnesota Housing, Jennifer Ho, about taking a tour of affordable housing sites related to economic development and transit. A tentative date of Thursday, June 27th has been chosen. Ms. Dacy suggested that the CDA Board Chair and Vice Chair attend. Ms. Dacy will keep the Board posted if the date changes.

BOARD COMMENTS

No Comments.

**Commissioner Miron moved to adjourn; seconded by Commissioner Dingle.
Motion carried 7-0.**

Meeting adjourned at 5:03 p.m.

Chair/Vice Chair Commissioner