

**SPECIAL WORKSHOP
OAKDALE CITY COUNCIL
March 29, 2022**

The City Council held a special workshop on Tuesday, March 29, 2022 at Oakdale City Hall, 1584 Hadley Avenue North, Oakdale, Minnesota. The meeting began at 6:00 PM.

Present: Mayor Paul Reinke

Council Members: Jake Ingebrigtsen
Colleen Swedberg
Kevin Zabel
Susan Olson

Also Present: Christina Volkens, City Administrator
Kathy Laur, City Clerk
Lori Pulkrabek, Communications Manager
Nick Newton, Police Chief
Jason Zimmerman, Finance Director
Jim Romanik, Public Works Manager
Andrew Gitzlaff, Community Development Director
Roger Green, Washington County
Jenny Boulton, Kennedy-Graven Attorney
Mikaela Huot, Baker Tilly Municipal Advisors
Mario Cocchiarella, Maplewood Development, Inc.

TAX INCREMENT FINANCING (TIF) DISTRICT MANAGEMENT REPORT REVIEW

Finance Director Zimmerman introduced Mikaela Huot of Baker Tilly to discuss and present the city's TIF District summary. Ms. Huot explained the primary purpose of the review was to understand the current financial status for each of the City's TIF Districts and determine what flexibility there may be in each district. She explained that the city has three types of active TIF Districts. 1) Districts certified pre-1990; 2) Districts certified post-1990; and 3) Housing Districts certified post-1990. Ms. Huot stated that the ability to use tax increment revenues is dependent upon the type and establishing dates. This is heavily guided by the legislature and Minnesota State Statute.

Pre-1990 districts have more flexibility for use of surplus increment. It needs to be in excess of what the city budget has to spend. Post-1990 districts have less flexibility. There are limited opportunities once the obligation has been fulfilled. Housing districts may have somewhat more flexibility.

Ms. Huot explained that fundamentally, TIF is a method of capturing tax base growth resulting from new development. It provides a fixed term. Then new development capacity can be added to the existing tax base. The tax increment is generated by the increased property value that is created when a property is developed. Uses of TIF are redevelopment, renewal and renovation, economic development, housing, soil condition and hazardous substance sub-district. Typical eligible costs are public improvements, land acquisition, soil correction-site grading, site preparation/demolition, relocation, cost of qualifying housing, financing fees/capitalized interest and administrative costs. Some of the common methods for financing costs are tax increment bonds, pay-as-you-go notes and revenue bonds.

As stated by Ms. Huot, Oakdale has six TIF Districts. 1) Eastwood Village – It was established in 1993. It will be decertified on December 31, 2022. It has already been paid in full. The projected funds available are approximately \$692k upon decertification. The potential use of these funds could be used for affordable

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housing. 2) Presbyterian Homes – It was established in 1997. It will be decertified on December 31, 2023. It has already been paid in full. The projected available funds are approximately \$1.49M upon decertification. Again, the potential use of these funds could be used for affordable housing projects. 3) Bergen Plaza – It was established in 1988. It will be decertified on December 31, 2040. There was special legislation to extend the term and support a pooled debt obligation with Tartan Crossing. The projected available funds in excess of \$10M would happen upon decertification with no additional payments. Potential use of these funds could be used for redevelopment projects within a project area to be considered. 4) Tartan Crossing – It was established in 2011 and has a decertification date of December 31, 2040. They don't have a final payment date until February 1, 2037. The projected fund balance is approximately \$1.5M upon decertification. Uses of these funds would be redevelopment projects. 5) Tanner's Lake – TIF district was established in 2017 with a decertification date of December 31, 2056. Special legislation is needed to extend the term. 6) Bethesda – TIF District was established in 2021. It's a pay-as-you-go obligation with Cornerstone Village – Oakdale Limited partnership and Bethesda Cornerstone Village – Oakdale, LLC. The TIF agreement needs to be executed. Payment dates are from August 1, 2024 to February 1, 2050 at 4.63% interest.

Moving forward, Ms. Huot recommends that the city annually review the status of existing TIF Districts and use available surplus increments to continue to finance authorized projects and district obligations, annually review budgets, support pooled debt service payments, decertify upon fulfillment of obligations and return or use available increment.

CITY RESIDENT AND BUSINESS LOAN STATUS

City Administrator Volkers suggested, in the interest of time, that this item be carried over to the next workshop.

COMPREHENSIVE PLAN HOUSING AND NEIGHBORHOOD CHAPTERS DISCUSSION

Community Development Director Gitzlaff presented an overview of the housing and neighborhood chapters of the comprehensive plan. He explained Oakdale's existing conditions and the legal requirements and policy framework the city needs to adhere to. The housing chapter must meet minimum requirements to be in conformance with Metropolitan Council's Thrive MSP 2040 Plan. Mr. Gitzlaff stated the housing goal is that all people, regardless of age, income, family status, ability, race or ethnicity shall have realizable choices and access to a safe, stable, and affordable home.

For this goal the housing chapter includes seven policies. 1) Housing Physical Condition – to maintain and improve the physical condition of existing older owner-occupied and rental housing stock through the Neighborhood Preservation and Enhancement Initiative's Housing Rehabilitation Strategic Framework. 2) Housing Affordability I – develop plans with partners to preserve existing affordable rental housing, such as low-income housing tax credit properties. 3) Housing Affordability II – facilitate the creation of at least an additional 791 housing units affordable to households earning 80% of the area's median income. 4) Housing Affordability III – Promote and support homeownership and first-time homebuyers through organizations with an emphasis on low and moderate-income homebuyers. 5) Housing Accessibility IV – develop, adopt and implement a local fair housing policy to ensure fair housing access for all residents according to the Federal Fair Housing Act and the Minnesota Human Rights Act. 6) Housing Choices I – the city currently has a variety of housing projects going on that lend itself to a full range of housing choices. 7) Housing Choices II – promote the development of a variety of housing types within close proximity and safe pedestrian access to shopping and services, centers of employment, transit, schools, and parks, trails, and open space.

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Council Member Zabel noted that the current conditions does not take into account section 8 recipients that also live in Oakdale. Council asked how the number of 791 affordable housing units was established. Mr. Gitzlaff noted that it was likely done in agreement with Metropolitan Council based on a region wide allocation. He will further look into the origins of the number. A discussion ensued on how much authority Metropolitan Council has to enforce the City. Mr. Gitzlaff noted that they do have a lot of authority under state statute. Worst case if City does not comply they could potentially be sued, similar to what happened in Lake Elmo. Mayor Reinke noted that the Metropolitan Council also offers incentives for compliance such as eligibility for a variety of funding sources for Cities that comply.

The second part of Mr. Gitzlaff's presentation addressed the neighborhoods chapter of the Comprehensive Plan having to do with adopted goals and policies with a focus on the physical quality of the City's owner-occupied and rental housing stock and its need to be maintained and improved. The city will continue to enforce its property maintenance code, administer rental property licenses, monitor foreclosed and vacant homes and identify opportunities to amend the zoning ordinance to promote housing reinvestment.

Mr. Gitzlaff noted that staff will look into the Neighborhood Preservation and Enhancement Initiative's Housing Rehabilitation Strategic Framework and if it was ever adopted by the Council

He noted that neighborhood amenities should be maintained and improved; disamenities shall be reduced or eliminated. Supporting and facilitating strong neighborhood social capital emphasizing good communication strategies is needed. The city needs to develop approaches to engage residents and make connections with people of diverse ages, incomes, ethnicities, and race.

HOUSING PROGRAMS OVERVIEW

Mr. Gitzlaff took the lead on this conversation with a presentation on Oakdale's housing programs. The Council had established a program in 2015 with the goal of maintaining neighborhoods by ensuring affordable capital for low to moderate income property owners to complete eligible housing rehabilitation, repair, and maintenance activities. The maximum loan amount from the city was \$15,000, with an annual interest rate of 2%. The loan would be due upon sale of the property or when the owner/occupant no longer resided in the structure. Staff is in the process of investigating all outstanding loans and ensuring that proper reporting, invoicing and collections, if needed, will be done.

These loans were administered by former city staff and became a burden for them. The loans were given as a last resort to residents. They were poorly tracked and the ability to recoup the loans balance at the time of sale or foreclosure was also not well defined. The city had no dedicated funding source for this program. The program was put on hold in fall 2021. Mr. Gitzlaff recommended that the Council discontinue this program. He stated that the City participates in another loan program called the Community Fix Up Loan Fund which is administered by Lake Elmo Bank who sells the loans to Minnesota Housing. The maximum loan is \$15,000. Eligibility includes Oakdale households of two or fewer persons making 100% of Area Median Income (AMI) or less, and households of three or more persons making 115% of AMI or less. 55% of Oakdale homeowners earn less than 100% of AMI, meaning that at least 4,706 households may be eligible for this initiative. There is a cost to the City of Oakdale of up to \$1,500 per Community Fix Up Loan.

The consensus of the council was that they did not want to continue emergency home loan program administered by the City but were open to exploring alternative partnerships where loan administration is handled externally. Staff receive direction to participation and promotion the Minnesota City Partnership Program ran by Minnesota Housing and the Community Fix Up Loan Fund in partnership with Lake Elmo Bank.

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Mr. Gitzlaff went on to discuss Housing Improvement Area (HIA). HIA is a defined area in the city where housing improvements are made or constructed and the cost of the improvements are paid from fees imposed within the area. It allows the city to make a loan to a homeowners association for the purpose of capital improvements to property owned-in-common, for example. Associations must petition the City Council to establish an HIA. Oakdale has three HIA's. 1) 15th Street Townhomes – improvements made were concrete aprons, patios, driveways and garage doors. It was established in 2012 with a 10-year term of repayment. 2) Lakeview Terrace Condos – improvements were made to the parking lot, flat roof, elevator, boiler, fresh air exchanger and fire protection. It too was established in 2012 with a 15-year term of repayment. 3) Oakwood Lustre Townhomes – improvements were made to driveways, roads and roofs. It was established in 2016 with an 18-year repayment term. Mr. Gitzlaff explained that the city has no dedicated funding source other than the city's cash on hand or bond sale for the HIA program. The association pays all of the costs of issuance including a financial advisor, legal advisor, and bond counsel. Property owners repay the money through a special assessment on their property taxes.

Mr. Gitzlaff stated that the process starts with an association making a request to establish an HIA and presents a supporting petition from 65% of the owners within the association. The council would then hold a public hearing and would decide whether or not to establish the HIA and impose the HIA special assessment fee. Currently there are two more associations interested in an HIA loan. 1) Lakeview Terrace is looking for an additional amount of approximately \$300,000 for balcony repair and stabilization. They may be TIF surplus fund eligible. 2) Timber Hill Ridge Townhomes is looking for an amount of \$100,000 for private street paving and new gutters. They are not TIF surplus fund eligible because the improvements are not to the building.

Council was not interested in providing another HIA loan to Lakeview Terrace because they original HIA loan was not paid back and the homeowners association has not saved money since then, hence not showing appropriate financial management. Council was generally in agreement that the next step would be to continue to enforce the building code to compel the townhome association and individual owners to repair the balconies which are a hazard, Council asked staff to return with more information about the Timber Hills Ridge Townhome request before proceeding with the HIA.

COST OF CONSTRUCTION MANAGEMENT DELIVERY OPTIONS FOR BULDING PROJECTS

City Administrator Volkens explained that significant dollars have been spent on architects and cost estimates for the two projects at hand – the Police Department renovation/addition and a new Public Works Building. It is clear that the city's cost projections from a few years ago is already too low and we need to adjust both the total amount and the time period needed given current inflation, supply chain issues and cost increases of construction.

Ms. Volkens believes that stretching out the payback to 40 years instead of the original 25 will work in the city's favor by taking pressure off payback and putting us in a more favorable bond borrowing position. The city has been authorized by the legislature for \$37M but feels with the costs of construction being so high, we need to ask for up to \$42M. The Council supports this.

With regard to the Construction Manager for the new Public Works building and the renovated and expanded Police Station, the city attorney added a line to the "options" page of the summary document distributed that states; the selected CM [construction manager] will not be allowed to do any of the actual construction work for the two projects. Also, in Option Two Construction Management – At Risk (CM@R), the attorney added; the city attorney and other attorneys in his office have worked on numerous CM@R projects for various cities, including The process involves some considerations relating to competitive bidding requirements.

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Ms. Volkens added that the City Attorney supports Option Two, Construction Manager – At Risk (CM@R). Formal approval of a revised Resolution for the legislature to consider the amendment to 40 years and \$42M will be presented at the Regular City Council meeting on April 12, 2022.

ADJOURNMENT

The workshop adjourned at 8:18 PM.

Respectfully submitted,

Kathy Laur
City Clerk