



**Minutes**  
**Roseville Economic Development Authority (REDA)**  
**City Council Chambers, 2660 Civic Center Drive**  
**Monday, March 22, 2021 – 6:00 p.m.**

*Pursuant to Minn. Stat. 13.D.021,  
Economic Development Authority members, City Staff, and members of the  
public participated in this meeting electronically  
due to the COVID-19 pandemic.*

**1. Roll Call**

President Dan Roe called to order a meeting of the Roseville Economic Development Authority (REDA) in and for the City of Roseville at approximately 6:00 p.m. Voting and Seating Order: Groff, Willmus, Strahan, Etten, and Roe.

**Present:** President Dan Roe and Board Members Robert Willmus, Jason Etten, Wayne Groff, and Julie Strahan.

**Others Present:** Attorney Martha Ingram, Executive Director Pat Trudgeon, Assistant City Manager Rebecca Olson, Community Development Director Janice Gundlach, and Housing & Economic Development Program Manager Jeanne Kelsey

**2. Pledge of Allegiance**

**3. Approve Agenda**

Groff moved, Willmus seconded, approval of March 22, 2021 Agenda as presented.

**Ayes: 5**

**Nays: 0**

**Motion carried.**

**4. Public Comment**

**5. Business Items**

**a. Review of Draft Roseville Residential Program Offerings with Center for Energy & Environment**

Housing & Economic Program Manager Jeanne Kelsey provided a brief summary of this request as detailed in the staff report and attachments dated March 22, 2021.

Mr. Jim Hasnik, CEE, provided a brief overview of three programs in Fridley and how these programs have benefited other communities.

Member Willmus asked if an appraisal is not being done, then what is used for determining the loan to value ratios. He also wondered why loan to values up to 125 percent are being looked at. He asked what Roseville's cost structure may be in terms of some of the programs in relation to, for example, Minnesota Housing, what are the differences there.

Mr. Hasnik explained the appraisal was addressed for the mobile home property. The application would start with the property tax statement and go off that value first with a standard value. If someone has had an appraisal within the last twelve months, that can be used as well. As far as the question on equity, 125 percent is on the last resort program for people with a dire situation and no other options. There are some unsecured loans that would be looked at first if the individual does not qualify for anything else. Minnesota Housing has an unsecured loan option. The other programs are at 115 percent but most of the other programs are at 110 percent. He indicated they do not do first mortgages and do not have a down payment assistance program. He did not know the cost structure on that.

Ms. Kelsey indicated she did not know that either, but her understanding is that the first mortgage lender is the one who underwrites the individual and then it is done at that time along with the County's program.

Member Groff explained mobile home developments are sort of affordable housing that is available to people naturally. He appreciated the comments on that program because the mobile home development in Roseville needs some work. A lot of those units are in rough shape so it would be good if the residents there knew about this program. The question he had is where the properties are foreclosed on, or how are they handled if people are not making their payments. He wondered if there were any problems with foreclosures, especially when these are being valued at 115 to 120 percent of the property.

Mr. Hasnik explained the default rate on their secured loans have typically been very low, between 1.5 to 2 percent. There have been some foreclosures but there have not been that many over the years. He stated it is a risk.

Member Strahan thanked staff for providing these options and looking at different things that are going well in other cities. She knew from talking to people in Roseville that there are needs along these lines and it was nice to know there are some options for people. She also appreciated the effort to provide resources.

Member Etten thought it would make sense to consider a cap of 110 percent for these. He also thought these programs overall are good, the City should be looking at this, and he was supportive of these programs broadly. He asked at

the four percent rate, is that the cost the City has right now and why is that different from other places where people get loans for less than that right now.

Mr. Hasnik indicated it would be looking at the administrative costs, what is the break-even point of them administering the program and doing a loan servicing with monthly payments. Some of the other loan providers are lower than four percent but there is also a risk. Minnesota Housing does have a loan loss reserve for their programs and do have funding from the State. The loan loss reserve does allow Minnesota Housing to offer those lower rates and they are also not doing all of the work on the ground level; they are paying CEE to do that.

Member Etten thought it would make sense to have the mobile home program as a city program and have Minnesota Housing handle the rehab program for now. He indicated he would like to hear more about the zero percent interest rate for the last resort and the senior deferred with no time frame on it.

Mr. Hasnik reviewed the zero percent interest rate and last resort program with the Board.

Member Willmus explained every situation is unique. He thought one of the things the City needed to be careful of is to not place a hidden burden on people that might not have the ability to handle that burden when it comes due. He wanted them to be very careful about that and not duplicating programs that are available through Minnesota Housing Finance. He thought the mobile home program was of interest to him and is needed in Roseville. He noted there is a lot of information provided pertaining to costs that people potentially will pay that is not before them right now. He would like staff to dig in to find that information so the Board has a full understanding of what these programs will cost borrowers. He thought there were some areas here that the City should explore, and he would also caution duplicating programs available elsewhere. He did know if it is upon the Board to attempt to compete with Minnesota Housing Finance on some of these various offerings.

President Roe stated what was brought forward in terms of the three additional programs, as well as down payment assistance for first generation home purchases, also intrigues him. He thought these three programs are unlike the City's current revolving loan program and not necessarily competing with something else out there in the market place as these programs are somewhat unique and a way for the City to get their \$780,000 current balance into people's hands to use as the City continues to levy for it and doing good in the community. He was supportive of all the programs including the last resort and senior deferred programs. He also agreed with Member Willmus that the Board does want to know more about the how the mechanics of it work.

Mr. Hasnik explained the last resort program is not a big volume, typically less than five in a year. On the other hand, the senior deferred program in other communities is heavily used and those funds go very quickly.

Member Groff mentioned the first-generation housing assistance is one tiny way of correcting the historical covenants the City of Roseville and some other cities have had where African Americans were excluded from getting mortgages.

Member Strahan agreed and indicated she looked into this and Zillow shows that the gap between black and non-black homeownership in Minneapolis was listed at a 51% disparity rate. One of the highest in the nation. She thought of Roseville, as the surrounding area to Minneapolis, will reflect a lot of the people in the City who would be appreciative of the opportunity to obtain some generational wealth and something to look forward to with their family.

President Roe stated there was general understanding of the members to proceed to the next steps, generally speaking.

Member Etten agreed the down payment for the first-generation housing assistance is an important program that would help some of the residents and future residents and he appreciated the program. He noted that in this, there is no minimum assistance amount, and the FHA and Ramsey County has a minimum amount of \$2,000 and \$1,000. He wondered if there is a purpose in that. He also wondered, because this clearly states first generation only purchaser, if that same person could do an FHA loan and how this program is differentiating itself in the marketplace.

Ms. Kelsey explained there is no minimum because this program is not income qualified and the FHA and Ramsey County programs are income qualified. That is why there is a minimum requirement of an amount they will put into a project. Based upon what she is hearing first generation usually has a greater gap in down payment assistance and staff has looked at it from that perspective. The difference is that the City's program would be used only for first generation and would not be down payment assistance, which is the only way she would recommend the City doing this program.

President Roe stated it sounds like the Board wants this to proceed to the next steps of developing these three loan-type programs as well as the down payment assistance program and bring those back for final authorization and approval.

- b. Review of Draft Roseville Business Loan Program with Metropolitan Consortium of Community Developers.**  
Housing & Economic Program Manager Jeanne Kelsey provided a brief summary of this request as detailed in the staff report and attachments dated March 22, 2021.

Mr. Noah Her, and Tyler Hilsabeck, MCCD, made a presentation to the Board about the business loan programs developed for the City of Roseville.

Member Etten indicated the City certainly wants to look for ways to support businesses, certainly small businesses in the community and he wondered if there was a cap on the size of the business that would be asking for this assistance.

Mr. Hilsabeck indicated the maximum amount to be matched is \$50,000 for a total project cost of \$100,000. Generally, a large business would not necessarily need to come to this program. He indicated his company would be open to fine-tuning those terms as they make the final program rules, to make it to whatever maximum size business the City would want. He thought the intent was to make this available to small businesses that might not have access or might not have the availability to other traditional financing. He thought they would want to prioritize those businesses.

Member Etten indicated he would like to see something that put some guard rails on that maximum size or income. He asked what the business loan failure rate MCCD is seeing in some of the programs like this.

Mr. Hilsabeck indicated the loan program at MCCD, like everyone is kind of going through a COVID correction as far as businesses and how they are doing prior to COVID. Their recovery rates on loans are typically in the nineties to ninety-five percent. They are not what is called exception lenders, but MCCD does underwrite the same, with the same fundamentals that banks do. MCCD does look at everything such as collateral. They underwrite the loans to the extent that MCCD feels comfortable with and obviously the hardest deals to peg are startup deals where there is no operating history. For those deals, MCCD looks at the character and history of the owner and what they have done to build their business up to the point of startup. If it is truly a speculative business, then MCCD does not typically go for those kinds of deals. He explained MCCD does have a well-rounded underwriting structure in place and certainly would take it in front of the City of Roseville to approve any deals that went forward.

Member Groff asked what types of businesses did MCCD see using these funds.

Mr. Her imagined the types of businesses taking advantage of these programs are two pronged. One would be established businesses where they have an opportunity, are positioned for growth, and may be strapped for cash. Or the business may be unable to grow but their financials are showing the health to be able to grow and the company is just needing that extra support. Another area is the start-up businesses that are looking to start their first business and looking at new avenues for capital.

Member Groff asked if there would be any way in the program where MCCD could be targeting non-traditional owners of businesses. He stated that would be a plus for him, if there is somewhere in the program that shows it helps those groups of people.

Mr. Hilsabeck explained MCCD is a Community Development Financial Institution so the company lends to underserved communities, takes that very seriously, and welcomes that. That is where MCCD wants to be with the fund as well and would be looking for ways with the City of Roseville to promote it that way.

President Roe asked what type of business this program will typically be used for, such as retail versus service or other business types, to perhaps zero in on Member Groff's earlier question from a different angle.

Mr. Hilsabeck explained that demand is going to dictate the type of business and he did not think MCCD would be excluding companies other than what was explained in the presentation. He thought there would be a lot of requests from restaurants and other businesses that were closed during the pandemic as well as startup businesses that were put on hold in 2020.

Member Willmus asked what kind of collateral would be needed and used for a startup business that moves into a multi-tenant building.

Mr. Hilsabeck reviewed options that would be used for collateral for that type of situation.

Member Groff thought this should be pursued with the things mentioned. He would be interested in seeing more specifics.

President Roe agreed that much more needed to be filled in and the Board looked forward to continuing discussions.

- c. **Consider Adoption of a Resolution Memorializing a Pause on Public Finance Assistance Requests in Support of Multi-Family Housing Projects.** Community Development Director Janice Gundlach provided a brief summary of this request as detailed in the staff report and attachments dated March 22, 2021.

Member Etten indicated based on the comments in the RCA, the first exception of up to one hundred years and thirty percent AMI, what staff has written suggests it is not very likely to happen and not very possible to finance that kind of thing easily. He asked if that was a fair statement.

Ms. Gundlach indicated that was correct.

Member Etten was not sure if that was a useful piece to have in there.

President Roe asked if the issue was the thirty percent and requiring the project to be one hundred percent and thirty percent AMI or the number of units at thirty percent AMI.

Ms. Gundlach stated the issue was that there is still a need in the community to have thirty percent AMI rental units, so staff did not want to close the door completely on any projects that included thirty percent AMI units. Based on the City's needs, there is still a need for about one hundred of those units in the community. If the City would leave the door open for a market rate project or for a smaller niche project, the City could potentially realize a handful of thirty percent AMI units that are built into those projects. What was noted in the materials, was a one hundred percent/thirty percent AMI project is virtually impossible to finance, which is why these types of projects are not seen. She wanted to make sure the Board understood how that exception is written.

President Roe thought the exception is really about saying the City would use multi-family housing TIF to support perhaps the thirty percent AMI portion of a project.

Ms. Gundlach noted it would really depend on the project that comes forward. She provided an example. She indicated the resolution does not outline the conditions under which the City would approve public finance assistance, it outlines the conditions under which the City would accept an application over the next twelve months for consideration.

Member Etten reviewed the second condition in the RCA and assumed it was included as a condition because it is an area where there is still an identified need over the coming years. For this one-year moratorium, he would not be in favor of this as he would look only at the niche project that includes thirty percent AMI but at smaller units. His concern was with adding tons of residents and not having the development putting into the tax pie to balance out the system. He would look more towards smaller niche projects. He would be more comfortable with fifty and seventy-five units is the highest he would want to look at. He was comfortable with the other pieces listed.

Ms. Gundlach indicated the "H", the smaller niche projects could be affordable, or they could be general occupancy. Exemption B could be stricken because a market rate project is still of a need and an application could still be accepted for financing if it fell into the smaller niche number. She noted the Board has funded a market rate deal because the City has not had any for thirty plus years so there are other options in affordable housing TIF to help fund those projects, such as redevelopment TIF.

Member Willmus indicated he would be fine with sewer access charge credits. He would not be interested in doing tax abatement. He would be fine with continuing the hazardous substance sub-district tax and project cap, and look to define that as something in the fifty-unit threshold.

President Roe indicated he was in agreement with what was discussed.

Member Strahan stated fifty to sixty units sounded like a reasonable number and she thought one hundred was getting too big for what the Board wanted.

President Roe thought sixty units would be the maximum the Board would want. He noted Condition B is to be removed. He assumed preservation projects are on the City's radar and something the City wants to be doing. He noted the tax abatement is not in the resolution and suggested this be left off as it can be taken up if the applicant wants to apply for it. Then the City can decide if it wants to consider it. He would defer if the Board wanted to add that in as something to not consider.

Member Willmus stated if there is a desire to not entertain the tax abatement, the Board should have that conversation so potential developers are aware of it.

Member Etten indicated he was not a big fan of subsidizing a parking lot for a major, international company.

Member Groff explained he was torn because he would hate to see something not go through there but agreed with Member Etten regarding subsidizing a big corporation like that and it is not where he saw the City putting its money. He was leaning towards leaving it off for the year, did not think anything was going to be coming together for this year, this is a one-year pause, and then revisit it for next year.

Member Strahan concurred.

President Roe indicated he was not so concerned about the size of the corporation necessarily, as the business they are in, which is retail. The City has had an unspoken understanding of not necessarily supporting retail projects. This is more of a mixed-use project and perhaps the structured parking was specifically intended to support the residential part of it. He wondered if the Board wanted the resolution to be brought back to the EDA with the changes made before a vote is taken; or is the Board prepared to vote on a modified resolution.

Member Willmus indicated he would support a vote on a modified resolution as discussed.

Member Groff concurred.



Ms. Gundlach reviewed the resolution with changes as discussed.

Willmus moved, Groff seconded, adoption of REDA Resolution No. 82 entitled, “Resolution Directing a Twelve-Month Pause on Certain Applications for Public Finance Assistance Related to New Multi-Family Housing,” as modified.

### **Public Comment**

Mayor Roe offered an opportunity for public comment.

#### **Ms. Nanette Pikovsky**

Ms. Pikovsky explained she was speaking on behalf of the PIK Terminal property located at 2690 Prior Avenue North. PIK Terminal and The Roers Companies have been working on a development project since November 2020 for this site. What the companies have progressed through so far is not a tire kicking, hypothetical endeavor, it is a well thought out, progressive housing project that will require full public financial assistance. Understanding the PIK site of thirteen plus acres is a complicated site that will require strategic planning and forward thinking as well as creative environmental remediation. She noted this is not a project for a small, inexperienced developer. Their feeling is the time to do this project is now. PIK has been working on this site for redevelopment with over ten different interested parties since 2001. The Company feels that Rorris has the experience and appropriate team to work with PIK and the MPCA to bring this housing project to fruition. Their progress with the MPCA has been very positive and the most forward thinking to date for a residential development. PIK has, in the past, worked closely with the City through a structural demolition process, the extension of the HSS fill, two right-of-way quick takes, the sale of 10.7 acres to Calyxt, and many years before she was involved as the family representative, and the donation of a substantial sector of land on the northern portion of the property to create what is now a park.

Ms. Pikovsky indicated the current residential project before the Board cannot afford to lose interest or momentum. A small project on this site will not be feasible, it is not the kind of site that needs to be chopped up in small parcels and will not work for the landowner, the City, or the MPCA. She would openly assume that the EDA and Council do not want the year-long delay that was experienced with the CPC project to repeat itself when there is a viable PIK redevelopment project on the table. The PIK project is complex and complicated and will not be completed overnight. The company is anticipating that a realistic timeline will most likely be sixteen to twenty months for the commencement of construction. PIK and Roers are asking for the City’s full and unanimous support for this project to move forward without delay or encumbrances.

#### **Mr. Logan Schmidt, Roers Companies**

Mr. Schmidt indicated his company has been working on this site since November 2020. Since that time, a phase one, environmental study has been done and also a market study has been done, as well as a very conversation with the MPCA regarding the scope of the cleanup. He noted this is a pretty complex, environmental cleanup. The contaminant that has been sinking into the ground water is something that needs to be addressed for the City, as well as for the immediate area. They thought they were getting closer to getting a scope dialed in as to what will be required for the environmental cleanup. This is not something that a smaller developer is going to be able to handle. He explained there needs to be a cohesive plan and an overall plan working together. Initial estimates from what they have been told for what the cleanup could entail is four to ten million dollars. That cleanup, coupled with the high land cost in Roseville, as well as a significant amount of the project being affordable with the senior housing facility, makes public assistance extremely critical for this project to succeed. He indicated they are committed to being long term owners and operators of these projects. He thought it was important to note that this project will take until summer 2022 to closing the construction and that will be coupled with up to a twenty-four-month construction period for both housing projects to move forward.

President Roe clarified that there are two parts to this, the affordable project and the environmental cleanup side of it. What the City is talking about in terms of the proposed action, is perhaps limitation on funding available for the affordable part of the project. He believed the entire hazardous substance subdistrict funding source would remain available based on the exceptions allowed. He thought the cleanup point of view, that part of it, would still be available from the City. The City does not have ten million dollars but could put money towards it with other sources that are used for environmental cleanup. He noted the question would become is if only the environmental cleanup is available, does this become a market rate project at that point then or does it not become a project.

Mr. Schmidt explained the reason they were proposing an affordable project here is given some of the ways that basically a lot of these activities can be qualified as eligible basis for affordable projects. With that eligible basis, they can generate more tax credit for the project, help mitigate some of the environmental cleanup, and give it the advantage over a one hundred percent market rate project.

President Roe thanked Ms. Pikovsky and Mr. Schmidt for their comments.

Ms. Gundlach explained the way the resolution is written and the motion that was made, is that a project seeking use of the existing Hazardous Substance Subdistrict TIF still could be applied for. The applicant could make an application for public finance assistance and ask for the HSS TIF. The applicant

could conceivably ask for SAC credits as well. This policy only relates to multi-family housing TIF.

### Council Discussion

Member Willmus stated this would help give the City an opportunity to move forward and look at some things, noting the Board and Council have had quite a bit of discussion about it. He was supportive of the conversation had and will be supporting his motion.

Member Groff indicated he was still in support of the motion.

**Ayes: 5**

**Nays: 0**

**Motion carried.**

6. **Board and Executive Director Communications, Reports, and Announcements**

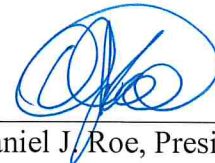
7. **Adjourn**

Strahan moved, Willmus seconded, adjourning the REDA meeting at approximately 8:06 p.m.

**Ayes: 5**

**Nays: 0**

**Motion carried.**



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Daniel J. Roe, President

ATTEST:



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Patrick Trudgeon, Executive Director