Pursuant to due call and notice thereof Mayor Skramstad and HRA Vice Chair Mathison called to order the special joint meeting of the Mora City Council and HRA Board at 5:00PM on Wednesday, July 28, 2021, in the city hall council chambers.

2. **Roll Call:** City Council Present: Mayor Alan Skramstad, Councilmembers Jody Anderson, Jake Mathison, Kyle Shepard, and Sadie Broekemeier
   Absent: none
   HRA Board Members Present: Michael Anderson, Robert Jenson, Roberta Folkestad, Jake Mathison
   Absent: Dennis Olson
   Staff Present: City Administrator/Interim Executive Director Lindy Crawford, Administrative Services Director Natasha Segelstrom, City Accountant Sara King, and HRA Program/Administrative Supervisor Jack L'Heureux

3. **Adopt Agenda:** Broekemeier was absent from the vote arriving at 5:09PM. Council MOTION made by Shepard, seconded by Anderson, and unanimously carried to approve the agenda. HRA Motion made by Jensen, seconded by Anderson, and unanimously carried to approve the agenda.

4. **Housing & Redevelopment Authority of Mora:**

   a. **Financial Management Plan:** At the request of the HRA Board and City Council, Ehlers Public Finance Advisors (Ehlers) completed a 10-year financial management plan for all HRA programs and projects. Crawford shared the goal of the financial management plan was to address long term financial needs of the HRA and measure financial impacts.

      Rebecca Kurtz and Jessica Cook of Ehlers introduced a financial projection for the HRA. Cook explained the HRA Funds under review included the Management Fund, Section 8 Vouchers, Pine Crest, Dala House, Mysa House, and Eastwood Senior Living and recognized the programs provide 100 units of affordable housing to the community. Key financial assumptions included: 3% rent increase per year at Eastwood Senior Living, rent increase 1%-1.5% at other projects, and current expense increase by 3% with current staffing. Additional considerations were with long-term staffing if the HRA were to merge with the City and organizational structure to include City Administrator/HRA Executive Director compensation, a Housing Director, Maintenance Technician and Accounting Clerk. The financial projections included a $190,000 contribution from the Public Utilities Commission (PUC) for the current fiscal year.

      Cook explained the HRA Management Fund's primary revenue source came from project management fees and identified primary expenses coming from staff, insurance, and taxes. Projections for the fiscal year 2023, estimated the Operating Income at $63,835, Operating Expenses at ($155,337) including the new staff arrangement, projections resulted in a Net Loss of ($91,502).

Options for the HRA Management Fund involved a HRA Levy beginning in 2022 or a longer-term strategy, which could consist of increased staff allocation to projects, higher rents, or project subsidies to support and supplement the levy. A levy would allow the City to coordinate with lenders and address actual staff costs for projects with the HRA Management Fund, minimizing negative cash balances. Without a HRA Levy, the cash balance would become negative in fiscal year 2024, depleting $90,000 each year.

Cook explained a HRA tax levy impact was determined from estimated market value of property and calculated at 0.0185%. The maximum HRA operating tax levy was estimated at $42,919. Two sample properties were presented showing financial impacts residential homesteads valued at $150,000, noting a $21 per year increase on residential properties and business property valued at $200,000 showing a $54 increase per year. An additional long-term financial strategy included an increase in revenue sources from housing projects, coordinating with HUD for higher rent at the Vasa House and working with USDA to refinance the Dala House to lower debt services. Council Member Anderson requested clarification on the length of the proposed levy, Cook stated the levy would be ongoing.

Jensen requested clarification on the Management Fund's loss of $100,000. Crawford explained the Section 8 housing vouchers doubled in size but not in the fund needed. Council and HRA board members discussed the previous decisions and negative impact on funds due to absorbed vouchers. Crawford explained the HRA absorbed Cambridge vouchers, therefore the Mora Section 8 voucher has more. Mathison doubted the board decision for the absorbed vouchers and whether a misunderstanding of the program funds and appropriate account had been the cause. Crawford explained it had been originally presented that HRA would receive more money which it had, but the program consolidation created more funding in the Section 8 Fund rather than the Management Fund.

Cook presented the status of Housing Choice Voucher Fund recognizing a positive cash balance. However, projections for Housing Choice Voucher fund cash balance showed the fund must be closely monitored, based on the assumption of a 1% annual increase for HUD Operating Revenue and a 3% annual increase due to expenses for the HUD program. The conservative assumptions projected a negative cash balance in fiscal year 2027.

Pine Crest Low Rent Housing showed a positive cash balance; however, thin margins were present and required close monitoring. With conservative assumptions of a 1% annual increase to HUD Operational subsidies/rent and a 3% annual increase to expenses, Pine Crest was projected to have a negative cash balance in fiscal year 2026. Coordination with HUD operating subsidies, HUD capital cost payments and rent (limited to 30% of incomes) was recommended.

It was stated that the Mysa House is funded by tax credits, TIF and Minnesota Housing loans and owned by a limited partnership with Mysa House LLC as a general partner. The HRA was the sole member of Mysa House LLC and the property was managed by

DW Jones. The Mysa House restricted and unrestricted cash balance remained stable and a positive cash balance for the financial projection. Restricted cash was held in a reserve fund for benefit of the project and not spent on operations.

The Vasa House is a HUD 202 Project and owned by non-profit Living Solutions LLC. There were healthy replacement reserves and no outstanding debt, but a very thin margin was presented with low unrestricted cash. By 2026 the unrestricted cash flow would become negative. Cook encouraged the HRA to talk with HUD to receive a rental increase approval to match the expenses at the Vasa House.

The Dala House originated from a USDA Rural Development Loan in 1986. Most tenants pay 30% of their income through a rental assistance program. Annual debt service for the program was $17,504 and an operating income available for debt service of $7,500 in fiscal year 2023. The HRA utilized the reserve funds to pay annual expenses. Unrestricted funds were used throughout the year with debt services. Ehlers reported the USDA recommended submitting revised budget to increase rent since the current budget did not include a rental increase.

Additional options included loan re-amortization to lower interest rates and to reduce debt service. The Minnesota Housing Authority may be interested in preserving the program due to high number of tenants paying 30% of their income in rent. Cook explained this was a grant and loan program, and the application process was a year out due to deadline constraints. Council Member Anderson questioned how much the original loan had been financed for. Cook explained the original loan had been for $620,000 and approximately $550,000 remains on the loan.

Cook presented the financial projection for Eastwood Senior Living and noted growth in occupancy and the current census was occupied at 58%. All new tenants residing at Eastwood were under the elderly waiver program, a low-income program where the state pays rent and services for the tenant and reimbursement for the program is 50% lower than private pay rent. She stated many facilities did not include elderly waiver, and this filled the community need by providing services. Service revenues were higher than rental revenue reimbursement rates, but reimbursement was lower than private pay.

Cook detailed two options for Eastwood Senior Living: Option #1 full occupancy in 2022, and Option #2 status quo, assuming no improvements to current occupancy.

Details of Option #1 were at 100% occupancy, comprised of 15 private pay tenants by April 2022, all loans from City are repaid as scheduled, and a debt levy would be unnecessary. Mathison expressed concerns with occupancy and that 15 units of private pay poses a greater challenge than full occupancy with elderly waiver. Broekemeier questioned the practice of number of elderly waiver tenants and holding occupancy due to prospective private pay tenants. Mathison commended the exercise and the potential direction of Eastwood.

HRA Board Member Anderson asked how much the HRA received for each elderly waiver. Cook stated reimbursement rate was approximately $945 per month for rentals under elderly waiver and current reimbursement rate for private payment was approximately $1800 per month.

Option #2 outlined no changes in current occupancy and a 3% rental increase. The number of elderly waiver and private pay tenants remained the same, City loans were repaid over time as scheduled. In 2009, a City Council consensus was made that if rental revenue after operating expenses was not enough for debt service on the bond, the city would pay and levy property tax. Financial projections showed negative unrestricted cash in 2027 with a levy placed in 2022.

Mathison questioned the financial projection without a levy. Cook explained there would be a negative $195,000 per year in debt services. Council Member Anderson requested additional information on debt the HRA owed the City. Cook stated there had been three loans to the HRA. King further explained the most recent loan from 2019, for $160,000 from the City to the HRA and in 2020 an additional $200,000 loan. Two sample properties were presented representing the financial impact of $150,000 home with an annual impact $95. Businesses valued at $200,000 would have an impact of $243 annually.

Council Member Anderson requested clarification on the levy proposal and discussion ensued of the second proposed levy, raising added concern taxpayers would incur. Cook explained there would be a HRA operating levy with the deficit of the Management Fund and a debt levy for Eastwood Senior Living. The debt levy for Eastwood Senior Living would be $95 per year. The annual impact of both levies would be $9.67 per month and $116 per year based on the sample properties. Council Member Anderson suggested the PUC not receive payment rather than a levy be placed on taxpayers. Cook explained even if the City and PUC left loans with the project, the $195,000 gap would still be present.

A summary of financial projections of all HRA programs was reviewed. The Management Fund shortage was provided two remedies, a HRA levy and review projects which would require longer term initiative. Both approaches were recommended. Ehlers advised Pine Crest be closely monitored and to engage with HUD to address operating subsidies. The Mysa House financial projection remained consistent without any changes. Recommendations for the Vasa House were to explore an increase in rent from HUD. Crawford expressed challenges faced with the Vasa House budget submissions stating a surplus of $13,000 at the end of the year would decrease rent each month due to program constraints. Large surpluses cannot be preset without negatively impacting monthly rates. Financial projections for Eastwood Senior Living suggested City resources would be required to pay the debt service on the bonds each year in the future until occupancy improved. Resources from a debt levy, PUC, or cash reserves would be needed each year until occupancy improved. These resources would occur annually to pay the debt service. Mathison asked the time length needed for the levy, Cook explained that the same occupancy of 59% would be needed for ten years.

Jensen questioned the studies conducted several years ago addressing the need for the type of housing. Shepard stated that Eastwood Senior Living is facing challenges with occupancy now, would need to maintain current occupancy, and could improve in the future. Ehlers stated their office could work with Walker Methodist to find the blend of occupancy levels of private pay and elderly waiver. Broekemeier questioned how the budget was established for occupancy, specifically the number of elderly waiver and private pay tenants. Cook explained there had been a calculation and the goal for elderly waivers had been met but the goal for private pay tenants had not. Ehlers suggested working with Walker Methodist to establish the numbers needed to improve projections.

Jensen suggested an option of selling Eastwood Senior Living to minimize potential debt and levies. Cook explained that the bonds re-funded in 2019 had a call date and the City cannot prepay bonds during this time but could take seven to ten years of principal and interest to repay the bond and do a defeasance, but this adds to the cost. The option to sell the property for an amount sufficient to defease the bond would be more than three million dollars.

Council Member Anderson suggested a local option sales tax as an alternative to a levy. Crawford explained with local option sales tax, restrictions and legislative processes for approval were required. Cook and Kurtz reiterated approval from the legislature along with a precedence for this project noting a regional benefit must be present for local option sales tax consideration. Crawford stated that the regional need may be present from a community standpoint but posed challenges identifying need to gain legislative approval.

Further discussion ensued; HRA Board Member Anderson voiced concern on the financial impact amongst business owners, increased business expenses and impact on employment. He questioned whether the benefits outweighed the negative impact within the community by incurring an additional levy.

Shepard stated the financial projections presented and levy would allow more time to coordinate and manage HRA debt. Jensen asked the number of cities without HRA levies, recognizing HRA levies are present amongst many communities. Board and council members expressed concerns of the impact on a HRA levy.

Kurtz reiterated the 2009 City Council decision for the project and the council believed Eastwood would be successful, and the debt would be levied if necessary.

Council Member Anderson expressed concern she felt misled with HRA budget and financial reports with omitted information or areas that should have been specifically highlighted. HRA Board Member Anderson asked if the HRA debt could be added to the city budget rather than an additional HRA levy. Crawford explained that approach would still be through a levy and a HRA levy would be more transparent to the public, levied monies would be specific to the HRA versus under the city general levy. HRA Board Member Anderson expressed his concern of not having input from community. King highlighted the City's annual truth-in-taxation hearing includes components for all tax levies for consideration and each debt issuance is available to the public. To include the HRA levy, would be a more transparent approach as it would be specifically for the HRA, King stated.

Skramstad stressed the importance of future decisions, if not, there would be a negative impact on the city's bond ratings. Cook stated if the city were to default on the bonds, the city would be faced with severe consequences, the city would not be able to issue debt. Skramstad added significant projects and road improvements throughout the city and would need access to funds. Defaulting on the bond was not an option according to Skramstad.

Ehlers stated the annual levy would be staggered each year and the shortfall would be levied. 2021 would be for the full amount. Occupancy at Eastwood Senior Living would impact the amount of the levy, and the levied amount could improve (decrease) as occupancy increased. Each year, this would be re-evaluated. Crawford explained these levied funds could only be used for this debt. Cook stated the conservative suggestion presented included a levy for ten years but once the debt is repaid, the debt levy would go away.

Council Member Anderson questioned how the levy would be presented to the public. Crawford explained truthfully, in 2009 City Council pledged its full faith to the project and acquired debt, the project is failing, and the HRA and City do not have 3.1 million dollars to fulfill the debt. With the levy, the city fills a need for the community. Jensen concurred that this HRA program is fulfilling a community need.

Crawford stated the HRA owns three vacant properties and had special assessments owed to the City which had been deferred. These parcels could be sold to assist with HRA debt. Of the properties, Crawford stated selling the parcel near the Mysa House may be short sighted and did not recommend the sale of that parcel. If properties were to be sold, Crawford recommended funds be directed to the special assessments and the transaction would not create a cash flow, but a break even at best. Board and council ensued in conversation with the impact on the community with additional levies. Mathison expressed concern of rent increases and asked if increases would impact the tenants or the programs stressing the need for low-income housing in the community. Broekemeier questioned if projects could be restructured on the amount of low-income housing. Cook explained properties could be repositioned under loan refinance and working with Minnesota Housing Authority.

Folkestad asked if there were additional funding sources available and what other cities have done in similar situations. Ehlers explained there are many grant opportunities available but other cities have HRA levies and most communities have revenues they can support. The City and HRA were presented with a situation without prior knowledge of decline, and it had not been brought to attention earlier. Council Member Anderson enquired on grants and loans available. Cook explained the existing lender with USDA, a federal loan and there were other lending opportunities through the state Minnesota Housing Authority versus federal USDA lending.

Mathison questioned debt service for Dala House and the remaining $500,000 debt, and concern that only $75,000 had been paid since 1986. Cook stated the loan was placed in deferment accruing interest and recognized the debt service payments are relatively low with 50-year loan term. Mathison voiced concern with the age of the building and loan balance. Skramstad noted previous year challenges with significant building maintenance and repairs. Broekemeier enquired on the sale of one project and investors designate Section 8 Vouchers and redevelopers fulfill the need for low-income housing. Crawford stated the City did not have any available Section 8 Vouchers and there is a significant waitlist. Shepard believed with rental increases, the programs would not be faced with vacant occupancy due to the waitlist for low income and Section 8 housing.

Crawford shared thank you cards to both boards from Dala House residents for the improvements and services. Folkestad commended the improved services and staff dedication to the HRA and Dala House.

Jensen asked if any state or federal funding was available to support the HRA with the debt. Crawford reiterated the options presented in the financial management plan. Skramstad stated he was unaware of programs available at this time. Jensen suggested contacting representatives and senators for alternative assistance. King noted HRA communication with Senator Amy Klobuchar's staff last year with unsuccessful results. Jensen referenced this approach based on previous experience while serving on other boards in the community.

Crawford sought guidance from council on the direction to pursue. Skramstad directed staff to assess the tax impact from a levy and additional resources available. Shepard stated we needed to investigate rate increases for the Dala House and other HRA projects to have them fit in line with the financial projections. Skramstad directed staff to look at refinancing options.

Council Member Anderson suggested that additional funds be allocated from the PUC and liquor store each year to assist with the budget. Crawford stated that the City Council could decide that, but there are other financial considerations. Crawford explained additional expenses must be accounted for with the liquor store due to building age and maintenance. Other items include electric projects that have commenced, future projects budgeted and electric staffing level needs. If monies did come from that fund, an electric rate increase would occur and there was a lot to weigh from both sides. Dependent on where the council wanted an increase, Crawford explained it could be electric rates, liquor store products, or a tax levy. Council Member Anderson suggested that more people use the liquor store than homes.

Crawford asked for direction to move forward from the HRA side to look at suggestions in the financial management plan, and from the City side to bring forward proposed levies for HRA operations and debt service. Both boards agreed with this approach.

L'Heureux questioned the increase in rent on Dala House and the financial impact on the program. He asked for guidance and proper approach to avoid decreased rates and if there could be an increase in management fees to offset the costs. Shepard stated we needed to identify costs associated with the program and an approach. Crawford expressed the challenges associated with this as well and reiterated challenges when preparing the budget and annual changes. Shepard suggested knowing details and having supporting information on rates determination would be helpful for the boards to assist.

5. **Adjournment:** Council MOTION by Mathison, seconded by Anderson, and unanimously carried to adjourn the meeting at 6:39PM. HRA MOTION by Anderson, seconded by Jensen and unanimously carried to adjourn the meeting at 6:39PM.

Mayor

City Clerk