



Harrisburg Redevelopment Agency Minutes for December 10, 2019

The Harrisburg Redevelopment Agency met on this date at the Harrisburg Municipal Center, located at 354 Smith St., at the hour of 7:26PM. Presiding was Board Chairperson Robert Duncan. Also present were Board Members Mike Caughey, Kim Downey, Adam Keaton, Charlotte Thomas, Rob Boese, Randy Klemm, and Youth Advisor Quinton Sheridan. Staff present were City Administrator John Hitt, City Recorder/Asst. City Administrator Michele Eldridge, and Finance Officer Tim Gaines.

APPROVAL OF MINUTES:

- Klemm **motioned to approve the minutes of August 13, 2019 and was seconded** by Keaton. **The HRA Board then voted unanimously to approve the Minutes of August 13, 2019.**

THE MATTER OF CONSIDERING A REQUEST FOR AN AMENDMENT TO THE PROPERTY IMPROVEMENT GRANT AGREEMENT HRA-G-05 FOR SCOTT AND RENEE PHELPS.

Staff Report: Hitt said that we have before you, an unusual situation, which is a little complicated. You have on page 15, of your agenda packet, a copy of the original grant agreement, signed by the Phelps and the City, which is dated August of this year. You'll notice a series of invoices, starting on page 10, that the Phelps provided. In a nutshell, they had significantly more dry rot than what was shown in their original estimates. That brought their total project costs from almost \$33,000 to almost \$41,000. Now the terms of the HRA grant program, are shown in the Phelps agreement, on page 16, section 8, where the owner acknowledges that this is a matching grant, of 50%; and it goes on to say that costs may exceed the maximum amount of the grant. The owners agree that any costs above and beyond, shall be the sole responsibility of the owners, or and shall not be the responsibility of City or agency. However, there is also nothing in the ordinances, or resolutions, or the program guideline overviews, shown on page 22, in Exhibit A, that prohibits the City or HRA from making amendments. Yes, this is part of the agreement, and the owners cost overruns are their responsibility, but on the other hand, you as HRA board, can consider making changes. On page 7, you'll see that there is a \$3,900 increase in the amount of money that the Phelps must pay out. You also have the copy of the overall program, in the handout, of how many loans and grants have been granted, and that remaining funding is \$92,698; almost \$93,000. the HRA can certainly afford to match the additional \$3,900, without it being a major impact on remaining

funds. In light of all of this, staff recommends you approve the motion, to allow the additional \$3,900 in the funding request.

- Klemm asked Scott Phelps if he could take us through that process of deciding what you were going to do with the building, and where the surprise was.
- Scott Phelps said that they were replacing the whole south and east wall. It's not the entire facility, because the north and west sides are concrete, with no dry rot. It was rotten up the first two or three feet, which meant that they had to rebuild the whole wall, and build out from the existing studs, to re-support everything. The only other option was to go between pillars, and rebuild every section, which wouldn't be feasible. Without really tearing apart all the siding, prior to getting bids, we did our best, to get a best-case estimate. The additional costs are mostly in materials.
- Klemm said it sure looks good!
- Keaton said that the only thing he is worried about was the limitation which is specific for loans; he thought that was based on the calendar year as well.
- Eldridge said that she had outlined that in the HRA Staff report that she had handed out to them (Please see Addendum No. 1). The agreement and project itself had to be completed within a year's time from when the contract is signed, and the actual HRA program amounts, are based on the fiscal year.
- Gaines said yeah...we aren't close yet.
- Keaton thought maybe it was the \$150,000 available for loans, right? That's where the limitations are.
- Eldridge said that was correct.
- Thomas had no comments to add.
- Caughey had no concerns, and he didn't see one from anyone else.
- Mayor Duncan said that the only thing he is concerned about is precedent. He has no problem funding it, but he is concerned about setting a precedent that every person after this will simply come and ask for more money, because we allowed this one.
- Klemm said that's why he asked Scott (Phelps) for insight on the process he used, in trying to figure out what the project is doing.
- Mayor Duncan said that if that didn't happen, he wouldn't have a job. He can walk up to building and look right through it. The agreement says it SHALL NOT be the responsibility of the City or any person or entity affiliated with the City. Those are big words; although he knows this is sort of a weird thing to talk about. The grant is only supposed to be for \$16,600, and now they are asking for another \$3,900.
- Downey said perhaps we should be looking at a new contract. She thinks the wording in the contract, is made so that people can't assume that if there is a cost overrun that we are doing to match it. She sort of thought of it as similar to asking for a new contract, sort of like the Magnuson's, asked for a contract, and as soon as the year's contract was up, assumed a new contract.
- Mayor Duncan said yes, they entered into a new contract.
- Keaton said that maybe for future projects, you can only negotiate a new contract, if you haven't done any of the work.
- Thomas asked in their letter, that there is still \$6,000 in work that is still outstanding.

- Renee Phelps told her no, we finished that.
- Scott Phelps said that the painting was not finished, because they were over budget. We didn't know what the final cost was going to be, or anything. He was under the impression you could say no, and that's ok, because that's the way it is.
- Renee added, and they are still very grateful.
- Mayor Duncan reiterated again, that we love it. His only concern is setting precedent.
- Downey wondered if we should do that then.
- Eldridge said that we reviewed the ordinance, and the resolutions adopting the program, as well as the actual program guidelines, there was nothing that wouldn't allow the HRA Board to consider their request.
- Downey asked if there is a specialist we could ask.
- Eldridge told her yes, but we have to pay her, and she is quite expensive.
- Downey asked then if staff looked into it.
- Hitt told her yes, but he thinks the HRA has the ability to amend that. In this case, we, all parties, have to agree. There is no state law, or any other requirement that says you can't do this or can't provide more funding.
- Eldridge noted that she felt that between this building, and the Hoiland's building, are the lynchpins of the HRA business district, right on the corner of the main highway where investors can see it. She considered it in the light that if they had come to us with the higher request to start, it would still be relieving blight, and yes, the HRA board would have likely allowed the higher amount being requested.
- Hitt commented that you always have situations arise. You can adopt the policy, you can say we are locked, and loaded, and won't change. But keep in mind, that when you are rehabilitating buildings, their situation is not unusual.
- Downey said that when she first saw the request, she thought it was a reasonable request. But she does want to make sure we are doing things right; this isn't just the City involved; these funds also come from the county and the school.
- Boese could see your point, he didn't think about that until you break it out. He was ok with it, before you said that, but he doesn't want someone coming back in the future for a much higher request, and say, you did it for the Phelps, and have it bite us in the rear end.
- Mayor Duncan said that was his problem with this.
- Hitt said that there is already a max of \$50,000, which is a big limiting factor. He urged them to include in their motion, that this is a one-time exception based upon compelling circumstances, that way nobody can come back and say, hey you did it for him. You can say that this is unusual, and they did it very carefully, but for now, it's an exception, we are approving this only one time.
- Caughey kind of agreed with what the Mayor is saying, as far as setting a precedent. But this is a small amount in comparison to the overall job, and is not beyond a maximum amount that we wouldn't allow, like \$50,000. He's inclined to make an exception this time, with an understanding we can say no to any other request in the future. It's not going against what the intent was. He is inclined to say yes.

- Thomas agreed with Caughey. It's not like somebody changing their mind on what kind of countertop they were choosing. At the same time, if somebody needed \$50,000, and there were two groups both asking for additional funds, there might be an issue. However, we have over \$92,000 remaining, and this request is for only \$3,900 more; she doesn't have a problem with it.
- Keaton said like the location, it was a serious problem, and now it's not nearly as serious as before. This accommodates the goals of the entire program. That said, one-time exceptions very quickly can become precedents. He thinks he agrees with Mike's point, because it was in the intent of the program, and since the cost wasn't grossly off, and it wasn't because of negligence, or an issue of someone miss-adding figures, or anything, he's ok with it.
- Klemm said that he just went through a renovation/remodel, with surprises. That building of theirs was pretty bad, and as a City, we benefit from what they did. And he thinks it's great. As far as precedent, he has some disagreement with Adam, because he doesn't think opening the door to one after another after another will occur, when you handle it on a case by case basis, based on their own merit. This just happens to be very visible building in Harrisburg, that people drive by every day. So he'd like to say thank you, and he would like to try to partner with businesses to help improve them.
- Sheridan had nothing to add, as he agreed with everyone that has spoken, especially Randy. This is a building that people always see, so yeah, he agrees.
- Mayor Duncan said that he was still a little concerned. He has no problem with the Phelps getting this, and he can only break ties. But a precedent is a precedent; it doesn't matter how small or how large they are. Things setting his mind to ease.... it's the HRA. We have a set amount of money, and they definitely meet the criteria. He doesn't mind going along with this, but if he voted, he would buck this hard. Luckily, he doesn't have to break a tie.
- Gaines said that we do have two loans out right now too, and those are in the process of being paid back. There will be more funds in the future, that will steadily be paid back into the program.
- Keaton shared the Mayor's concern with precedent. It is something, regardless of why we make an exception.
- Renee Phelps said that she wouldn't have come if she knew it would be this big of a deal.
- Scott Phelps added that we have somebody starting renting on Jan 1st, bringing new business into the City.
- Hitt commented that his broad philosophy, is that there is always a catch between precedent, and flexibility. There is not a magic or silver bullet to resolve. You can say we have rules, and stick with them, or say jeez, this is different. In his opinion, flexibility in his mind weighs on this, and there are thoughts and reasons why you shouldn't be flexible. When we as local government can be reasonable, and can make a judgement call, we are better off. Improvements like the Phelps are making, have an immediate effect due to the increased revenue we receive on HRA taxes. That increases assessed values, and in the shorter term, pumps money back into the program.

- Thomas said if you look at increments, \$50,000 is a chunk. This is a much smaller amount. With this small amount, she felt that we can make changes. She understands where he is coming from.
- Mayor Duncan commented that all your opinions are incredibly valuable and wise. Our opinions, to bless the Phelps, and to bless our town, don't mean diddly squat in front of a judge. There was a precedent that was on Well No. 5, for something we had nothing to do with. We had honored that individual with an offer far above the amount it was worth, and they agreed with it, but then.... the lawyers got involved. That's what he's trying to avoid. That's not the situation here, but its why he was expressing his concern. When the bangy thing goes down it seems it's the lawyers are the only ones who get the money.
- Donna Duncan, in the audience, said right now, there are no guidelines, it's more a decision. If you are worried about setting a precedent, then maybe it's worth it in the future to go back to the guidelines and replace those parts that have holes in them. You could say, ok, from now on, there are no reconsiderations, which would help you to avoid setting a precedent.
- Mayor Duncan said he's somewhat sour on the legal stuff.
- Keaton thought he was justifiably cynical.
- Mayor Duncan agreed.
- Keaton said that's why he likes making strict rules. People want to be flexible, and we are working with it as much as we can. That's why you make the framework, designed to corral that.
- **Caughey motioned to authorize the interim City Administrator to sign an amendment to the Property Improvement Grant Agreement HRA-G-05 for Scott and Renee Phelps for an additional \$3,900 and thereby amending the original grant amount to a total of \$20,500. Downey seconded the motion. The HRA Board then voted 5 to 1 opposed, which was Rob Boese. The motion therefore passed, allowing a revised agreement, and an additional \$3,900 to be paid to the Phelps.**
- Scott Phelps said that this as quite an educational process, and we helped you get there!
- The Board thanked the Phelps for being there and apologized for the process taking so long to conclude.
- Boese added that the motion didn't include that this was an exception, like we talked about, and Mike didn't have that in his motion. That's why he was opposed.
- Eldridge pointed out that Addendum No. 1, is a new and correct form, that better summarized the entire grant and loan program, including the amounts still left to loan to businesses in the future
- Caughey liked having this information. If you were talking about Clyde the Glide, he would have had no idea of who you were talking about! But pointing out the building, and/or address, helped immensely.
- Mayor Duncan suggested that perhaps we should send these guys a letter and thank them for their courage to come forward and ask for more funds.

- Caughey would like to work with additional language, to handle this sort of thing, or not allow it. He doesn't know how to word something like that, but perhaps allowing us to do what we did in the rules, would control it better.
- Keaton said that it would be nice to have a mechanism in the grant that would allow us some flexibility, without amending the agreements with business owners.
- Hitt said that there are some mechanisms that we can add to the guidelines.

THE MATTER OF REVIEWING THE HRA 1ST QUARTER FINANCIAL REPORT DOCUMENT

- Keaton **motioned to approve the HRA 1st quarter financial report for fiscal year 2019-2020 and was seconded** by both Thomas and Downey at the same time. **The HRA Board then voted unanimously to approve the HRA 1st Quarter Financial Report for 2019-2020.**

With no further business to discuss, the meeting was adjourned at the hour of 8:10pm.

Board Chairperson

City Recorder

HRA Total Targeted Improvement Loan & Grant Program Statistics

	Approved Commitments	Number	Amount to be forgiven (40%)	Loans returning to program over time
HRA Loans & 40% Grant Commitments	\$ 219,265.00		\$ 87,706.00	\$ 131,559.00
Total Loans/Grants to date		3		*All loans are amortized over 10 years

	Approved Commitments	Number
HRA Grants Program	\$ 191,937.00	
Total Grants Approved to date		5

HRA TOTAL TARGETED IMPROVEMENT & GRANT PROGRAM TOTALS

Total Program Funds	\$ 500,000.00
Total Program Funds Committed:	<u>\$ 411,202.00</u>

Amount of Funding Remaining in Program:	\$ 88,798.00
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Total Number of Agreements	8
Total Businesses Assisted	6
	Clyde the Glide LLC Oddfellows Building
	Dental RE Holdings, LLC The Voo
	JB Woodworks Moody Hardware Building
	Scott & Renee Phelps
	Trust 170 S. 3rd
	Harrisburg Medical
	Clinic/ICCO, LLC 190 N. 3rd St.
	Magnuson Dental 205 Macy St.