Faribault Housing and Redevelopment Authority
Meeting Minutes
May 9, 2022

1. Call to Order / Approval of the Agenda

Chair Speckhals called the meeting to order at 6:01 p.m.

Members Present: Narren Brown, Travis McColley, Jonathan Wood and Chair Speckhals

Members Absent: Loni Ahlers, Travis Kath, Brenden Kennedy

A motion was brought by McColley, seconded by Wood to approve the agenda. Vote carried unanimously.

2. Minutes

A. Minutes of April 11, 2022.

A motion was made by McColley to approve the minutes of April 11, 2022 seconded by Wood as presented. Motion carried unanimously.

3. RAD/Repositioning Process

Conning Springer, City of Faribault's Community Development Specialist that oversees the current Public Housing Program, attended. On Zoom, were Kim Clausen, former Community Development Coordinator currently serving in a consultant role specific to this special project and Nicole Wickliffe from Recap Advisors Brief introductions were made.

Director Kuennen distributed a project spreadsheet and went over the details showing a 20-year pro forma for the proposed RAD repositioning. Discussed was the required Replacement Reserve Deposit, how the Replacement Reserve Deposit will be used for capital improvements, and how the projected revenue reflected on an annual basis would gross approximately $690,000.

The RAD Repositioning requires the HRA to work with Rice County under a Memorandum of Understanding. Clausen is working with the attorneys to prepare a draft, whereas Rice County will collect the rents and send payment to the HRA minus an administrative fee.

With the 20-year pro forma, the structure would presumably bring in a revenue of approximately $7,000,000, not including the Replacement Reserve Deposits.

Clausen provided a comparison versus how the current Public Housing program and funding works. This new program is designed to give a more stable reserve. From a tenant perspective the only difference to the current residents would really only impact those that currently pay flat rents. These residents would have rent agreements that bring them to get them to the 30% of income payment over a three-year time frame. There are approximately five (5) families at this time that are at that flat rent. When the board was offered the options to move our current program, the main goal was not to displace anyone currently in public housing. This proposed program would not do that that.

Another thing mentioned is that with this new program, the HRA would not have to follow the Davis Bacon Prevailing Wage requirement on capital improvement. Wickliffe advised that the Board should update the capital improvement plan and take a look at best practices on how the money should be spent. She indicated that the HRA will essentially be wearing two hats; 1) as the landlords, and 2) property managers. She recommended an annual CIP rather than a 5-year plan.

The other need is to transfer the ownership to an LLC from the HRA. Kuennen asked the Board to make a motion to direct staff to work with the City's attorneys to begin the process of setting up the LLC. The board members seemed hesitate as to taking this on and asked for assurances that they would be indemnified from litigation personally in this regard. Wickliffe did state that this is a common practice and she is working with other cities in MN, like Duluth and Mankato. In Duluth, they have formed several LLCs for their repositioning.

The timeline discussed moving forward was to have a 5/24/22 meeting with the resident; begin preparing the third-party reports, finalize and submit the environmental requirements; upload the RAD request; call HUD; finalize the entity's LLC; prepare the financial plan; HUD then has 60 days for review and then there are 90 days to close and issue. The City's attorneys will prepare the legal work and do the closing. The goal now is to be done before 2023.

A motion was made by McColley, seconded by Wood to direct staff to work with the attorney to establish an LLC for the HRA. Motion carried unanimously. The name of the LLC would be Faribault HRA, LLC if available. Wickliffe suggested that they use a pilot program and that there is a tax exemption in place.

4. Other Discussion

Wood brought up that a resident of one of the public housing units was asking if it was necessary to have the no-smoking sign directly on the front door. Staff agreed to look into whether it was a HUD requirement and what could be done about the placement.

McColley asked Kuennen if there was anything different on the monthly budget items and she said that nothing changed. He was fine with that.

5. Adjournment

A motion was made by McColley and seconded by Brown to adjourn the meeting at 7:19 p.m. Motion carried unanimously.

Respectfully Submitted,

Kari Casper, Recording Secretary