

**MINUTES/URBAN DEVELOPMENT COMMITTEE**  
**Wednesday, December 16, 1998 - 5:00 p.m.**

Members present: Glassheim, Beyer

1. Matter of held Downtown Rehab Grants.

Terry Hanson, Urban Development Office, reported that on May 13 the Flood Response Comm. was in receipt of the Downtown Grant applications from the Downtown DDC, these apps. were submitted with the recommendation that they all be approved; and at that time it was requested that the applications for the properties listed on the Memo (LTD Properties for LTD Sports at 9 N. 3rd Street; LTD Properties for Laura Burger law office at 414 ½ DeMers; LTD Properties for Red Geranium at 414 DeMers Avenue; Dacotah Building, Inc. for The Diner, 100 N. 3rd Street; Dacotah Building, Inc. for Merry Maids, 100 N. 3rd St.; Dacotah Building, Inc., for Dexheimer law office, 100 N. 3rd St.; and Tiger Management for Salon 311 at 311 DeMers Ave.) be held as they discovered some irregularities in their financial management system and wanted to study and determine what the problem was. He stated that since that time their office has studied those issues and have had the City's accounting firm of Brady Martz study the issues as well as the city attorney's office and another law firm out of Fargo that the city attorney hired to review this matter. He stated they have discovered that the financial management system of these entities, as well as the entities related to the owners' of these applicants was not adequate and does not meet the guidelines. He stated they are asking this committee for action and to present to council that action be taken on these applications and that this action, if approved, include some contingencies and those contingencies are that if the applications are approved that they be contingent upon a proper financial management system being in place within all entities and that the financial management system be verified by an independent accounting firm and suggest City's accounting firm of Brady/Martz and also recommend that this committee take action on withholding all reimbursement to any entity until such time that Brady/Martz verifies proper financial management systems are in place. He stated they also recommend that the applications be approved contingent upon the application still being viable (any changes would have to come back to committee). He stated that they also recommend that if approved and if financial management system can be verified as adequate, that after that period that reimbursements will be made to the entities only upon submission to Urban Development Office of verified expenditures and related documentation that proves that the

expenditures have been made.

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It was noted that if ap. did not remain viable, they will remain eligible pending meeting requirements. Glassheim asked if the financial management system asked how much that means and whether held to higher standard than other aps. Mr. Hanson stated that Brady/Martz is well aware of federal regulations that go along with CDBG funds and also aware of the specific regulations and he is proposing that we rely on Brady/Martz to tell us that aps. meet these requirements and feel that the information is obtainable and accurate based on systems replaced. He stated he would recommend to the applicants that they can contact Brady/Martz or any accountant to determine what is necessary to meet these guidelines. He stated they have to make sure that each entity has its own financial management system and that they have a procedure in place that we can document.

Dan Samson, LTD Properties in Dacotah Building, stated he was agreeable with the recommendation. He stated that with Rental Rehab. there's loan program that was put on hold and asked what status was on that. Mr. Hanson stated that is why he indicated that reimbursement to these and any related entities be suspended or temporarily withheld until financial controls are in place, fund still available to them but no funds released for any CDBG funds until Brady/Martz verifies that they have an accounting system.

Committee suggested rather than having date certain, have report back to committee in 90 days.

Moved by Beyer and Glassheim that we approve application and make release of funds contingent upon proper financial management system being put in place and reviewed by Brady/Martz, that any reimbursement of CDBG funding be contingent upon review by Brady/Martz and viability of the applications be reported back to this committee within 90 days. Motion carried.

2. Matter of RFP for the building management of the Corporate Center.

John O'Leary, director, Urban Development, stated they have a draft for request for proposals, the acquisition of services for the management of the Corporate Center, this is to acquire

services for property management firm to do day to day management of the building as well as other management activities as  
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required. He stated that the services being requested are at the urging of the tenants who would like to see a property manager involved in the building so have day to day point of contact, cost of the services would be part of the indirect costs that would be charged back to the tenant, pro-rated back on a sq.ft. basis, and wouldn't come off the rental fees. He stated that if this is approved and goes to city council to advertise for these services, written proposals would be due back on January 13, reviewed by February 2 and Urban Development would see committee recommendation by February 10, with council approval on February 16. He stated that the Selection Committee would be composed of 2 members appointed by himself and 2 reps. of the JDA, that he had conversations with tenants and would like to see tenants involved with selection of management company as they would be involved on day to day basis and wouldn't anticipate that there would be a staff person on the selection committee. He stated that their agreement with the tenants is that they pay a flat fee to service debt on Corporate Center and anything over and above that is operation and main-tenance cost which includes management. He stated that its important to proceed with acquiring services of property manager as one of the things this management company would get involved with is going out and finding tenants for the remaining balance of the unrented area at 401 DeMers, that building cash flows as is but would like additional revenue coming in. He stated they would advertise or send copy of RFP to known property managers in Grand Forks area and put ad in the paper. He stated that the property management company needs to have an on-site presence in Grand Forks. Moved by Beyer and Glassheim to approve request. Motion carried.

3. Matter of City Center Mall demolition.

4. Matter of property at 202 DeMers Avenue.

Mike Murie, EAPC, stated he has three sub-items related to this:

1) Change Order - Bid Package #5 (Magnus Trucking)

Mr. Murie stated that when they started disconnecting utility lines for Poplar's, etc. ran into some problems with waterline disconnects, Joe Kalenze was working with contractors and found several things that needed to be done and wasn't on plans (disconnecting of four lines plus main that was 19 ft

deep and ran underneath Sorlie Bridge, added new fire hydrant and removed an old one - \$11,632.00. Moved by Beyer and Glassheim to approve the change order. Motion carried.

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2) Mr. Murie reported that the other two items relate to additional work, old Colborn's building which City now has ownership, and could be done either as a change order to do environmental abatement and a demolition if desire to get done quickly or could be done as part of the second package that would go farther south on 3rd Street (from Kittson to Division). He stated they have the environmental survey done so know what's in there, and did ask contractor, EAS, who's been working on environmental project for a price, \$16,656.00, this is well below estimate. Moved by Beyer and Glassheim to approve change order to EAS in the amount of \$16,656.00. Motion carried. (This includes property at 202 DeMers Avenue)

3) Mr. Murie stated that the last request is for authorization to advertise for bids for environmental abatement and separately demolition on buildings that City owns from Kittson south to Division on South 3rd Street, (buildings that would remain or handled by others would include the Sheriff's Office which would be done by Mortenson's; Opera House, Widman's Candy, Plain Brown Wrapper, Great Plains Claims and adj. law office). He stated that there is one property that desires to relocate, 201 S. 3rd St. Moved by Beyer and Glassheim to call for bids for abatement and demolition for the package. Motion carried.

5. Matter of residential environmental abatement.

Mr. Hanson presented Bid Pkg. 44 for residential environmental abatement of four homes: 519 2nd Avenue South, 322 Cottonwood Street, 205 Lincoln, and 621 7th Avenue South; received 3 bids and lowest bid from MAAC for \$4,050.00 and requested that bid be approved. Moved by Beyer and Glassheim to accept the low bid of MAAC in the amount of \$4,050.00. Motion carried.

6. Matter of administration, marketing and management of Congressional I and II

Sally Page, on behalf of GF Homes of which she is president of that non-profit corporation, stated they are proposing to the Urban Development Committee and for recommendation to the city council for their approval, a proposal to deal with the

administration, marketing and management of Congressional I and II, this is an issue that has been of concern to Grand Forks

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Board and sale of its properties. This has been an item of discussion throughout the community, certainly with the council, and other interested parties, and reviewed for purposes of back-ground some historical information because it relates to the record to bring where they're at at this point.

Grand Forks Homes historically as a non-profit corporation has its foundation as a provider of low and subsidized housing for low income families, elderly and individuals with physical and mental disabilities. She stated they contract with the Housing Authority to provide the management of these properties, similar to other private corporate housing providers. Pre-flood Grand Forks Homes was able to build 7 houses in Burdick's Subdivision in affordable housing range of \$85-95,000, that these were well constructed but modest homes allowing new home buyers the opportunity to finish off basements and spaces normally used by single family owners; and houses priced at cost. Post-flood the consensus of the community, its leadership in the public and private sectors, disaster and housing experts and other was to rebuild the housing infrastructure of the community; this was based on the known and projected loss of single-family housing, projected loss of population and viable labor force, and the need for new housing to support crucial economic development efforts. These concerns were shared by the Grand Forks Homes Board whose members lost their homes or incurred significant damage, lost their businesses or jobs. Based on the request of the City, Grand Forks Homes assumed the risk of developing these housing projects through a complicated set of financial arrangements involving most local and regional banks, private sector, local construction firms and a variety of funding through grants, bonding authority and lines of credit. Sources of funding also included the input of funds from GF Homes itself. GF Homes built the projects based on the projected replacement housing needs and consumer desire as to size, the outcome of which served several purposes. These projects inserted \$20 million plus directly into the community and economy post flood; it put and kept a large segment of the population employed in businesses operating; materials were bought locally keeping money in the community and provided and provides the replacement property tax base taken out by the flood.

Burdick's Subdiv. quickly sold which provided the expectation that Congressional I and II would also; however, without an est. infrastructure of utilities and streets and with the conflict construction

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activity it was next to impossible to show properties, let alone sell them on a consistent basis, the effect of which meant that they lost a significant part of the real estate selling and buying season. They perhaps heard in a number of areas that developers normally would not confront because they tended to directly the sale of their properties rather than use the established local real estate community, however, those are decisions that were made under the operating framework of the time. GF Homes has been assessing its position and its concerns to remedy its lagging sales at a time frame currently which is the slowest sale time of the year.

The proposal they are making which has been through exploration and discussion stages with GF Homes Board and its management staff for some time, is presented to respond to some of the issues which they have raised and which have been raised by City leaders. They feel that there is a significant need to reach out to professional housing specialists on a contractual basis to assess and develop the essential plans and objectives for managing, marketing, promoting and targeting untapped sources for this project. It is the intent to meet the needs of the City's leadership, to improve the perceptions of the buying public as to these projects as well as to counter the negative effects of some local views, to improve the opportunities of the buying public to inspect and learn of their ability to purchase one of these properties. The proposal also includes an opportunity to open a better channel of communication between elected city officials and GF Homes, Inc. to establish a long-term management strategy by which they can measure results and adjust approaches accordingly, develop a plan which will embrace all participants, elected officials, realtors, lenders and others without whose support this project cannot succeed. Within that framework an aggressive strategy must be developed and implemented which responds to the pressure of the marketplace, to set the strategy in motion, they recommend that GF Homes request the city council through the Urban Development Committee to consider the following: the dynamics and complexities of this issue requires management of the project by an entity with

extensive experience within the real estate industry, GF Homes, Inc. should develop a request for proposal from qualified firms capable of performing these activities, including developing extensive business plan to include financial management, physical management of the inventory

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marketing strategies, disposition time line and resident/realtor relationships; develop an extensive market plan to include: advertising program, media events, promotions, public relations and for implementation: to implement the management plan, identify progress reports to owners and public, amend strategies as conditions warrant. These plans need to be developed and implemented in concert with the local realtors who will continue to play an integral role in the selling of these homes from the Congressional Subdivisions, establish a management over-sight committee which will be composed and recommend two members from the Grand Forks Homes Board of Directors and two city council members. Based on preliminary proposal estimates to implement the above recommendation and they are requesting approx. \$400,000 through their eligibility for CDBG administrative expense and the cost could be reduced dependent on the projects functioning during the 1999 selling season. This request is provided to the Urban Development Committee for consideration and support.  
(Attachment #1)

Mr. O'Leary stated they could use CDBG admin. account, funds are in the account to handle this kind of an expenditure and is eligible administrative expense. Mr. O'Leary stated they would send proposals to known real estate management companies, solicit known companies from national organizations as well as companies dealt with before and with advertisements to the public and any other mechanisms that GF Homes proposes to advertise. Ms. Page stated ads in metropolitan areas (Minneapolis/ Denver) that have such consultants and experts. She stated that in development of the project that they used a management process to coordinate the work of all the contractors, that they misstepped in the decision making process and did not also engage in the same type of activity which may have alleviated some of the issues and the problems. In reaching the point where now ready to sell the properties and get them moving to cover our financial expenses, need to move in that direction. She stated they met this morning as Board and are extremely positive of the project; their

discussions with a number of realtors and other members of the community this is not dooms day but is a needed management function in order to tie these pieces together for the forthcoming sales season to be sure that were coordinated to maintain the investment that has been put into the project and to properly manage the inventory for sale and disposition.

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Glassheim stated that all agree there has to be a plan, but is a little skittish about outside very expensive consultants and elaborate planning documents, that the Maxfield people almost suggested that there aren't enough people here yet, and concerned that with all the plans and expensive management techniques, if not enough buyers in that location at that price. He stated he is concerned about outside consultants rather than developing the plan locally by talking to local people.

Ms. Page stated that similar houses infill or part of private development project similar in design have sold, listed with more dollars, properly assessed but concept here is more than just developing a plan, it is to provide the expertise and the management ability.

Beyer stated that she feels this will work as with Mortenson's on the construction management, that to date it hasn't worked and feels that those homes are going to sell, and supports the idea.

Ms. Page stated she agrees with the Maxfield report that they still are under constructed for the community, in talking to local realtors that the effort and concern that was expressed is that the issue is not the immediate sale of the properties but is the tool by which we desperately move into economic development and to be able to offer opportunities for business and industries to come into Grand Forks and have available housing for the influx of people that they want to bring. Pre-flood it's no secret they had inadequate housing, had substandard housing and had locked in market for many individuals to be able to move from one price range to another. She stated we're at the stage now that if the community chooses to grow and develop, it will have to have sufficient housing in order to make that happen, and that's a long term issue. The base-line is economic development and GF Homes concern is for the existing inventory that is sitting out there and the financial obligations that they have incurred and are trying to

find the right methodology in order to make that happen to get that project completed and to move on. Without professional help which is not available locally they are going to continue with difficulty of focusing on viability of the project that may lose long term ideas of where project sits.

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Glassheim stated he wasn't sure there wasn't professional help available in Grand Forks, houses have been sold here for century and somebody manages to sell them, etc. Ms. Page stated they have asked whether or not there are efforts to go out and con-tact new businesses that are being courted for economic develop-ment and what housing needs are, and have not found and have a positive answer that there is any activity that assists in that regard;' they work with existing passive market but not on an active basis. Glassheim stated he was envisioning that local people would decide upon a strategy, and at that point if hire a firm of some kind locally to carry out the strategy.

Mr. O'Leary stated they have a lot of constructive and creative and interesting ideas about what can do to expedite the sales of these houses and those ideas have already tried to implement - have involved major appliances, additional landscaping, down payments, and some have suggested cutting prices, whatever that strategy ends up to be has to be a well thought out one, needs to be focused on exactly why a buyer has chosen to buy a house that is more money in another part of Grand Forks, by cutting prices or taking any actions without having a clear vision of why taking this action and what market we're trying to penetrate is not going to get us any farther than have gotten in the last 3 or 4 months; there isn't a consensus in the real estate com-munity about the next step, and don't see bringing in an outside consultant would supplant anything that the local realtors are supposed or should be doing in the terms of the day to day marketing of the propety. He stated where the assistance is needed is in doing analysis of what interest is in market place, how better present this product to potential customers; whether that be economic development market, to UND and faculty, market to new businesses or industries coming or focus on Air Force Base personnel or other suggestions. The development of the strategy on how the marketing will take place and the management of inventory has to be done in conjunction with local experts, bankers, realtors, etc., but

bringing in consultant with real estate experience outside of our environment can't be anything else but helpful to us on new creative and innovative ways to present this image to the public.

Ms. Page stated that one of the concerns they've had is that there has been an assumption that they're like a city-department when in fact they're not, and GF Homes not heavily dependent on

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local community for its resources and assistance, took this on as a leap of faith, and now trying to move this project along and to completion.

Moved by Beyer and Glassheim to allocate up to \$400,000 of CDBG administrative budget to the Grand Forks Homes for the purpose of developing an RFP for hiring a property manager for management strategy, marketing strategy and administrative services of Congressional I and II, and to establish a management oversight committee consisting of two members of the JDA and two members from Grand Forks Homes Board. Motion carried.

7. Matter of using City-owned house for NRO.

Joel Manske, Housing Authority, and Police Officer Don Beck presented request for use of a property acquired by the City through the Volunteer Acquisition Program in Phase IV (located in Central Park neighborhood - Silverman house) for Neighborhood Resource Officers (NRO). Officer Beck stated that with current growth of the police department, they have run out of room and have 7 neighborhood resource officers working out of a small office which they share with two lieutenants, no place to keep files, no place to meet with people, and were trying to find some place that the City owns that they could move into and have for meetings, etc. He stated they have part-time staff through ARP, 10 people sharing one computer because no place to set up another computer. He stated that the Silverman house is on the National Register for historical building and have to preserve the building and also that any nice building leave empty will be very empty - give police room close to their building and make good use of property that's available. He stated that missile groups have left Base and can tap into their surplus things and can get copy machines, computers, desks, etc.

Glassheim asked if this property behind the dike; Mr. Manske stated impacted at some point by the dikeline and would re-utilize this house through the Phase IV 1A rental program, then this request came. He stated that the house is very valuable and has a lot of historical significance and architecture and amenities within the house that are risk to theft and vandalism, and either through rental program or this program that house will be re-utilized for interim period. (House acquired within last 2 weeks) Beyer stated that rent more expensive and little bit harder to rent; Mr. Manske stated rent is established based

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on the acquisition price over an amoritization period at a rate and this house rents for just over \$1200/mo.; council established process for establishing rental price on units. Mr. Manske stated that when they acquired these homes and put back on the market for use by general public that they not unfairly compete with the private sector delivering other houses in same market and rather than having that conflict, consistency has proven to be very effective. He stated they have rented a number of houses to previous owners and others that rent over \$1,000/mo. Beyer stated she thinks this is good use for the house because if leave empty, there are historic homes in town that somebody is going in with surgical precision and removing pillars, columns, windows, etc. Mr. Manske stated they have 41 houses in Phase IA and IV rented today and has become a bid project (50-50 on owner side). Glassheim stated it seems odd to turn a gorgeous house into a police department - house is a house. Officer Beck stated they tried to find commercial property but with parking problems downtown becomes problem. It was also noted that it would be a benefit to have the police department in that neighborhood as this isn't the only historic house that is at risk. Beth Bouley stated that she talked to Historic Preservation and they approve, that City is required to keep an eye on some of thse historic propeties, and no better way to keep an eye on these propeties; that there will be other properties coming up in that neighborhood that are as equally historical that vandals like as much as this house.

Ms. Bouley stated that on behalf of wearing a council hat and historic preservation hat thanked Officer Don Beck for his receptiveness to the deeds of all of this, and that she wants that on the record.

Moved by Beyer and Glassheim to approve use of Silverman house by Neighborhood Resource Officers. Beyer voted in favor of the motion; Glassheim voted against the motion.

Meeting adjourned at 6:25 p.m.

Alice Fontaine  
City Clerk

Dated: 12/17/98.