

CHEDA RESOLUTION NO. 6-1-2021

**RESOLUTION OPPOSING CITY OF CROOKSTON'S
PROPOSED DISSOLUTION OF CHEMA**

Whereas, the Crookston City Council ("Council") is considering rescinding Crookston Housing and Economic Development Authority ("CHEDA")'s Enabling Resolution and dissolving CHEMA;

Whereas, Crookston City Council is holding a public hearing on June 14, 2021, on the question of rescinding CHEMA's authority and dissolving it;

Whereas, letters in support of CHEMA, CHEMA's 2020 Year in Review Report, and a Memo on statutory powers of EDAs and HRAs have been attached to this Resolution;

Whereas, CHEMA submits this Resolution to explain what CHEMA does and why CHEMA opposes Council's proposed dissolution;

Whereas, the key reasons against dissolving CHEMA are:

1. By statute, CHEMA performs functions and exercises authority not readily available to the City;
2. Dissolution of CHEMA will expose the City to liability for paying back millions of dollars in state and federal aid;
3. Assuming all of CHEMA's projects and activities will create significantly more work for City staff with little, if any, justifiable financial savings; and
4. CHEMA has decades of experience and established relationships that cannot be replaced overnight, removing this long-standing agency will necessarily create a disruption in the housing assistance and business aid citizens have relied on for years.

Whereas, the Council's call for dissolution was abrupt and without warning and the City has not sought a dialogue with CHEMA, but CHEMA would welcome the opportunity to address any of Council's concerns about CHEMA.

Now, therefore, the Crookston Housing and Economic Development Authority presents the following in response to Crookston City Council's proposal to rescind and dissolve CHEMA:

Before discussion of what CHEMA does and why it should be allowed to continue, it's important to note that if the City has concerns about CHEMA's budget, efficiency, or communication with the City, CHEMA would like the opportunity to have those discussions with the City and address its concerns. CHEMA's intent is not to hold on to power for power's sake, but to only work within the powers the City has granted, and cooperate with the City to define and work towards jointly held goals to advance the community of Crookston.

I. CHEDA's Background

The City enabled and the State of Minnesota authorized the Crookston Development Authority in 1987, and the City amended it in 2008 to Crookston Housing and Economic Development Authority. The City established CHEDA as an Economic Development Authority (EDA) that has the functions and powers of Housing Redevelopment Authority (HRA). The City provides a stipend for the budget of CHEDA and has the ability to amend CHEDA's enabling resolution.

II. Special Statutory Authority

EDAs and HRAs benefit Cities because they are independent (to a certain extent) authorities that are dedicated solely to address housing and economic issues within a community. EDAs and HRAs can operate more flexibly to create business assistance and development programs. For Cities to validly spend public funds it must have 1) a public purpose and 2) the legal authority through statute or city charter. Minnesota Statutes Chapter 469 grant specific powers to HRAs and EDAs that are not specifically granted to Cities. EDAs are uniquely situated to provide business assistance because of these statutory powers. For example, EDAs are specifically authorized to defer payments on existing loans, develop new loan programs to promote new businesses, and make contracts for the purpose of economic development. Attached is a Memo describing the differences in statutory power of an EDA, HRA, and a City with respect to housing and economic development.

III. Financial Concerns

A. State and Federal Aid granted to CHEDA requires that CHEDA stay in existence.

CHEDA is under contracts with state and federal agencies for grant and loan money that can be clawed back if the conditions for the money aren't met. CHEDA is the named recipient in these grants and loans, the money would not automatically flow to a new City department or a new HRA:

1. CHEDA was granted a deferred Loan of \$1,758,512.00 from the Minnesota Housing and Finance Agency ("MHFA") to spend on Oak Court Apartments. The money granted is generated from proceeds of state general obligation bonds, and the Loan Agreement requires that CHEDA continue to use these funds for Oak Court Apartments. If CHEDA defaults on the Loan, MHFA can stop disbursing the money and immediately require that CHEDA pay back the loan balance. The Loan specifically states that "[i]f Borrower [CHEDA] shall make an assignment for the benefit of its creditors, or **shall be dissolved**, or shall commit an act of bankruptcy ..." CHEDA would be in default of the Loan agreement.

CHEDA is currently using this MHFA Loan for plumbing updates at Oak Court Apartments, a project desperately needed for the residents. If CHEDA was suddenly dissolved, no entity would exist to make a draw request on this Loan to continue the

plumbing project and MHFA would be within its contractual rights to stop disbursements for this project. A new entity would not automatically be able to draw on these funds.

2. CHEDA has submitted an application for an additional \$570,294.28 of funding from MHFA to spend on a roof project for Oak Court. The application is still pending but it was favorably received and MHFA is likely to grant it considering it has already invested nearly 2 million dollars and would like to see Oak Court succeed. If CHEDA is dissolved, this pending application would likely be rejected considering the entity that requested it no longer exists. Creating a new City department or HRA takes significant time, and these applications are lengthy and complex, the opportunity for these funds will likely have passed. CHEDA has spent years familiarizing itself these long and involved funding applications.

3. CHEDA received a USDA Rural Business Development Grant, which was used to create a revolving loan fund that benefited local businesses like Total Lawn Care and Adams Heating & Cooling. During the application process CHEDA made assurances to USDA that CHEDA was the entity using these funds. CHEDA has spent many hours ensuring it complies with the many requirements, disclosures, and reporting for these funds.

4. Riverview Healthcare Customized Living partners with CHEDA to operate Oak Court and it can only operate within a public housing agency. The City has presented no plan to address this, Riverview employs around 10 employees and provides medication and assisted living services to around 15 tenants. A gap in these services, even for a day, would be life-threatening and the City has presented nothing to address this.

Finally, this kind of unpredictability and discord between the City and CHEDA could make state or federal agencies hesitate before granting aid to Crookston in the future. Just like private businesses that hesitate to invest in unpredictable areas, state and federal agencies think twice about extending aid in the future if there's no guarantee that the named recipient will still exist to comply with the conditions for the money.

B. Dissolving CHEDA would not save the City money.

While an HRA has the statutory power to levy property taxes, HRAs generally get their budgets from the City. CHEDA already acts as and contains the powers of an HRA, any expenditure to create a new HRA with new staff, board, and other startup costs is duplicative and entirely unnecessary. Retaining existing employees is generally cheaper than hiring new and even transferring the existing CHEDA staff to a new HRA would be cumbersome and unnecessary. The City also does not pay any salary to the CHEDA board, they are volunteers. CHEDA also tries to save the City money wherever possible. For example, CHEDA uses funds from Housing and Urban Development ("HUD") to pay for a significant portion of Executive Director Craig Hoiseth's salary, the City currently only pays 60% of his salary.

If the City has concerns about efficiency, communication, or CHEDA's budget, it seems the more cost-effective way to address them is to talk to CHEDA about how to fix them, instead of spending time and money for public hearings to dissolve CHEDA, establish a new City department and hire a new staff person, establish a new HRA that will require funding, and find new paid or unpaid Board members for the new HRA.

C. Conflict with Minn. Stat. § 469.092.

In addition to the contractual issues this dissolution would cause, by statute the City cannot create new limitations on CHEDA that impair their contracts. Minnesota Statute § 469.092, subd. 5 states that although a City has the statutory authority to limit CHEDA's powers, "[the limitations] must not be applied in a manner that impairs the security of any bonds issued or contracts executed before the limit is imposed." Dissolving the entity that signed the contract would significantly impair the contract, and would impair the security of the MHFA bonds issued for the forgivable Loan referenced above.

IV. Administrative Issues

The Crookston EDA has been operating since the 1980s, and has been operating as a Housing Authority since 2008. Dissolving CHEDA would eliminate decades of institutional knowledge that the City cannot easily replace. The CHEDA staff has a combined 51 years of experience in housing and economic redevelopment (Craig Hoiseth: 10 years, Theresa Tahrán: 15 years, Tiffany Jones: 7 years and Bill Tate: 19 years)

Transferring all the work CHEDA does into a newly created City department or an entirely new HRA would create a significant amount of additional, unnecessary work for the City. If the City is concerned about communication and efficiency issues with CHEDA, it is unclear how establishing a new HRA will address those concerns, a new HRA would also operate separate from and independent of the City.

Administering the Crookston housing projects is not something that can be learned overnight. The people and businesses that CHEDA supports need effective and efficient help, especially on housing issues. When someone's heat goes out in January, or when CHEDA's rental aid is the only thing between a safe place to live and homelessness, people rely on fast and effective aid. CHEDA has spent decades to become as efficient as they are now, and dissolving it and creating an entirely new HRA or new department would create more hurdles between people and their housing needs.

The City is moving very quickly to eliminate something that has been supporting the community for nearly 35 years, without any meaningful discussion about why. CHEDA has a large presence in the community and this sudden dissolution would create a huge void-- and the City has not presented any specific or detailed plans on how to address this. At its May 24th council meeting, the Council discussed creating a new Department and evaluating the need for a new HRA, but has given no plans on how to actually perform CHEDA's obligations and responsibilities. If the City moves forward and CHEDA is dissolved as of June 14, 2021, CHEDA would like to plan and provide clarity to the people it serves on how

its obligations would be met on June 15, 2021. For example, CHEDA sends Housing Assistance Payments to its landlords and utility reimbursement checks to Section 8 clients on the last day of the month, will they receive that money in June if CHEDA is dissolved on the 15th? CHEDA also makes at least three mandatory reports to HUD in a month, should HUD be notified not to expect these? Many local businesses are under loan agreements with CHEDA, how will these continue to be administered if the party to the contract is dissolved?

Attached to this Resolution is CHEDAs 2020 Year in Review, which details some the projects and loans CHEDA is currently administering. Dissolving CHEDA in June would grind all these community improvements to a screeching halt without any detailed plan on how to address the hole that will be created in the community if CHEDA is dissolved.

V. Effects on the Community

People rely on the housing assistance from CHEDA, and multiple businesses in Crookston have been able to grow and thrive as a result of aid facilitated by CHEDA. CHEDA is in the middle of a number of projects, including a major plumbing project and prospective roof upgrades in Oak Court Apartments that would drastically improve the residents' quality of life.

Dissolving CHEDA could have devastating effects on vulnerable people who rely on CHEDA's housing assistance. As stated above, CHEDA is under contracts with state and local funding for housing and if CHEDA is dissolved, this funding could be pulled and people could lose their housing assistance. CHEDA has built personal relationships with state and federal agencies, local business owners, and the entire Crookston community that cannot be replaced by a new City Department or HRA.

Attached to this Resolution are letters detailing how CHEDA has helped individuals and businesses. Some of the highlights from the attached letters of support:

- Twanda Smith and her family was homeless before CHEDA intervened. Because of CHEDA, she was able to move her family into a subsidized townhome and has lived there for the past two years.
- CHEDA sponsors a program that teaches high school students how to build a house and trade skills, through this program the Quanruds were able to purchase the home built by these students when they needed a bigger home to accommodate their growing family.
- Because of CHEDA's Oak Court Apartments, citizens like Brad and Mary Sistad, and Ives Ricks, were able to move to a safe, comfortable and affordable assisted living facility.
- When Oak Court underwent construction, CHEDA smoothly and efficiently relocated the tenants, worked closely with Riverview to make sure staff and residents knew

what was going on. Because of CHEDA's efficient and effective staff, the facility services and daily routines of the residents were not disrupted during constructions.

- Through its B3 Business Grant, local businesses like Biermaier Chiropractic Clinic, Drafts Sports Bar and Grill, and Hair Connexion to improve, grow, and expand.
- CHEDA's various housing projects have the direct effect of providing affordable housing but also indirectly provides business for contractors and subcontractors like HN Plumbing, Crookston Paint & Glass.
- CHEDA hires local businesses like Irishman's Shanty for catering at Oak Court.
- After taking business advice and suggestions from CHEDA, McBride's Automotive business expanded and Jim McBride enjoys strong returns on his investment.
- When B&E Meats hit hard times, CHEDA provided a revolving loan with flexible payoff terms.
- Through a CHEDA grant and business assistance, Heroes Rise Coffee was able to launch a business in Crookston.
- Through CHEDA's Valley Technology Park business incubator program, businesses like Doherty Staffing, Garrett Kolin's Thrivent office, Functionally Fit were able to grow to a point of eventually relocating to downtown. Although VTP was once a financial burden to the City and was nearly sold, CHEDA intervened and implemented a plan that has stabilized it and now generates over \$35,000 in profit for the City every year.
- Crookston Sports Center was able to add additional space and remove debt service through the tax credits and financing secured through CHEDA.
- Through CHEDA's aid, 16 homes were constructed and 22 have been rehabilitated.
- The Fournet building is being renovated with the help of CHEDA's creative business advise and funding.

Additionally, CHEDA aid has been instrumental in establishing a number of businesses. Without CHEDA, the following businesses would not likely be in Crookston:

- Crookston Inn
- Real Good Bath and Body
- Functionally Fit

- Hardware Hank
- S. Main Street Apartments
- Drafts Sports Bar and Grill
- Meadows Apartments
- Cobblestone Hotel
- Herkenhof Housing Projects in Nature View Estates
- Caseys
- Agassiz Townhomes
- Grand Theater
- Wonderful Life Foods
- Tru Value
- B&E Meats
- Total Lawn Care
- Adams Heating & Cooling
- Synergy
- Centrol

CHEDA continues to foster growth and has a number of upcoming projects in Crookston including:

- Epitome Energy
- Vertical Malt
- NorthStar Lime
- AG Innovation Campus

VI. City Motivation

It is not clear what truly motivates the City's efforts to dissolve CHEDA. The hasty effort to dissolve CHEDA does not appear to be supported by any significant thought or plan for what happens if CHEDA is dissolved, or how this would hurt the community. If any substantive or qualitative analysis was given to this, it was not presented to full Council, the public, or to CHEDA. Dissolving CHEDA will have a huge and, in some scenarios, immediate negative effects on the community, this decision should be given substantially more consideration than the timeline the City has forced the community into. Even the seemingly innocuous decision to call a public hearing should be given more than a weekend of consideration. The majority of Council, the public, and certainly the entirety of CHEDA, was blind-sided by this. It appears that this issue has been rushed to the Council and to a public hearing in order to prevent the public, the full Council, and CHEDA from gathering and reviewing the data, reports, and other information required to make an educated decision or presentation at the public hearing. CHEDA has clearly worked diligently on behalf of Crookston, and the City has not presented any clear explanations for why this dissolution is necessary. Rather, this seems to be a complicated but transparent attempt to discipline CHEDA for some unspoken grievance, without first addressing CHEDA directly and attempting to resolve it. This is not an appropriate form of dispute resolution. Not only does it create negative public image but ultimately creates additional taxpayer cost to resolve disputes that should be handled in a more efficient and mature manner.

This Resolution is offered to show Council and the community what CHEDA does, and provide the guidance and information that the City failed to offer when it abruptly suggested dissolving CHEDA. For decades CHEDA has supported and fostered growth in Crookston and would like the opportunity to continue making Crookston a great place to live and work.

Adopted this ___ day of _____, 2021.

President

Executive Director

