

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 01/24/11
Item No.: 11 . a

Department Approval



City Manager Approval



Item Description: **Public Hearing to consider the Lake Josephine Association petition to establish a Housing Improvement Area (HIA)**

BACKGROUND

Chapter 428A of the Minnesota State Statutes allows for cities to create a Housing Improvement Area to finance housing improvements in condominiums or townhome complexes. On November 16, 2009 the Roseville City council adopted the attached Housing Improvement Area Policy (Attachment A) in order to guide requests for establishing HIAs. The City has one HIA in existence; Westwood Village I, which was established in 2009.

The Lake Josephine Association (LJA) presented a petition to establish a HIA for their units to the Roseville Housing and Redevelopment Authority (RHRA) at its meeting on November 16, 2010. The RHRA reviewed the request and has recommended that the Roseville City Council hold a public hearing for consideration of an ordinance establishing a HIA for the Lake Josephine Association

The LJA is a 23-unit complex located at 3076 Lexington Ave., behind the Dairy Queen, and across from Lake Josephine beach. The building was originally constructed in 1969 as an apartment building. In 1979, the building was converted into a condominium association. The LJA was self managed until January 2006, when they hired Advantage Townhome Management (ATM) to manage their association.

LJA currently expends around \$10,000 annually on routine and preventive maintenance items. In 2011, LJA is facing the need for several large expenditures to make needed major improvements to the facility. The association needs to update their elevator by the end of the year in order to meet state building code requirements. In addition the boiler needs to be replaced along with the windows and siding. The LJA also would like to make common area improvements such as flooring, doors, fixtures, paint and mechanical work related to ventilation. The estimated costs for these improvements are \$403,800.00. The most critical element of the improvements are to the elevator. If LJA does not make the improvements, the State of MN will require the elevator to be shut down. (The Lake Josephine building is three stories).

LJA does not have the replacement reserves needed to make the needed improvements and have sought financing from two banks, which have denied their request (Attachment B).

Therefore, LJA has approached the City to ask for a HIA to be established. Staff met with the LJA to discuss the project and go over the City's HIA policy. The LJA meets two of the eligibility requirements for the use of HIA Financing under section 3.01 of the City policy;

namely Item B “to correct housing or building violations as identified by the City Building Official” and Item D “to increase or prevent the loss of the tax base of the City in order to ensure the long-term ability of the City to provide adequate services for its residents”.

The LJA held their annual board meeting on November 11, 2010 and has supplied the City the required petition requesting the City hold public hearing to establish the HIA for LJA. The petition is signed by more than 51% of the property owner’s. Representatives of the homeowner’s association will be present at the public hearing to provide additional information on their needs and answer any questions that the City Council may have.

STAFF RECOMMENDATION

The City Council should open Public Hearing and take public comment from interested persons. Mailed notice was sent to all of the owners of record within the proposed boundary of the HIA for LJA. In addition, a public notice was published in the paper. Staff is only requesting that the public hearing be conducted on January 24th and no other action be taken at this time. Subsequent to the public hearing, staff will work with the homeowner’s association to review what resources could be considered to the finance the improvements and bring that information back on February 28, 2011 as part of City Council consideration of adopting an ordinance to establish the Lake Josephine HIA.

REQUESTED COUNCIL ACTION

Hold public hearing for the adoption of a HIA for the LJA. No further action is needed at this time.

Prepared by: Jeanne Kelsey, Housing Program Coordinator (651-792-7086)

Attachment A: City of Roseville Housing Improvement Area Policy

Attachment B: Lender letter’s declining loan request

Attachment C: Petition to hold a public hearing for an ordinance establishing a housing improvement area for LJA

Attachment D: November 2010 RHRA Draft Minutes related to Lake Josephine Association

CITY OF ROSEVILLE HOUSING IMPROVEMENT AREA POLICY

1. PURPOSE

- 1.01 The purpose of this policy is to establish the City's position relating to the use of Housing Improvement Area (HIA) financing for private housing improvements. This policy shall be used as a guide in processing and reviewing applications requesting HIA financing.
- 1.02 The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate.

2. AUTHORITY

- 2.01 The City of Roseville has the authority to establish HIAs under Minnesota Statutes, Sections 429A.11 to 428.21. Such authority expires June 30, 2013, subject to extension by future legislation.
- 2.02 Within a HIA, the City has the authority to:
 - A. Define and assist in the financing of housing improvements for owner-occupied housing in the City.
 - B. Levy housing improvement fees.
 - C. Issue bonds or advance funds through an internal loan to pay for housing improvements
- 2.03 The City Council has the authority to review each HIA petition, which includes scope of improvements, association's finances, long term financial plan, and membership support.

3. ELIGIBLE USES OF HIA FINANCING

- 3.01 As a matter of adopted policy, the City of Roseville will consider using HIA financing to assist private property owners only in those circumstances in which the proposed private projects address one or more of the following goals:
 - A. To promote neighborhood stabilization and revitalization by the removal of blight and/or the upgrading of the existing housing stock in a neighborhood.
 - B. To correct housing or building code violations as identified by the City Building Official.
 - C. To maintain or obtain FHA mortgage eligibility for a particular condominium or townhome association or single family home within the designated HIA.

D. To increase or prevent the loss of the tax base of the City in order to ensure the long-term ability of the City to provide adequate services for its residents.

E. To stabilize or increase the owner-occupancy level within a neighborhood or association.

F. To meet other uses of public policy, as adopted by the City of Roseville from time to time, including promotion of quality urban design, quality architectural design, energy conservation, decreasing the capital and operating costs of local government, etc.

4. HIA APPROVAL

4.01 All HIA financed through the City of Roseville should meet the following minimum approval criteria. However, it should not be presumed that a project meeting these criteria would automatically be approved. Meeting these criteria creates no contractual rights on the part of any Association with the City.

A. The project must be in accordance with the Comprehensive Plan and Zoning Ordinances, or required changes to the Plan and Ordinances must be under active consideration by the City at the time of approval.

B. The HIA financing shall be provided within applicable state legislative restrictions, debt limit guidelines, and other appropriate financial requirements and policies.

C. The project should meet one or more of the above adopted HIA Goals as stated in Section 3 of this policy.

D. The application for the creation of the HIA shall be from the Home Owner's Association (HOA).

E. The term of the HIA should be the shortest term possible while still making the annual fee affordable to the Association members. If the HIA is financed through issuance of bonds, the bonds will mature in no later than 15 years. If the HIA is financed through a loan of other funds, the terms of the loan will be determined based on the facts of circumstances of that HIA.

F. The Association in a HIA should provide adequate financial guarantees to ensure the repayment of the HIA financing and the performance of the administrative requirements of the development agreement. Financial guarantees may include, but are not limited to the pledge of the Association's assets including reserves, operating funds and/or property.

G. The proposed project, including the use of HIA financing, should be supported by a petition of at least 51% of the owners within the Association requesting the creation of the HIA. The Association should include the results of any membership votes along with the petitions to create the area.

H. The Association must have adopted a financial plan, prepared by an independent third party mutually acceptable to the Association, the City Finance Director and HRA staff, that provides for the Association to finance maintenance and operation of the common elements within the Association and a long-range plan to conduct and finance capital improvements therein, which does not rely upon the subsequent use of the HIA tool.

I. HIA financial assistance is considered 'last resort financing' and should not be provided to projects that have the financial feasibility to proceed without the benefit of HIA financing. Evidence that the Association has sought other financing for the project will be required and should include an explanation and verification that an assessment by the Association is not feasible along with at least two letters from private lenders or other evidence indicating a lack of financing options.

J. The Association will be required to enter into a development agreement and disbursement agreement, which may include, but is not limited to, the following terms:

- Establishment of a reserve fund
- Conditions of disbursement
- Required dues increases
- Notification to new owners of levied fees
- Staffing requirements for the Association related to third party involvement annual reporting requirements

K. The improvements financed through the HIA should primarily be exterior improvements and internal improvements integral to the operation of the project, e.g. boilers. The improvements must be of a permanent nature. The Association must have a third party conduct a facility needs assessment to determine and prioritize the scope of improvements.

L. HIA financing will not be provided to those projects that fail to meet the goals and criteria set forth in this policy, as amended from time to time.

M. The financial structure of the project must receive a favorable review by the City's Financial Advisor and Bond Counsel. The review will include a review of performance and level of outstanding debt of previous HIAs.

N. The average market value of units in the Association should not exceed the maximum home purchase price for existing homes under the State's first time homebuyer program. (In 2009, the metro amount is \$298,125)

- 4.02 The Association will be required to pay all third party costs incurred by the City of Roseville in connection with the HIA if the HIA does not go forward for any reason. If the HIA does go forward, the City will pay its third-party costs from the administrative charge described in Section 5.02.
- 4.03. The Association will be required to enter into contracts for construction of the housing improvements, subject to review and approval of designs and specifications by the City or RHRA as the implementing entity. The Association will be required to demonstrate that it obtained at least three bids for work on the housing improvements, and all contracts must be with contractors who are licensed and insured.

5.0 HIA FINANCING

- 5.01 Appropriate methods for funding the improvements in an HIA include:
 - A. City-issued bond
 - B. Existing City fund balances
 - C. Roseville Housing and Redevelopment Authority fund balances
- 5.02 The Association will pay the city an assessment fee of 2% of the total amount of project or the total amount of all third party costs, which is ever greater to cover administrative costs. This amount may be financed over time by adding to the fee, or the City may elect to finance the administrative charge through proceeds of bonds or an internal loan.
- 5.03 The division of the costs for the proposed improvements (i.e., how the fee is spread to unit owners), shall be imposed on the basis of tax capacity of the housing unit, or the total amount of square footage of the housing unit, or an alternative method utilized in the association's bylaws and declarations. If imposed on an alternative method as specified in the association's bylaws or declarations, the City Council must make a finding that the alternative method is more fair and reasonable than either tax capacity or square footage."

5.0 ROSEVILLE HOUSING AND REDEVELOPMENT AUTHORITY

- 5.01 Staff from the Roseville Housing and Redevelopment Authority (RHRA) along with the City of Roseville Finance Director will be the primary staff persons working on HIA requests.
- 5.02 RHRA funds may be utilized to fund the improvements to take place in a HIA if both the City Council and RHRA Boards authorizes the use of such funds.
- 5.03 If it is determined that RHRA funds will be used, the City Council will still be required to make the findings of need regarding the creation of the HIA; adopt an ordinance establishing the HIA; and designate the RHRA as the implementing agency.

- 5.04 If the RHRA is designated as the implementing agency, and once the appeal period expires, the RHRA Board shall hold a public hearing and consider the adoption of a fee resolution that divides the costs of the improvements to the individual owners, except that if the fee is imposed on a basis other than tax capacity or square footage, the City Council must make the finding described in Section 5.03 of this policy.

Adopted by the City of Roseville on the 11th day of November 2009.



LAKE AREA BANK

Friends Serving Neighbors Since 1915

Monday, November 01, 2010

Paul Oie
Advantage Townhome Management, Inc.
4756 Banning Ave, Ste 220
White Bear Lake, MN 55110

Dear Paul:

Thank you for the \$402,000 loan inquiry on behalf of the Lake Josephine Apartment Association. I regret to inform you that the Association does not meet our underwriting requirements for minimum project down payment and collateral requirements for financing. Lake Area Bank requires that construction/renovation projects have a minimum of 25% of the project cost as a project down payment. Also, since the Association does not own the real property where the common area improvements are proposed, there are limited viable alternatives for securing the loan amount. I appreciate the opportunity to review your request and look forward to assisting you and the Association with future banking needs.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paula R Williams", is written over a light-colored background.

Paula R Williams
Vice President
Lake Area Bank

Mutual of Omaha Bank
Community Association Banc

September 14, 2010

Marian Hewitt, President
Lake Josephine Apartments Association
3076 Lexington Avenue No.
Unit B5
Shoreview, MN 55113

Dear Ms. Hewitt,

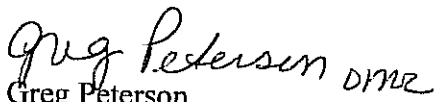
Thank you for your community association loan application for Lake Josephine Apartments Association.

We have given your request careful consideration, and regret that we are unable to extend credit to you at this time for the following reasons:

- There are less than 25 units per property, resulting in the overburdening of the homeowners and the inability for the bank to distribute its risk.

We appreciate the opportunity to review your request. Although we are unable to grant credit at this time, Community Association Banc may be able to serve you in other ways. Please call and ask us about our various other financial services.

Sincerely,


Greg Peterson
Senior Commercial Lender

CC: Paul Oie, Property Manager

NOTICE: The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Protection Act. The federal agency that administers compliance with this law concerning this creditor is: Office of Thrift Supervision / 1 South Wacker Drive, Suite 2000 / Chicago, IL 60606 / (312) 917-5000.

100 Western Blvd., Glastonbury, CT 06033 Telephone: (860) 652-2000 Toll Free: (860) 211-1956 Fax: (860) 657-9035

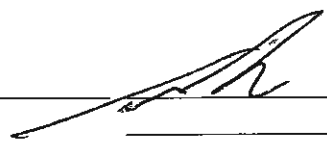
PETITION TO HOLD PUBLIC HEARING FOR AN ORDINANCE ESTABLISHING A HOUSING IMPROVEMENT AREA FOR LAKE JOSEPHINE APARTMENTS

The undersigned owns a unit in the Lake Josephine Apartments in the City of Roseville, Minnesota, has read the attached background material, and requests that the City Council of the City of Roseville hold a public hearing regarding establishment of a housing improvement area for the Lake Josephine Apartments, such hearing to be scheduled at such time as the City Council determines with due notice given in accordance with the Housing Improvement Act.

	FULL NAME (Print)	SIGNATURE	ADDRESS	DATE
1.	Hewitt	Graham Hewitt	5	11/11/10
2.	JOANNE KREYER	Joanne Kreyer	C2	11/11/10
3.	John Doll	John Doll	A6 B-3	11-11-10
4.	LAVERNE HAMMERSTROM	Laverne Hammerstrom		11-11-10
5.	Constance m Wolfe	Constance m Wolfe	B2	11/11/10
6.	WILLIAM P STURN	AS Wm P Sturn		11-11-10
7.	MERLE Zima	B4 Merle Zima		11-11-10
8.	Bastian Mary Jo	C4 Mary Jo Bastian		11-11-10
9.	Alyssa Paddock	C6 Alyssa Paddock		11-11-10
10.	Kathryn Kruen	C8 Kathryn Kruen		11-11-10

**PETITION TO HOLD PUBLIC HEARING FOR AN ORDINANCE
ESTABLISHING A HOUSING IMPROVEMENT AREA FOR LAKE
JOSEPHINE APARTMENTS**

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FULL NAME (Print)	SIGNATURE	ADDRESS	DATE
1. <u>Jan Weberman</u>	<u>A7</u> 		<u>11-11-10</u>
2. <u>Carmen Moll</u>	<u>Carmen Moll</u>	<u>C3</u>	<u>11-11-10</u>
3. <u>Karen Hannah</u>	<u>Karen Hannah</u>	<u>B-1</u>	<u>11-11-10</u>
4. <u>Liane Rose</u>	<u>Liane Rose</u>	<u>B4</u>	<u>11-11-10</u>
5. _____	_____	_____	_____
6. _____	_____	_____	_____
7. _____	_____	_____	_____
8. _____	_____	_____	_____
9. _____	_____	_____	_____
10. _____	_____	_____	_____

1 **8. Presentations**

2
3 **9. Action/Discussion Items**

4
5 **a. Lake Josephine Housing Improvement Area (HIA)**

6 Housing Coordinator Jeanne Kelsey provided a history of the request of the Lake Josephine
7 Association (LJA) and their petition to the City for establishment of an HIA, at a budgeted
8 amount estimated at \$403,800. Ms. Kelsey noted that the LJA was a 23-unit complex located
9 at 3076 Lexington Avenue, originally constructed in 1969 as an apartment building and
10 converted into a condominium association in 1979. Ms. Kelsey advised that the complex was
11 self-managed until January of 2006 when Advantage Townhome Management (ATM) was
12 hired to manage their association, resulting in some annual maintenance improvements.
13 However, Ms. Kelsey noted that the LMJ needed to update their elevator to meet 2012 State
14 building codes, in addition to replacing windows, boilers, siding and common area
15 improvements and mechanical work related to ventilation at an estimated cost of \$403,800.

16
17 Ms. Kelsey advised that, as of their annual board meeting held on November 11, 2010, the
18 Association had received over sixty percent (60%) of appropriate property owner signatures on
19 the petition requesting HIA. Ms. Kelsey reviewed the lack of replacement reserves to make
20 the improvements, in addition to their attempts to finance from two banks, and subsequent
21 denials of those requests.

22
23 The HIA request is further detailed in the Request for HRA Action, and related attachments,
24 dated November 16, 2010.

25
26 Ms. Kelsey advised that representative members of the Association and their management
27 company were present.

28
29 Discussion among Members and staff included staff's recommendation for application by the
30 HRA for Community Block Development Grant (CBDG) funds from Ramsey County that will
31 be available after January of 2011; and to consider other loan options, such as available HRA
32 funds for Villa Park or in the single-family loan fund for HRA Board consideration. Ms.
33 Kelsey recommended that the HRA make application for CBDG funds with the City HRA as
34 the applicant and funds loaned to the LJA.

35
36 Further discussion included potential terms of such a loan; special assessments impacting each
37 unit; timing for payment of special assessments at time of sale or whether they could be
38 assumed by new buyers of units depending on the financing mechanism and on the direction of
39 the HRA; and current market value and sales history of the units in the current housing market.

40
41 **Jim Schumacher, Advantage Town Home Management (ATM)**

42 Mr. Schumacher advised that there was currently one unit being marketed at \$65,000, but that
43 it had been on the market for a lengthy time, and a short sale was currently being attempted.
44 Mr. Schumacher advised that association dues, currently between \$250 - \$295 monthly, were
45 based on each unit's square footage. Mr. Schumacher noted that with the proposed
46 improvements, the current annual maintenance costs of \$10,000 should be dramatically
47 reduced, allowing the LJA to increase their reserves; and estimated that the LJA currently had
48 approximately \$25,000 in its reserve fund. At the request of Chair Maschke as to how the LJA
49 became aware of HIA's, Mr. Schumacher advised that one of the homeowners had seen a
50 newspaper article related to an HIA-financed project and brought it to the attention of ATM
51 staff. Mr. Schumacher responded to other questions of the Board, including timing for roof
52 replacement approximately twelve (12) years ago and needed boiler replacement, both
53 representing major expenses in the overall funding request; and clarified that the common area
54 improvements consisted of improvements to the building's venting and mechanical systems in
55 the hallways, and not just for aesthetic purposes.

1 Discussion among Members, staff and Mr. Schumacher included disclosure of assessments at
2 the time of sale; term for assessments determined by the financing option chosen by the HRA
3 Board, with bond financing subject to a fifteen (15) year term; current association fees
4 including heat and utilities, based on the building's former construction as an apartment
5 building prior to conversion to condominiums; calculations as to whether an approximate
6 \$20,000 assessment in addition to a mortgage payment was detrimental to marketing them and
7 positioning the units out of the market; part of the HIA law and a requirement of the process
8 was for the LJA to develop a financial plan for review and approval by the HRA and ensuring
9 that future association dues increase sufficiently to avoid this situation happening again, and to
10 provide for sufficient reserves for future improvements and maintenance.

11
12 Further discussion included this and similar self-managed associations being unaware of the
13 legal requirements retaining reserve funds; legislative sunset on HIA's projected in 2013; and
14 consideration of whether the RHRA would qualify and/or be awarded CBDG grant funds to
15 facilitate a loan to LJA.

16
17 Member Pust expressed concern with the randomness of using public money on one project
18 and attempting to determine which project was the most needy based on their awareness of the
19 HIA option, perhaps overlooking other needs that are just as needy or significant. Member
20 Pust questioned staff on the one-time, limited application for CBDG funds, making the City
21 ineligible for other potentially worthy projects.

22
23 Ms. Kelsey confirmed that the City could only apply once in 2011 for CBDG funds; however,
24 she noted that a preliminary survey suggested that 51% of the homeowners at LJA met income
25 guideline eligibility; and the HRA could consider this request from the perspective of
26 addressing affordable housing goals, and assisting citizens on limited, fixed incomes.

27
28 Member Pust concurred; however, opined that those income guidelines may be applicable for
29 approximately 40% of the entire Roseville community.

30
31 Chair Maschka opined that this request was representative of another need for the HRA to
32 explore bonding options, and should be included in the HRA's future discussions regarding a
33 2011 work plan. Chair Maschka concurred with Member Pust regarding using public monies
34 randomly, but noted this and similar situations that the HRA needed to determining their role
35 and funding options for that role.

36
37 Executive Director Trudgeon noted that the HRA's web page included HIA's as a funding
38 tool, but that staff did not actively market that option. Mr. Trudgeon suggested that the 2011
39 work plan include direction for staff to make concerted outreach efforts and direct contact with
40 housing associations in the community to determine what, if any, needs are apparent and roles
41 the HRA could play avoid those properties deteriorating.

42
43 Member Pust noted that if funds were not available, people's expectations shouldn't be raised.
44 Member Pust questioned the validity of, and meaningfulness of the bank rejections meant; and
45 whether this truly represented a last resort for the LJA or if other private financing options may
46 be available. Member Pust cautioned the LJA that if there were other private options available
47 to them, they should thoroughly research those options, since the government process was
48 slower than the private financing market. Member Pust strongly encouraged the LJA to
49 increase their monthly association fees now to avoid becoming further in arrears.

50
51 Chair Maschka noted, from a financial perspective, this complex was very small and probably
52 shouldn't have been converted; and questioned if the banks had rejected the project based on
53 the size of the loan being too small or based on financial impacts on the marketability of each
54 unit.
55

1 Member Masche advised that Mutual of Omaha Bank was very active in residential lending
2 markets, and had a very detailed and strenuous process for reviewing requests, and if they
3 rejected financing the project, it was a significant statement, based on the size of the loan
4 request and its expensive impact for all parties. Member Masche noted that increasing
5 association dues was part of the HIA legal compliance and the association's due diligence in
6 developing a financial plan to facilitate adequate reserve funds.
7

8 Member Majerus suggested that a future HRA agenda provide for discussion on how much
9 involvement the HRA desired as other potential requests came forward as more association's
10 became aware of this option and submitted requests; to ensure the HRA didn't become
11 proactive in encouraging use of an HIA.
12

13 Ms. Kelsey noted that the request to the HRA, and recommendation to the City Council if
14 approved by the HRA, initiated the process of developing the third party financial reports by
15 the LJA, a proposed fee resolution; two (2) public hearings, one for creation of the ordinance
16 and one to establish the fee; during which that due diligence and review by City staff could
17 delay or halt the request.
18

19 Member Pust noted that the make up of the City Council had not changed, and reminded HRA
20 members and staff to take into consideration the political nature of the previous HIA request.
21 Member Pust expressed her bias that when an HIA was used, it was paid off when the property
22 was sold; and she was opposed to a private party benefitting financially from public funds.
23

24 Member Masche addressed special assessments paid in a year versus allowing payment over
25 time if an association assessed their own members.
26

27 Ms. Kelsey noted that such a process couldn't be done if bonds were issued, as it may result in
28 a shortfall for repayment of those bonds, following the property or for a term of fifteen (15)
29 years. Ms. Kelsey clarified that, if HRA funds were used and not a bond issue, the HRA could
30 allow for early repayment.
31

32 Member Pust opined that she would always want that as a policy.
33

34 Chair Maschka noted the need to consider unintended consequences in the marketplace with
35 the current market value or sales price of individual units in addition to a substantial
36 assessment on top of that market value.
37

38 Member Lee concurred, noting that they could already be overleveraged before adding the
39 extra HIA burden.
40

41 Member Pust noted that it was apparent that units were not selling well now.
42

43 Member Elkins sought additional information on the demographics of current unit property
44 owners.
45

46 **Marion Hewitt, Resident Homeowner of a unit at 3076 N Lexington Avenue**

47 As a long-term resident of the complex, Ms. Hewitt responded that the units were owned by a
48 lot of young people at this time; with four elderly married owners and a total of seven to eight
49 elderly-owned units; with all units currently occupied; and several younger people having
50 children, but covenants restricting that as there was insufficient play area for them other than
51 crossing Lexington Avenue to Lake Josephine Park, not a safe choice.
52

53 At the request of Chair Maschka, Mr. Schumacher advised that of the total of twenty-three (23)
54 units, two (2) of those were rental units, with the remainder owner-occupied. Mr. Schumacher
55 advised that if the assessment was stipulated for pay off at sail, it would seriously impact resale

1 of the units, estimating that the majority of the units valued at \$60-65,000 in today's market,
2 and an additional estimated \$17,000 in assessments, would signify a net loss for most of those
3 property owners.
4

5 Member Pust noted the need to factor that in; however, opined that a number of single-family
6 homes were currently upside down in the market as well; and the HRA needed to consider
7 their role in the overall housing market.
8

9 Mr. Schumacher advised that the units sold for an average of \$100,000 before the economic
10 downturn and housing market slump; and that new owners would have the added value of the
11 improvements, such as the new elevator and boiler, that would provide a benefit to them, as
12 opposed to the person selling the unit.
13

14 At the request of Chair Maschka, Ms. Kelsey clarified that the loan would be applied to each
15 individual unit, not the association itself; with Mr. Trudgeon noted the need to sort out the
16 costs for each unit.
17

18 Member Elkins opined that the HRA's involvement in this HRA would serve to support its
19 goal for providing sustainable housing in the community.
20

21 Member Lee opined that it also served to stabilize the City's tax base, and that it fit the HRA's
22 criteria. Member Lee sought clarification from staff if the approval was reversible at any point
23 in the process.
24

25 Ms. Kelsey advised that, if the process was not completed within sixty (60)-days of the
26 ordinance adoption, the process would need to be initiated again from the beginning. Ms.
27 Kelsey reminded HRA members that it was up to the City Council to make the final
28 determination, based on the HRA's recommendation; and that if the HRA chose not to make a
29 recommendation, the City Council may not pass the ordinance.
30

31 Thinking "outside the box" and from a financial perspective, Chair Maschka opined that it
32 might make more sense to rehabilitate and then sell the entire building as an apartment
33 building that should have never been converted.
34

35 Ms. Kelsey observed that this complex was not an isolated case in Roseville that fit into that
36 category.
37

38 **Motion: Member Elkins moved, seconded by Member Lee to recommend that the**
39 **Roseville City Council hold a public hearing for consideration of an ordinance**
40 **establishing an HIA for the Lake Josephine Association.**
41

42 **Ayes: 6**

43 **Nays: 0**

44 **Motion carried.**
45

46 **b. HRA Staffing**

47 Executive Director Trudgeon summarized the request to include a review of the HRA
48 organizational staffing plan as part of the 2011 work plan, as detailed in the Request for HRA
49 Action dated November 16, 2010. Mr. Trudgeon noted that HRA staff had made great strides
50 in the three (3) years since its 2007 reorganization, with more resources dedicated toward its
51 mission and refocusing on that mission, with aggressive efforts to-date. Mr. Trudgeon noted
52 the need, as supported by the HRA's Finance Sub-Committee, to review the Housing Program
53 Coordinator's job description, given its critical role for the HRA mission, and involvement in
54 day-to-day operations to ensure that the job description matched operational realities.
55