

MINUTES/FINANCE COMMITTEE

Tuesday, March 25, 1997 - 3:45 p.m.

Members present: Carpenter, Babinchak, Bakken, Hamerlik.

2. Matter of issuing up to \$50 Million of United Hospital bonds.

Mr. Schmisek reported this item came from United Hospital with letter and resolution dated March 21, that this is authorized in State Law, City acts as a conduit and for authority for the Hospital to issue tax exempt bonds. He reported the bonds do not affect our liability nor do they impact our debt capacity, but sole liability is that of United Hospital and do not reflect on City of Grand Forks.

Daryl Larson, attorney representing United Hospital, reported that only change in the resolution is in paragraph 2 under Proposal, dealt with costs incurred with respect to the purchase by the Hospital of the assets of the Grand Forks Clinic, Ltd. and that has been expanded to say "..and Medical Facilities Company, a North Dakota general partnership.." He explained that the reason for the change is that most of the real property being purchased (Clinic building, etc.) is actually owned by a partnership and not by the Grand Forks Clinic, the corporation.

Chairman Carpenter stated that going through with this project will take currently taxable property off the tax rolls and there is some concern in approving a bond issue that will take property off the tax rolls and cause considerable financial concern to all taxing entities in Grand Forks. He stated that between now and May 5 they would like to negotiate how this is going to go forward; that he is aware that the Hospital has talked with Mr. Carsen and with Mr. Schmisek about an arrangement, and he would like to see that finalized prior to approval of this bond issue. He stated that he wanted Mr. Larson to be aware so that he could inform Hospital reps. that this is an issue they would like to see resolved prior to finalization of the issue. Mr. Larson stated that the Board of the Hospital and United Health Resources are very sensitive to that also and will work with the City.

Carpenter stated that the Hospital has talked about a five-year period but City not necessarily in favor of that; Mr. Larson stated that is something they will discuss in the next month and recognize fully that this is just going to place on agenda

for a hearing on May 5 and is no guarantee.

Moved by Babinchak and Hamerlik to adopt the resolution relating to the issuance of Revenue Bonds on behalf of the United Hospital or The United Hospital and one or more of its affiliates, and call for a public hearing on May 5, 1997.

Upon call for the question, the motion carried.

3. Matter of Water Revenue Bonds, Series 1997-C.

Mr. Schmisek reported that the resolutions for this bond

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issue had not been received from the bonding consultant, and asked that this be held until Monday, April 7, at 7:00 p.m.

4. Matter of review of sick leave transfer policy.

Mr. Schmisek reported that both Mr. Swanson and Mr. Gordon were unable to attend the meeting today, and asked that this matter be held. Held until next meeting.

1. Matter of TIF/tax exemption for former post office property at 311 South 4th Street.

Mr. Schmisek reminded committee that the hearing is scheduled for April 7 and is before committee to make determination on exemption and term of exemption if approved. Jeff Johnson, Postal Investors, appeared before the committee and stated that they will accept committee's recommendation.

There was some discussion re. cash projections for improved building for years 1 through 15, and based on that projected cash flow the developers would have debt paid off well before the 15-year period, committee stated they wouldn't want to give tax exemption when don't have debt service. Mr. Johnson stated cash flow projections based on 80% occupancy, occupancy rates not known and risks are upfront; and that flow chart based on the full 15 years.

Bakken suggested granting the tax exemption on a graduated scale (100% for first five years, 80%, etc.) Mr. Carsen stated that tax increment financing provision is all or nothing, cannot step it in; because it sets aside the tax money on the base year and anything over that is the increment. Committee asked if there could be an in lieu of payment if they did that, Mr. Carsen stated that comes under another provision but perhaps could combine. He reported that he has also

established a new 1997 value on the property of \$491,300 and anticipating value if fully taxable at \$1.2 Million (after all improvements); and that the tax difference between \$491,300 and \$1.2 Million at today's level is about \$17,700 per year.

Moved by Babinchak and Hamerlik to grant a tax exemption for a period of 8 years.

Bakken suggested extending to 10 years; and committee noted that occupancy rate could increase. During further discussion it was noted that they are paying this down very rapidly, paid off in 11 1/2 years, and if problem, at that time could re-finance.

Upon call for the question, the motion carried.

5. Matter of renewing Grand Forks County Public Safety
Answering

Point (PSAP) joint powers agreement.

Pete Eggimann, PSAP, distributed copies of the agreement and reported that this was presented to members of the public safety

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committee yesterday, and that the agreement comes up for renewal later this year, but would like everyone to have opportunity for input or to address any issues. He noted this has to be approved by the City, County and University (Higher Education Board in Bismarck). He reported that the original agreement was modified once to expand the Authority Board from 5 to 6 members, with chairman of the User Board now being a member of the Authority Board. He also reported that the percentages in the agreement are the original percentages of the division of the budget; the agreement gives the Authority Board the authority to adjust those values based on usage of the Center and the current splits are: City 68.03%, County 16.73%, UND 11.57% and 3.67% out of E-911 surcharge; and those monies make up operating budget for the Center; and doesn't deal with rural addressing or maintaining or replacing equipment which are in the E-911 budget. Committee noted that City also paying significant portion of the County share.

Mr. Eggimann noted that proposal is to renew agreement for additional 5 years.

Held in committee until April 15 meeting.

6. Matter of renewing/extending 911 service telephone surcharge.

Mr. Eggimann reported he had requested city attorney to review; that the NDCC provides for the surcharge, and states that the City or County, whoever had jurisdiction at that point, had to pass the resolution authorizing the tax and that had to go to vote of the people, that was done and then the joint powers agreement was put in place; the Authority Board assumed some of the responsibilities that the City and County had prior to that. He stated that the city attorney's memo stated he's not exactly sure who should be passing resolution to renew the surcharge and his recommendation to the Authority Board was that they authorize the renewal and then ask the city council and the county commissioners to approve. He reported that the Authority Board made that resolution at their January meeting, making the renewal retroactive to July 1, 1995. He reported that the surcharge can only be extended for one six-year period, and would then have to go back to the voters if it were to continue or there were to be a rate change (continue the \$0.50 surcharge).

Moved by Babinchak and Bakken that we confirm the action taken by the PSAP Authority in extending the E-911 surcharge for six years retroactively from July 1, 1995 to July 1, 2001. Motion carried.

7. Matter of increase in fees for housing inmates at Grand Forks

County Correctional Center.

Mr. Schmisek reported he had received copy of letter from Grand Forks County Correctional Center dated September 3, 1996 (he didn't recall receiving original letter), requesting to raise **MINUTES/FINANCE COMMITTEE**

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fees at County Correctional Center eff. January 1, 1997 for housing of prisoners from \$20.00 per day per inmate to \$25.00 per day per inmate, and Municipal Court has held their January billing. He reported that our contract states that any modifications shall be subject to approval in writing of the parties thereto; and was brought to committee for their action. He reported that he will submit letter to the County requesting that if they are going to be raising the fees that they inform City before budget process starts. He stated that this increase should not impact us very much this year as we have

\$40,000 budgeted and with the increase, based on last year's usage, would be approx. \$41,700. Moved by Bakken and Babinchak to approve increase to \$25.00 per day per inmate. Motion carried.

8. Matter of request for telecommunication and technology proposal.

Mr. Schmisek reported that information sent to committee was copy of very simple RFP for a study on telecommunications and technology and reviewed background information with the committee as to why they are proposing this: current and pressing needs from other offices and perhaps look to a five-year plan so know where going in the technicalogical and telecommunications area. He reviewed present equipment and locations of phone systems, computer systems and radios. He noted that current phone system contract will expire in October of this year. He also reported that the police department has \$50,000 budgeted for a new phone system, and that those monies could be used for the study, they are willing to do that if go with a study, but if study not done, want to put in their phone system.

Chairman Carpenter stated he had concerns when this was first brought forth, still very skeptical; that there is lot of reluctance on part of council to hire consultants; difficult to hire consultant when don't know what want to accomplish, telephone system he understands but not so sure about computer technology, not sure council wants public to have access and questioned how departments know where they want to go if council hasn't discussed or set out broad vision.

Mr. Schmisek stated that one of the reasons this is tied into one is because in the past have put phone systems in piecemeal, based on recommendations from local vendors who sell the units and we haven't had much luck; and it appears that by hiring someone who doesn't have an interest in the type of equipment being recommended, there may be opportunity to get systems that will function and serve us longer. He stated that if put telecommunication system into place and then do technology upgrades you want that phone system to be able to handle what you are doing. He stated this is brought to the committee for input and feedback and if need to bring to full council to see where they want to go, that's viable approach. He stated there are group of people who

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want to pursue (Board of Realtors want access, etc.), and that it seemed that putting all together with the concerns they have in the radio system and phone system, and trying to get handle on where want to go technology-wise, it seemed more appropriate than doing piecemeal.

It was noted that consultants for this type of study would probably come from Twin Cities area or larger cities. Babinchak stated she agreed that systems have to be tied together and not do piecemeal, which perhaps costs more money. Mr. Schmisek stated his biggest concern is whether this is something they can actively pursue, perhaps do in stages. Carpenter expressed concern if spending money on consultants and support not there to implement their recommendations.

Pete Eggimann, PSAP, stated they need to look at radios, City holds 10 or 12 frequency licenses and trying to maintain all of those separate systems, renting tower space and other equipment from vendor rather than owning. He stated that the PSAP consoles coming up on life expectancy, need to do something within year or two and is ideal time to look at city-wide radio system. He stated they are running out of space and looking to move and because of complexity of move, would be out of business, would like to time move with installation of new consoles so set up new center with new equipment.

Council Member Sande addressed committee stating that she would like to encourage committee to do this, that she thinks it's important, that with a consultant would have someone who could oversee installation and make actual recommendations; and important that we not do installation the way they did computer program in the police department where it took 4 people 2 1/2 years to get up and running.

Mr. Eggimann stated he was not in favor of hiring consultant to just give an opinion on what should do, but if phrase proposal correctly would be hiring equivalent of a general contractor, who would be responsible for the project. Mr. Schmisek stated that as a part of the final scope, the consultant is to assist in the implementation of study results including preparation of the RFP, documents for vendors, evaluation of bids, management of installation of equipment.

There was some discussion as to what City pays for tower rental, Mr. Schmisek reported that in full scope of what City pays one vendor for tower rental, maintenance, etc. somewhere in area of \$270,000/year. Committee questioned if City owned

its own tower, whether City could rent space to somebody else. Mr. Eggimann stated he thought they would be able to do that; that if they put in trunk radio system and built capacity into it, wouldn't try to market to just anybody but would guess there might be some public

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safety entity (EGF, UND, United Hospital, etc.) and perhaps generate some revenue that way.

Carpenter stated that as it relates to the telephone system, radio system on city-wide basis, wouldn't have problem looking at that but going to be very expensive, but doesn't know what consultant is going to do for City as far as computers and applications and what City wants it to do, City has to make those determinations and make decisions in what we want to do, council hasn't had those debates and that's why very uncomfortable in going ahead with a study that's going to deal with those issues when we haven't set the vision that's going to guide the department heads as they work with the consultant to set the scope, that everyone is going to want everything and be too expensive, and council won't do it and going to cost thousands of dollars. He stated he's not comfortable with except telephone and radio systems, and if only dealing with those, doesn't know if need a consultant, possibly need to evaluate proposals but not upfront; and until council makes decision and commitment, wasted money.

Robert Dusso, Diversified Communications, stated they install PBX and key systems, that City is looking at five different components, that they really don't work together but talk to each other, if hire consultant there are lot of want-to-be consultants out there, and would have hard time finding one person who can address all areas City looking at.

The committee suggested holding a committee of the whole meeting to discuss this issue and general technology as a whole, and asked Mr. Schmisek to request mayor to set up a meeting.

9. Matter of Affordable Housing Plan.

Mr. Schmisek reviewed memo he had submitted to the committee; Mr. Schmisek reported that his numbers are probably low (re. cost to the City in reducing special assessments (est. \$850 for 60 ft. lot); \$150/lot (City's share) if two-year tax exemption base raised to \$75,000, and City would have to

finance and carry an additional cost of approx. \$4,500/lot. He also noted that if utilities installed this year it would appear on the next year's taxes, larger projects may be carried for additional year. It was noted that taxes could be delinquent for five-years before they would lose property, and this could increase that potential risk. There was also some discussion re. allowing districts in areas where land not as expensive but City at additional risk if lots didn't sell; but also noted that if puts City at additional risk then assuming there's not a need for affordable housing.

There was some discussion re. number of districts and number of lots in those districts to minimize City's exposure; Carpenter stated that his greatest concern is that this won't be utilized

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for affordable housing, nothing in report that defines district, or putting max. value on lot and the house built on it so that dealing with affordable house, with higher cost houses being built in the districts, that there should be max. lot and house cost limitations to make sure targeted for affordable housing. Hamerlik stated that by postponing costs (specials, garage, etc.) only spreads over cash flow, if what doing is getting someone into house and hope income will increase where they can afford those things that were postponed. Carpenter stated that by eliminating 50% up-front monies doesn't save house buyer any- thing, they will still have to pay same amount, but by doing that may be able to entice other developers to start building houses because they don't have financial wherewithal to put up that 50%, and get more developers involved and create more competition. He stated that reducing markup of specials is definitely a benefit to the homeowner; that this deals only with new construction and there's going to be lot of people in need of affordable housing who aren't going to be able to build a new house.

John Snustad, 623 Terrace, stated he was on the affordable housing task force, and the one thing that has created a lack of this housing is lack of affordable lots; and cause of this is the risk developer takes in developing subdivisions. He stated he has talked to developers who stated that if lots would have been available at an affordable price, they would have been building here. He stated they are trying to get everyone to make some compromises to get risk down so purchasers can take advantage of a reasonably priced entry house. He stated they are trying to lower cost of new homes

being built and whether that's affordable to everyone at the median level or not is not as critical as getting the price of homes down, whether at \$90,000 or \$110,000 isn't as critical as trying to fill that gap by pressuring the price down, that's driven by competition; and that's why they are asking for as much competition as they can between developers, builders, compromises from City, financing institutions, realtors or everybody involved to come up with product that makes the house prices come down to fill that gap.

Committee noted that the major component is cost of land, and if only expand in one direction, will that be reduced, what assurances does City have; skip over land that's so costly, but then noted that utilities would be too expensive and would provide tax base for the County, etc. It was noted that city council would designate affordable housing districts.

John O'Leary, exec. director of Urban Development, stated that one developer buying land, putting in infrastructure, selling, etc. and small contractors have been forced out of the housing market on new construction because can't access those lots. He noted that houses built in Richard's West on lots the City sold are selling for \$110-112,000; however they are not doing this now

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because they can't access the lots; that through this program they hope to diversify the number of player involved in this process. He also stated that he thought the two-year tax exemption was also an important factor in this. There was some discussion re. price of land next to city limits, and perhaps City should look at running infrastructure farther out.

John Snustad mentioned that Sunland West was example of area where developer keeping costs down (land, houses, etc.) and didn't work because in the wrong location, maybe some other issues around that but location is what resells houses, let private industry develop with their capital with some assistance from public entities. Bakken stated that if they develop to the south, only 3 players - won't compete among themselves.

Mrs. Sande presented matter of real estate guide from last week's newspaper, and noted that there was total of 36 houses, town-houses, condos, duplexes listed for sale under \$90,000, of those 7 are in EGF, 3 are townhouse/condos, and 26 are either houses or duplexes; that of the 36 houses 9 are priced

from \$80 to \$90,000, and 27 places for sale under \$80,000; that her concern is that this is affordable housing, not necessarily something that is \$105,000, that what they have been talking about could be characterized as the bankers' and contractors' relief act. She urged committee no matter what kind of tax expenditures the City makes, that the City look at doing rehab loans, or looking at properties in Wards 2, 3 and 4 that might be eligible for loans for rehabbing (new windows, insulation, etc.) that would be considered more affordable than \$105,000 houses.

Mr. O'Leary reviewed the affordable housing programs administered by their office: 1) Down payment and closing cost assistance (would like to see City money in this program); 2) infill housing (buying and demolishing substandard buildings, move in houses from water plant project site); 3) Acquisition of HUD houses (acquire when available, but seldom are); 4) New construction; he stated that 4) new construction is most effective, now funding with CDBG funds. Mr. O'Leary stated there are a shortage of houses in \$80-90-100,000 price range, and has increased \$40-50,000 houses. He stated they have discussed going into area and looking at TIF for financing; value of older houses artificially escalated and wouldn't be cost effective. He also noted that HUD regulations on rehabbing are severe (ie., lead based paint, etc.)

Carpenter stated that if cost of houses above \$80-90,000 wouldn't give district designation, and that he was in favor of step-down tax exemption. he also stated he would have problem with tax-payers subsidizing costs for someone over median income.

Carpenter moved to approve the Affordable Housing Plan as follows:

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- 1) that we limit the initial number of districts to no more than two,
- 2) that we limit the initial number of lots in each district to no more than 75,
- 3) adopt as presented,
- 4) adopt as presented,
- 5) adopt as presented,
- 6) adopt as presented,
- 7) adopt as presented,
- 8) adopt as presented,

9) adopt as presented,
10) adopt as presented,
11) adopt as presented,
12) that the two-year tax exemption be \$75,000 for houses up to \$100,000 in value, that the exemption be \$50,000 on houses from \$100,001 to \$125,000, and anything over \$125,000 receive zero tax exemption,
13) adopt as presented,
14) adopt as presented, and
that for determining an affordable housing district that the maximum cost of lot and house be no more than \$90,000 (excluding special assessments). The motion was seconded by Hamerlik.

Hamerlik excused.

Mr. Carsen suggested that you can't building affordable housing one house at a time, must mass produce to get costs down; thinks \$90,000 realistic, even \$70-80,000 for 1,000 sq.ft. house with no garage, \$10,000 for raw land and specials.

Mr. O'Leary and Mr. Snustad both recommended that housing not be restricted to \$90,000 but should be \$100-125,000 range, that limiting to \$90,000 would kill the program; however, Carpenter stated if in those price ranges, not affordable housing.

Upon call for the question the motion carried 2-1, Babinchak voting against the motion.

10. Budget amendments.

a) Emergency Management - \$18,000

Mr. Schmisek explained that amendment is from cash carryover for 1997 flood fight. Moved by Carpenter and Babinchak to approve the budget amendment. Motion carried.

b) Mr. Schmisek reviewed summary of 1996 transfers from Wages & Salaries to other line items for the various city departments. Information only.

Moved by Babinchak and Bakken to adjourn; meeting adjourned at 6:15 p.m.

Alice Fontaine, City Clerk

Dated: 3/26/97.