

**CITY OF STEVENS POINT
SPECIAL COMMON COUNCIL MEETING**

**Lincoln Center
1519 Water Street**

**October 13, 2015
6:00 P.M.**

1. Roll Call.
2. Discussion and Action relating to the Repairs, Occupancy Eligibility, and/or Disposition of Edgewater Manor, 1450 Water Street, Stevens Point, WI.
3. Adjournment.

Any person who has special needs while attending this meeting or needing agenda materials for this meeting should contact the City Clerk as soon as possible to ensure a reasonable accommodation can be made. The City Clerk can be reached by telephone at (715) 346-1569 or by mail at 1515 Strongs Avenue, Stevens Point, WI 54481.

Copies of ordinances, resolutions, reports and minutes of the committee meetings are on file at the office of the City Clerk for inspection during the regular business hours from 7:30 A.M. to 4:00 P.M.



Memo

Michael Ostrowski, Director

Community Development

City of Stevens Point

1515 Strongs Avenue

Stevens Point, WI 54481

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To: Alderpersons
From: Michael Ostrowski
CC:
Date: 10/6/2015
Subject: Edgewater Manor

In September there was a special council meeting where a brief history of Edgewater Manor and future options were presented. At this point in time, it looks like there are two main paths for you to consider with variations of each:

1. **Fund the needed repairs** – As you know, the RA hired an architect to conduct a needs assessment on the property to get a better understanding of what repairs may need to be done to the property. The architect provided a large list of repairs relating to life safety, energy/maintenance, and cosmetic. While the list was fairly significant, not all of the repairs need to be completed immediately. The intent of the analysis was to get a better understanding of potential costs relating to the property.

In reviewing the list, at least two of them will need to be completed soon, the façade and the parking lot. In addition to these two, if you choose to do the repairs and keep this facility long-term, I would recommend also completing the windows and potentially the AC units. While some may say to wait on doing the windows until Edgewater has enough funds to pay back any loan it receives, doing the windows at the same time as the façade replacement will likely result in lower overall costs for installation, as well as reduce heating bills. Furthermore, if it is the City's intent to keep this building long-term, installing the A/C units during this time would also be more cost advantageous than in the future. These items would total about \$1.7 million.

Other repairs can take place as needed, or when funding allows. However, depending on the scope and cost of the repairs, Edgewater Manor may not be able to financially support them.

The other factor that should be taken into consideration is the potential of additional supply of senior housing being introduced in the market. While the occupancy rate at Edgewater Manor has increased recently, additional supply could be introduced into the market that could impact Edgewater Manor's ability to keep a high occupancy rate, especially if no cosmetic repairs are completed.

2. **Sell the property** – Selling the property can be done in a number of different ways, including, but not limited to putting the property officially up for sale (i.e. realtor), negotiating with potential developers or purchasers, or doing an official request for proposals, as was done in the past.

In looking at this option, you will need to decide what the ultimate goal(s) is(are) for the property. Meaning, is(are) the ultimate goal(s) for the property to keep it senior housing, or is it something else, such as trying to redevelop the property to the its fullest potential. The reason I bring this up is that having an idea of what you want for the property will be critical if you choose this option. For example, if you put out a request for proposals, the criteria used to judge each proposal will be different based on what the goal(s) is(are) for the property. Please keep in mind that if you choose this option, there is no guarantee what type of offers will be submitted for the property.

While the options listed above are not the only options available, they do represent one of the more likely choices. Ultimately, it will be up to you to determine the course for this property. The course will be based on a number of factors for you to consider, such as the existing tenants, financing, opportunity costs, as well as other options for the property. While this is not an easy decision, a decision should be made in a timely fashion, as uncertainty presents many challenges and disruptions for all parties involved.

Again, if you have questions, or would like any additional information, please do not hesitate to contact me. Also, if you need any copies of documents that have been presented in the past, please let me know and I will provide you with a copy.

Edgewater Manor
Financial Projection 2016-2035
Scenario 1d

	2015 Budget	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Key Variables and Resulting Borrowing Ability												
		Borrowing Ability										
Vacancy Rate	13.50%	Average Available for Debt Service 20 Yr				\$156,165.63						
Initial Rental Rate	\$530.00	Resulting Allowable Debt 10 yr G.O. 2.5%				\$1,333,509.26						
Rate of Rental Increase	1.50%	Resulting Allowable Debt 20 Yr Revenue 6.0%**				\$1,276,810.19						
Rate of Expense Increase	2.00%					Borrow Amt	10 Years	20 Years				
Building Repair Expenses as % of current budgeted	100.00%	Cumul. Surplus/(Deficit): Borrow 10 Year G.O.				\$1,700,000.00	(418,387.32)	1,180,914.70				
Borrowing in Millions	\$1.700	Cumul. Surplus/(Deficit): Borrow 20 Year Revenue				\$1,700,000.00	41,873.06	159,037.90				
Operating Receipts												
Gross Potential Rents	516,300.00	524,044.50	531,905.17	539,883.75	547,982.00	556,201.73	564,544.76	573,012.93	581,608.12	590,332.24	599,187.23	608,175.04
Vacancy Loss	69,700.50	70,746.01	71,807.20	72,884.31	73,977.57	75,087.23	76,213.54	77,356.75	78,517.10	79,694.85	80,890.28	82,103.63
Total Rental Income	446,599.50	453,298.49	460,097.97	466,999.44	474,004.43	481,114.50	488,331.21	495,656.18	503,091.03	510,637.39	518,296.95	526,071.41
Other Income - A/C	1,730.00	1,755.95	1,782.29	1,809.02	1,836.16	1,863.70	1,891.66	1,920.03	1,948.83	1,978.06	2,007.74	2,037.85
Other Income - Cable Revenue	25,223.40	25,601.75	25,985.78	26,375.56	26,771.20	27,172.77	27,580.36	27,994.06	28,413.97	28,840.18	29,272.79	29,711.88
Other Income - Laundry Revenue	6,920.00	7,023.80	7,129.16	7,236.09	7,344.64	7,454.81	7,566.63	7,680.13	7,795.33	7,912.26	8,030.94	8,151.41
Other Income - Vending Machine Revenue	2,472.17	2,509.25	2,546.89	2,585.09	2,623.87	2,663.23	2,703.18	2,743.73	2,784.88	2,826.65	2,869.05	2,912.09
Total Operating Income	482,945.07	490,189.25	497,542.08	505,005.22	512,580.29	520,269.00	528,073.03	535,994.13	544,034.04	552,194.55	560,477.47	568,884.63
Operating Expenditures - Administration												
Management Fee	31,261.97	31,730.89	32,206.86	32,689.96	33,180.31	33,678.01	34,183.19	34,695.93	35,216.37	35,744.62	36,280.79	36,825.00
Marketing	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16	5,520.40	5,630.81	5,743.43	5,858.30	5,975.46	6,094.97	6,216.87
Office Expense (publications, misc)	100.00	102.00	104.04	106.12	108.24	110.41	112.62	114.87	117.17	119.51	121.90	124.34
Office Supplies	500.00	510.00	520.20	530.60	541.22	552.04	563.08	574.34	585.83	597.55	609.50	621.69
Auditing Fees	2,000.00	2,040.00	2,080.80	2,122.42	2,164.86	2,208.16	2,252.32	2,297.37	2,343.32	2,390.19	2,437.99	2,486.75
Total Administrative Expenses	38,861.97	39,482.89	40,113.90	40,755.14	41,406.79	42,069.03	42,742.02	43,425.94	44,120.98	44,827.32	45,545.14	46,274.64
Utilities Expenditures												
Water and Sewer*	16,767.61	17,102.96	17,445.02	17,793.92	18,149.80	18,512.80	18,883.05	19,260.71	19,645.93	20,038.85	20,439.62	20,848.42
Cable	34,891.25	35,589.08	36,300.86	37,026.87	37,767.41	38,522.76	39,293.21	40,079.08	40,880.66	41,698.27	42,532.24	43,382.88
Phone	1,572.81	1,604.27	1,636.35	1,669.08	1,702.46	1,736.51	1,771.24	1,806.66	1,842.80	1,879.65	1,917.25	1,955.59
Gas and Electric*	74,583.95	76,075.63	77,597.14	79,149.08	80,732.07	82,346.71	83,993.64	85,673.51	87,386.98	89,134.72	90,917.42	92,735.77
Total Utilities Expense	127,816.62	130,372.95	132,980.41	135,640.02	138,352.82	141,119.88	143,942.27	146,821.12	149,757.54	152,752.69	155,807.75	158,923.90
Maintenance Expenditures												
Building Repairs	100,000.00	102,000.00	104,040.00	106,120.80	108,243.22	110,408.08	112,616.24	114,868.57	117,165.94	119,509.26	121,899.44	124,337.43
Materials	7,500.00	7,650.00	7,803.00	7,959.06	8,118.24	8,280.61	8,446.22	8,615.14	8,787.45	8,963.19	9,142.46	9,325.31
Contract Costs-Elevator Maintenance	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16	5,520.40	5,630.81	5,743.43	5,858.30	5,975.46	6,094.97	6,216.87
Contract Costs-Grounds-Lawn	2,000.00	2,040.00	2,080.80	2,122.42	2,164.86	2,208.16	2,252.32	2,297.37	2,343.32	2,390.19	2,437.99	2,486.75
Contract Costs-Grounds-Snow	3,000.00	3,060.00	3,121.20	3,183.62	3,247.30	3,312.24	3,378.49	3,446.06	3,514.98	3,585.28	3,656.98	3,730.12
Contract Costs-Garbage & Trash Removal	3,656.50	3,729.63	3,804.22	3,880.31	3,957.91	4,037.07	4,117.81	4,200.17	4,284.17	4,369.86	4,457.25	4,546.40
Total Maintenance Expense	121,156.50	123,579.63	126,051.22	128,572.25	131,143.69	133,766.57	136,441.90	139,170.74	141,954.15	144,793.23	147,689.10	150,642.88
General Expenditures												
Insurance Expense-Other (Boilers)	500.00	510.00	520.20	530.60	541.22	552.04	563.08	574.34	585.83	597.55	609.50	621.69
Insurance Expense-Property	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16	5,520.40	5,630.81	5,743.43	5,858.30	5,975.46	6,094.97	6,216.87
Insurance Expense-Gen Liability	6,500.00	6,630.00	6,762.60	6,897.85	7,035.81	7,176.53	7,320.06	7,466.46	7,615.79	7,768.10	7,923.46	8,081.93
Payments in Lieu of Taxes	35,524.79	36,011.99	36,505.58	37,005.64	37,512.26	38,025.50	38,545.45	39,072.20	39,605.81	40,146.38	40,693.99	41,248.72
Total General Expenses	47,524.79	48,251.99	48,990.38	49,740.14	50,501.44	51,274.47	52,059.40	52,856.42	53,665.72	54,487.49	55,321.92	56,169.21
Total Operating Expenses	335,359.88	341,687.47	348,135.91	354,707.55	361,404.75	368,229.94	375,185.59	382,274.22	389,498.40	396,860.74	404,363.91	412,010.64
Net Profit (Loss)	147,585.19	148,501.78	149,406.17	150,297.67	151,175.55	152,039.06	152,887.44	153,719.91	154,535.64	155,333.81	156,113.56	156,873.99

Average Available for Debt Service 10 Yr 152,401.06
Average Available for Debt Service 20 Yr 156,165.63
Resulting Allowable Debt 10 yr G.O. 2.5% 1,333,509.26
Resulting Allowable Debt 20 Yr Revenue 6.0%** 1,276,810.19

*Water, Gas, and Electric Utilities assumed to be 50% fixed and 50% variable depending on Occupancy
**Revenue Bond Assumes Coverage Ratio Requirement of 1.25 and Reserve Account Requirement equal to 1 years debt service

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Financial Projection 2016-2035
Scenario 1e

	2015 Budget	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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Vacancy Rate	13.50%	Average Available for Debt Service 20 Yr				\$156,165.63						
Initial Rental Rate	\$530.00	Resulting Allowable Debt 10 yr G.O. 2.5%				\$1,333,509.26						
Rate of Rental Increase	1.50%	Resulting Allowable Debt 20 Yr Revenue 6.0%**				\$1,276,810.19						
Rate of Expense Increase	2.00%					Borrow Amt	10 Years	20 Years				
Building Repair Expenses as % of current budgeted	100.00%	Cumul. Surplus/(Deficit): Borrow 10 Year G.O.				\$1,500,000.00	(189,869.92)	1,409,432.10				
Borrowing in Millions	\$1.500	Cumul. Surplus/(Deficit): Borrow 20 Year Revenue				\$1,500,000.00	216,242.18	507,776.10				
Operating Receipts												
Gross Potential Rents	516,300.00	524,044.50	531,905.17	539,883.75	547,982.00	556,201.73	564,544.76	573,012.93	581,608.12	590,332.24	599,187.23	608,175.04
Vacancy Loss	69,700.50	70,746.01	71,807.20	72,884.31	73,977.57	75,087.23	76,213.54	77,356.75	78,517.10	79,694.85	80,890.28	82,103.63
Total Rental Income	446,599.50	453,298.49	460,097.97	466,999.44	474,004.43	481,114.50	488,331.21	495,656.18	503,091.03	510,637.39	518,296.95	526,071.41
Other Income - A/C	1,730.00	1,755.95	1,782.29	1,809.02	1,836.16	1,863.70	1,891.66	1,920.03	1,948.83	1,978.06	2,007.74	2,037.85
Other Income - Cable Revenue	25,223.40	25,601.75	25,985.78	26,375.56	26,771.20	27,172.77	27,580.36	27,994.06	28,413.97	28,840.18	29,272.79	29,711.88
Other Income - Laundry Revenue	6,920.00	7,023.80	7,129.16	7,236.09	7,344.64	7,454.81	7,566.63	7,680.13	7,795.33	7,912.26	8,030.94	8,151.41
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Total Operating Income	482,945.07	490,189.25	497,542.08	505,005.22	512,580.29	520,269.00	528,073.03	535,994.13	544,034.04	552,194.55	560,477.47	568,884.63
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Auditing Fees	2,000.00	2,040.00	2,080.80	2,122.42	2,164.86	2,208.16	2,252.32	2,297.37	2,343.32	2,390.19	2,437.99	2,486.75
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Phone	1,572.81	1,604.27	1,636.35	1,669.08	1,702.46	1,736.51	1,771.24	1,806.66	1,842.80	1,879.65	1,917.25	1,955.59
Gas and Electric*	74,583.95	76,075.63	77,597.14	79,149.08	80,732.07	82,346.71	83,993.64	85,673.51	87,386.98	89,134.72	90,917.42	92,735.77
Total Utilities Expense	127,816.62	130,372.95	132,980.41	135,640.02	138,352.82	141,119.88	143,942.27	146,821.12	149,757.54	152,752.69	155,807.75	158,923.90
Maintenance Expenditures												
Building Repairs	100,000.00	102,000.00	104,040.00	106,120.80	108,243.22	110,408.08	112,616.24	114,868.57	117,165.94	119,509.26	121,899.44	124,337.43
Materials	7,500.00	7,650.00	7,803.00	7,959.06	8,118.24	8,280.61	8,446.22	8,615.14	8,787.45	8,963.19	9,142.46	9,325.31
Contract Costs-Elevator Maintenance	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16	5,520.40	5,630.81	5,743.43	5,858.30	5,975.46	6,094.97	6,216.87
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Contract Costs-Garbage & Trash Removal	3,656.50	3,729.63	3,804.22	3,880.31	3,957.91	4,037.07	4,117.81	4,200.17	4,284.17	4,369.86	4,457.25	4,546.40
Total Maintenance Expense	121,156.50	123,579.63	126,051.22	128,572.25	131,143.69	133,766.57	136,441.90	139,170.74	141,954.15	144,793.23	147,689.10	150,642.88
General Expenditures												
Insurance Expense-Other (Boilers)	500.00	510.00	520.20	530.60	541.22	552.04	563.08	574.34	585.83	597.55	609.50	621.69
Insurance Expense-Property	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16	5,520.40	5,630.81	5,743.43	5,858.30	5,975.46	6,094.97	6,216.87
Insurance Expense-Gen Liability	6,500.00	6,630.00	6,762.60	6,897.85	7,035.81	7,176.53	7,320.06	7,466.46	7,615.79	7,768.10	7,923.46	8,081.93
Payments in Lieu of Taxes	35,524.79	36,011.99	36,505.58	37,005.64	37,512.26	38,025.50	38,545.45	39,072.20	39,605.81	40,146.38	40,693.99	41,248.72
Total General Expenses	47,524.79	48,251.99	48,990.38	49,740.14	50,501.44	51,274.47	52,059.40	52,856.42	53,665.72	54,487.49	55,321.92	56,169.21
Total Operating Expenses	335,359.88	341,687.47	348,135.91	354,707.55	361,404.75	368,229.94	375,185.59	382,274.22	389,498.40	396,860.74	404,363.91	412,010.64
Net Profit (Loss)	147,585.19	148,501.78	149,406.17	150,297.67	151,175.55	152,039.06	152,887.44	153,719.91	154,535.64	155,333.81	156,113.56	156,873.99

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Average Available for Debt Service 20 Yr 156,165.63
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