MINUTES
OWATONNA HOUSING AND REDEVELOPMENT AUTHORITY
REGULAR MEETING on JUNE 24, 2024

The regular meeting of the Owatonna Housing and Redevelopment Authority was called to order at 4:01 p.m. in the Crandall Small Conference Room 120 by Chairperson Olivo.

Members present were Julie Fiske, Vicki Olivo, John Hole, and Lindsay Schultz. Member Nathan Dotson was absent. Also present were Community Development Director Troy Klecker, Housing Manager Ghassan Madkour, Mary Reedy of Clifton Larson Associates, and Senior Administrative Technician Kristen Kopp.

Review 2023 Final Audit: Mary Reedy, Clifton Larson Associates, presented the 2023 Final Audit. There were three reports provided to the Commissioners. Since Mainstream Voucher income was increased, there was about $877,000 coming in from HUD. The audit threshold was $750,000. As we started to test the program, we noticed Madkour was doing everything. Normally what we see in bigger HRAs is that those duties are given to multiple people. Madkour and Finance Director Rhonda Moen are coming up with a plan. Madkour said he and Klecker were having discussions as well. Reedy said the only findings they had were with Journal Entries and then the segregation of duties. Madkour said he doesn't believe the HRA has had a single audit and asked Reedy to explain. She said the Owatonna HRA has always been under $750,000, but when you add in Mainstream, it puts you over that limit. With that, they have to do separate testing of five to six areas of compliance. It's all different types of controls over those Federal dollars. It is quite a bit of additional work whereas in the past, they just reported the Federal dollars and they were done—no testing was involved. This year they had to do much more extensive testing. She gave an overview of the audit and said the programs are operating as they should. Schultz asked if the findings were primarily segregation of duties. Reedy said they didn't find anything particularly wrong, but Madkour is doing everything. The control would be to have someone reviewing the compliant areas. Olivo asked if that would have to be full-time or temporary. Klecker said that Madkour has done a fabulous job, but the total vouchers are a percentage above from where he started. Klecker said a part-time HRA person for the 2025 Budget that would help with the workload and accountability piece as well. We are more than just a one-person operation. It's not recommended that just one person does it. Olivo asked if Reedy has done audits for other cities and wondered if she's seeing an increase in all cities. Reedy said they've seen an increase in general because rents are going up. They've seen an increase in vouchers as well. By no means is Owatonna different. The big thing was joining the Mainstream Voucher program and the natural increase in the HCV. Klecker said the Mainstream program is 40 vouchers—that's quite a bit. Olivo commended Madkour on the work he's been doing. Madkour thanked Reedy for joining.

There was some discussion about the part-time position. If the budget is approved by City Council, the earliest they could advertise would be January.

A motion was made by Hole and seconded by Schultz to approve the 2023 Final Audit as presented. All Commissioners voting Aye, the motion carried.

Approval of the Minutes: A motion was made by Schultz and seconded by Fiske to approve the minutes of the April 22, 2024, HRA Board meeting. All Commissioners voting Aye, the motion carried.

Executive Director's Report: Community Development Director Troy Klecker said that they are working on the preliminary budget now. They budget for a $200,000 levy, which is pretty low when you think about the maximum we could do, or what other cities around us do. We're at the point where we'd want to budget a little more for the part-time person. There will be a higher percentage increase on the HRA side. We will offset part of that with administrative costs that come from the program. We're still in the double digits—in the neighborhood of 15 to 20% increase. It is an anomaly—making a jump from one person to two. Schultz asked what prior increases have been. Klecker said we've gone up about $5,000 in the last years, which is very minimal. As far as projects, there is an ongoing effort to get more housing in general and more affordable housing projects. These projects take a long time and there is usually subsidy involved. The two housing projects they're working on are Hillcrest and Eastgate 2. We should be hearing about Hillcrest in July and will be looking to go through the TIF process. Eastgate 2 would be a 2026 project. It's a 60-unit senior housing project. It's a good move to have a senior housing project as seniors who are in homes would move in and free up homes. We probably won't hear about that until December. There are other affordable housing efforts, including United Way. There is a task force and they have been involved in a number of smaller scale things. Also, the county has an affordable housing fund. The HRA pledged $50,000. Klecker said he sits on that task force. The things they are focusing on are a revolving loan program that would help create more affordable rental units. They have loosely talked about making a loan program of up to $20,000 for a landlord to put into their units as long as they made it affordable. The other one is filling in vacant lots at Colonial Manor Mobile Home Park. There are about a dozen available. They are looking at a loan program because it's hard to get a loan to purchase a mobile home. This would help people or investors purchase them. They want to create more affordable housing units and to make it revolving so it comes back in and they always have a pot of money to put toward affordable housing. He gave an updated on the lot on 22nd Street NW and 3rd Avenue NW that was given to us from the Cashman family. There were some title and planning issues that are all resolved now. The platting process is complete and just needs to be recorded. They are aiming to get affordable housing on the lot. They could do a number of different things, such as a Request for Proposal. It's not a huge lot—they probably won't be able to get more than four units on it. They could also work with a nonprofit to do a project there. Three Rivers and Habitat for Humanity might be interested in doing something. Schultz asked if Habitat has done anything like that before. Klecker said they hadn't, but are interested. There was some discussion on the benefits and drawbacks of an RFP verses working with a specific group. The Commissioners agreed that working with a specific group was a good place to start.

Old Business: The Housing Choice Voucher program monthly report was presented by Madkour, including the City of Owatonna monthly balance sheet and revenue/expense report. Program utilization: The Housing Voucher program for May totaled 106. Total year to date assistance and administration costs were $413,688.62 and revenues were $391,562.39. The Housing Choice Voucher Program fund balance at May month end is $190,814.73. The HRA Revenues year to date total is $217,742.55 and the expenses total $199,186,70. The HRA General Fund balance is $676,598.00.

There has been some turnover. There are 176 clients being served. There are fourteen clients searching for places. It's tough. There is an orientation coming up this week with five people. He's trying to get one orientation a week. He gave an update on the waitlist purge. He sent the letters on June 3 and they had 14 days to get back to him. The letter asks if they are still interested, and if they are, to update their contact details. Out of 138 letters he sent out, 29 came back—so 109 people came off the list. They can reapply, and with 109 people off, they probably won't be too far behind where they were.

A motion was made by Hole and seconded by Fiske to approve the reports as presented. All Commissioners voting Aye, the motion carried.

New Business: Klecker said that the City purchased a house at 506 Maple Drive that is in the floodplain. They bought it with a DNR grant and closed on it about a month ago. The DNR paid for the purchase and restoring it back to greenspace. The house is a 1957 rambler that is still in decent shape. The City is considering moving it to another lot and selling it. One of the lots they are looking at is on Partridge Avenue. It does fit in there. Whenever we move a house, we have to go through Zoning approvals. A lot of times it requires improvements to the house to make it fit in to the new neighborhood. They would likely have to install new siding and put a basement in. It's two bedrooms and one bath and they could replicate that in the basement. There are some costs that go with it. He said his initial thought is to have the HRA fund it. It is an HRA lot. It's a house that is already paid for, but it will have to be moved and have some improvements. The thought is to sell it at market rate and put any profit toward HRA efforts. Olivo said she thought that was great. Klecker said he's already anticipating a two-stall garage, new windows, new siding, and a new roof. Hole agreed that it's a good idea since we have the lot. Klecker said if they want to go down that route, he'd want to contract with someone to take care of it all. Olivo said they'd be interested if he could get a full estimate. Klecker said he will get an estimate and bring it to the next meeting.

Adjournment: There being no further business, a motion to adjourn was made by Schultz and seconded by Hole. All Commissioners voting Aye, the motion carried. The meeting adjourned at 5:21 pm.

Respectfully Submitted,
Ghassan Madkour
Housing Manager