

Report of the Community Development Authority of the City of Stevens Point

Tuesday, May 7, 2013, 4:00 PM
Lincoln Center
1519 Water Street, Stevens Point, WI 54481

PRESENT: Chairperson Halverson, Commissioner Molski, Commissioner Cooper, Commissioner Onstad, and Alderperson Stroik.

EXCUSED: Commissioner Hanson and Commissioner Adamski.

ALSO PRESENT: Executive Director Michael Ostrowski, Alderperson Patton, Alderperson M. Stroik, City Attorney Logan Beveridge, Economic Development Specialist Kyle Kearns, Tom Ludwig, Philip Parkinson, S.E. Thomas, Jim Mendyke, Kay Schmoll, Emily Fiedler, Cathy Dugan, Mary Ann Laszewski, Barb Jacob, Brian Seramur, Eric Moilien, and Reid Rocheleau .

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1. Roll call.
Discussion and possible action on the following:
2. Report of the April 17, 2013 meeting.
3. Authorizing the Securities Control Agreement with Community First Bank relating to the Children's Museum loan guarantee, and required collateral account by Baird.
4. Proposal(s) for the purchase and redevelopment/remodel of Edgewater Manor, 1450 Water Street, Stevens Point, WI 54481 Proposals were due April 19, 2013 at 1:00pm.
5. Adjourn.

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1. Roll call.

Present: Halverson, Stroik, Molski, Cooper, Onstad.

Not Present: Adamski and Hanson.

Chairperson Halverson stated a quorum is present

2. Report of the April 17, 2013 meeting.
Motion by Commissioner Molski to approve the report of the April 17, 2013 meeting; seconded by Commissioner Onstad. Motion carried 4-0.
3. Authorizing the Securities Control Agreement with Community First Bank relating to the Children's Museum loan guarantee, and requiring collateral account by Baird.
Director Ostrowski stated that this was a loan that was made for the Children's Museum by Community First Bank, and as part of the loan, the CDA guaranteed payments with the interest off of the housing trust funds. Community First Bank has a securities control agreement, but Baird will not recognize it unless we put the funds in a collateral account. This means if the CDA would like to spend a large amount of principal of the housing trust funds, Community First Bank would need to approve it.

Chairperson Halverson pointed out the situation that this brings up is one where as the Chair of this organization and Mayor of this community, he reflects back on a situation that at one point made him extremely uncomfortable. He said that the paperwork should have been done years ago and has not been done. He feels that we need more time to review the agreement to determine the exposure to the organization. He asked that the Board give us more time for himself, the Executive Director, and the City Attorney to continue to review the agreement that was signed as well as the parameters of the loan itself as it relates to Community First Bank and the Children's Museum.

Commissioner Molski stated that it does not sound right that the city would be putting our trust funds under their approval to be able to spend them. Chairperson Halverson agreed pointing out the language seemingly contradicts itself within the agreement he is referencing. He said we have a total exposure that is delineated in the agreement not to exceed \$400,000, and when we first made the guarantee it was for the payments only, so in the event that they did not make a payment, the CDA would be able to cover it. The only exposure was to the interest and not the principal of the housing trust funds.

Commissioner Onstad asked how much time would be needed and if that should be included in the motion, to which Chairperson Halverson stated within the motion the hope to be no longer than 30 days.

Motion by Commissioner Onstad to allow the Chairperson, the Executive Director, and the City Attorney 30 days to continue to review this agreement and report back to the board with a recommendation in greater detail; seconded by Commissioner Molski.

Commissioner Molski asked if the Children's Museum has made their payments on time, to which Chairperson Halverson stated we have not gotten a call from the bank regarding any late payments. However, we would like to also review their financials to determine how they are progressing.

Commissioner Cooper asked if there was a time frame on the CDA exposure, to which Chairperson Halverson stated that would depend on the principal reduction. He continued stating it wasn't so much a time limit, as it was an aggregate amount not to exceed \$400,000.

Motion carried 4-0.

4. Proposal(s) for the purchase and redevelopment/remodel of Edgewater Manor, 1450 Water Street, Stevens Point, WI 54481 Proposals were due April 19, 2013 at 1:00pm.

Chairperson Halverson stated we have received three proposals for the purchase of Edgewater Manor; one from Brian and John Seramur, one from Affordable Senior Housing of Central Wisconsin-Philip Parkinson, and one from Krista Mendyke of KJM Properties. He continued stating it is open to general conversation and there will be public input allowed, but limited to three minutes.

Aldersperson Stroik stated there is a wide range of price that is being offered, and as far as incentives, he would like to hear from the applicants first before making additional comments.

Jim Mendyke representing KJM Properties, stated the intent of the building is to keep it for residents 55 and older, and just like with the Pioneer building, to include an amenities program in the building so folks would be able to have transportation, activities, housekeeping, and meals provided if they so choose, otherwise it would be just regular affordable rates. After going through the building, he felt it was a fair price without asking for any TIF money. The big ticket item is the renovation of the building being anticipated at \$2 million for everything from electrical, heating, flooring, and wall covering.

Director Ostrowski stated that he did not see a detailed budget of the actual individual items for the \$2 million, to which Mr. Mendyke stated that is what is anticipated at this point. Furthermore, he stated that some contractors spent some time looking at improvements needed but could not get that specific until they knew if they had the accepted offer.

Chairperson Halverson asked how the existing tenants would be handled, to which Mr. Mendyke stated the property is about one third empty at this point, and the plan would be to renovate the rooms that are currently vacant. There would be some displacement of current apartments in order to do the work in phases, but the planned renovation would be in one building season to get all the rooms renovated. He added that some furnished apartments would be available for tenants who would have to be temporarily displaced until moving back into their same unit.

Aldersperson Stroik pointed out on the first page of the proposal that it was indicated there would be a 9% increase in rents. He said you would immediately, upon taking ownership, raise the rents for the tenants in year one, and what would be the long term plan for leases after that. Mr. Mendyke stated the current tenants would be grandfathered in and all new tenants would be charged that additional 9% rent rate, which would be the goal of the new leases. He feels that it would be a 5-7 year turnaround for the property to be making any money. Aldersperson Stroik clarified that rent increases would not be immediate, to which Mr. Mendyke stated that at first, they would be grandfathered for now at current rates.

Philip Parkinson of Affordable Senior Housing of Central Wisconsin stated that the proposal is to purchase the building at \$1.5 Million with the intent of remodeling individual apartments in a modest way. He feels the building is structurally sound and usable, but the apartments are dated and the intent is to try to deal with that on a per apartment basis. He stated that he is aware of the building being about 60% occupied and that leaves a substantial number of apartments that are vacant. The intent is to not relocate or displace any of the existing tenants while they are working on the vacant apartments first. Then, if one of the existing tenants finds an updated apartment more appealing, they would accept the relocation to a new unit within the building. Mr. Parkinson has also projected no rent increases for the next three years, after that, modest increases.

Aldersperson Stroik clarified that if there is an existing tenant that chooses to stay in their apartment un-renovated, then you would work around them and not force them to relocate. Mr. Parkinson stated correct, he understands that some tenants have upgraded the apartments themselves, and understands that some are very attached to their apartments, so at some point we would have to include in the development agreement that although the plan is renovating all the apartments, if there are apartments that individuals do not make available for renovations, they will wait however long it takes to finish renovating those apartments.

Commissioner Onstad stated she was very impressed when reading this prospective regarding taking care of the current residents and keeping this building affordable.

Commissioner Cooper asked for Mr. Parkinson to walk through the levels available, and the plans for that. Mr. Parkinson explained that is tenant driven by working with Community Care of Central Wisconsin. The placement of people who have levels of care needs will occur on an individual basis. As time goes on there may be an advantage to try to group floors and areas based on collective needs. At this time, the basis is to make the individual apartments more attractive, and on an individual tenant basis deal with the senior housing needs they may have. He also stated there is the possibility of certain portions of this building going to a higher level of assisted living, but that is not the direction immediately. He feels there is enough need for affordable senior housing with minor assistance that the building will be kept at or near 100% occupancy.

Director Ostrowski asked Mr. Parkinson to walk through the remodeling funds and what would be completed with those funds. Mr. Parkinson stated that there isn't a large amount for remodeling in the present budget, about \$3,000 an apartment, which includes updating the kitchen, carpeting, and painting. Major remodeling is not part of the plan, the focus is to make them look more attractive and more rentable. Director Ostrowski also asked about the donation to the youth, to which Mr. Parkinson stated a member of the corporation feels very strongly about youth contributions and

would like to make a contribution as part of the development agreement, but that amount is yet to be determined.

Brian Seramur of Seramur Family Ltd. Partnership stated their direction is to rent at market rate with the great place to live downtown. They do not want to displace any current residents and can work with the Section 8 Vouchers. Lastly, he stated they would keep the rent the same for the rest of the year, and not increase rents heavily.

Alderperson Stroik asked for clarification that this property would become market rate housing and if the market would sway the demographics of the unit based under private ownership. Mr. Seramur stated it would be a market rate apartment and not restricted to seniors and would be for any individual or prospective tenant that would meet their qualifications and screening.

Mary Ann Laszewski stated when Mr. Hamilton suggested that we opt out of the Section 8 voucher program his plan was to add affordable vouchers in the community as well as retain this affordable housing. In an article from 2009 she cited Mr. Hamilton saying that the city should retain this building since they own it out right, we don't have to pay taxes on it, we don't have to make a profit, and it would just cost us whatever it does to run it. She continued stating financially, Edgewater was one of best public housing projects we have had, she feels like we have destroyed what we have had and we have used the hefty cash flow from this property for other projects. Ms. Laszewski continued stating that many do not want to turn it into a financial mechanism to finance the mall; Edgewater is not responsible for financing downtown and should not be TIF'ed out. Once sold, it cannot maintain its affordable rent easily. She realizes that the city is not real interested in managing apartments, but she believes that governments need to take care of those who can't take care of themselves. Ms. Laszewski stated we need to ask what the people want to do, and the public does not want it sold.

Barb Jacob agrees with Ms. Laszewski and is disappointed in not seeing anything regarding what it would cost the city to keep Edgewater. She pointed out that the groups interested in purchasing Edgewater are saying they are not going to raise the rents and they can still make money on the property, but as the City we can't make the money and she is concerned about the discrepancy. Her suggestion is to look into what it would cost to keep the property and invest the funds from the property back into it.

Reid Rocheleau hoped that if the building is sold, that it would be to the highest bidder with the most guarantees that it will remain affordable housing, but does agree that the city does also have the obligation to keep the building to guarantee the building stays as it was intended and built for as subsidized housing. Mr. Rocheleau feels the building could break even and that we have an obligation for it to stay under city control.

Janet Zander, Director of the Aging and Disability Resource Center encouraged the board to remember what was in the housing study and the great need for low income senior housing. She pointed out that Edgewater has served that need for a long time and feels that the need for it continues.

Commissioner Cooper asked if any other cities or CDA's that you are aware of own and operate unsubsidized housing, to which Chairperson Halverson answered not that he is aware of. Director Ostrowski stated he is sure there are some, but cannot name specific ones at this time. Donna Bella stated that during the recent audit of the Housing Authority the auditor responded in Colorado, stating that there is a Housing Authority that owns several market run buildings. Chairperson Halverson stated the best practice is when there is a structure that is owned it is going to be subsidized in one form or another either through Section 42 or Section 8 participation from HUD. Commissioner Cooper then asked if there was still a waiting list at High Rise, to which Ms. Bella

answered not a very long one, about a month. He then asked, what the makeup of those tenants is, to which she answered all elderly or disabled low income tenants.

Alderperson Stroik stated prior to considering any of the proposals he would like to see a study or justification on why we can't potentially re-subsidized the property. He knows that the decision had been made to take the subsidies away, and at that time it probably made sense. Chairperson Halverson stated highly unlikely, and Donna Bella added that she had asked that question to HUD Milwaukee, the Division of Housing in Madison, and to Rural Development if anyone could subsidized housing for Edgewater, and every one of them told her no. They are not offering any kind of subsidized housing at this point. She continued explaining that this public housing was considered under Section 8 new construction and that meant that HUD subsidized the units but they did that through HUD dollars funneled through WHEDA.

Chairperson Halverson stated the other difficulty crossed in 2009 was the fact that we were able to create a much better situation in the eyes of residents because they are able to take those vouchers with them to any apartment and have their rents equalized. This was a significantly positive experience for us as we were able to gain and control more of those Section 8 vouchers for the community. He continued, stating that Mr. Hamilton's opinion was misrepresented in terms of Edgewater. It was highly suggested that it be sold to the private sector, which specifically focused on affordable senior housing. We would get rid of it because the city did not have any means of subsidizing that property with the exception of the interest that we earned off of the trust funds. Chairperson Halverson explained that we have not taken money out of Edgewater; we have pushed hundreds of thousands of dollars back into the property that could have gone to rehabbing owner occupied income eligible properties, and we lost that opportunity because we had to subsidize Edgewater. He also stated that if there is relative security in working with a private sector answer for affordable senior housing, how can we as a government justify the investment that we would have to be made in having it be an income stream when it could be a for profit entity. He continued, adding that projections have been done in terms of improvements at an investment of about two million dollars and this assumes a descending vacancy rate over the first nine years and by 2022 assuming 95% occupancy. He pointed out there are a lot of variables from a financial prospective, and a community of our size having the ability to subsidize it is very rare, especially in light of other alternatives that we can pursue. He continued explaining that the other assumption provided was if the city owned the property at market rate housing where Director Ostrowski stated assuming a vacancy rate of 45% and going down 5% each year, if we are not able to fill the units with seniors, we may have to lower the age and then change the demographics. Chairperson Halverson stated this is an accurate snap shot of what we would be experiencing, as well as the other item that we can't really quantify; is having an unfunded liability and how that relates to the audit and the bond rating of the city a concern or not.

Commissioner Molski asked how many units the Hi-Rise has, to which Director Ostrowski answered 73. He continued stating that in the remodel back in 2005 and 2006 the numbers were reduced when making some of the units larger. Edgewater Manor would be challenging to combine units given the way it is built, so the assumption really is based on the up-keep of the units as well as some of the major components such as air conditioning and appliances. Commissioner Molski stated that with Mike Morrissey the audits were reviewed extensively and really does not think the city should be a landlord competing with other landlords within the community.

Chairperson Halverson stated that included in the preforma there are dollars projected for management. Director Ostrowski stated the management fee would be approximately 7% of rents collected. Commissioner Molski added that she had spoke with Commissioner Adamski and he really liked the proposal for \$1.5 million which could go into the trust funds immediately, and help make loans to future low or moderate income people who want to buy a house and can't come up with the down payment. She continued stating there is no way we would get that kind of money to

assist in this way, and it seems that this proposal trumps the other two proposals because the money is available to help others. She cannot see trying to keep it ourselves, as we are not in the business of renting properties; we are in the business of government. Commissioner Onstad agreed that it is hard to set out to become landlords and was impressed with Affordable Housing.

Aldersperson Stroik said while the proposal is good that they are purchasing it with private money and they say they can fill the building without having to spend a lot of money, we have a projection that states it will take 10 years to get to a 5% vacancy rate. Director Ostrowski stated the projections are conservative, and the vacancy rates could be reduced quicker.

Aldersperson Stroik continued stating that the city is not in the business to be a landlord. He pointed out Ms. Zander's comments on the housing study, and feels Affordable Senior Housing of Central Wisconsin includes those needs, but he would like a legal opinion in subsidizing. He asked if we can be landlords, does this need to be placed into the TIF since this proposal does not require any TIF monies, and what are the reasons why we would do that. Chairperson Halverson responded, the CDA would not make any recommendation to the Common Council relating to anything revolving around the TIF district, you would see that recommendation coming from the comptroller himself relating to the unique opportunity that they would have for a troubled TIF district to capitalize on pure increment. He continued stating that the building is assessed at zero. Once the private sector would purchase the building, the tax collections that would be coming off of that property, if the Common Council would decide to use an amendment to put that particular building and others into the TIF district, drastically improves the solvency of TID 6. This would be one of several other projects that would accelerate the pay back of the \$0.33/\$1,000 that the overall city tax payer pays to service the \$5.9 million that was the original bond taken out for the mall project. Aldersperson Stroik added he would like to see a 10 year projection of what this \$1.5 million does for us versus us getting more aggressive and operating Edgewater under City ownership.

Public Housing Manager Bella added that the Hi-Rise went through the large remodel project where it was made into elderly and disabled tenants only. At the time, Edgewater was making money, and at that time there were lots of options for seniors. However, around 2007 we started to see the vacancy happen and then no demand for the units. Mr. Hamilton had talked about making it like Hi-Rise, being handicap accessible. When she hears that an investor is going to keep the property for the tenants that is a good thing.

Motion by Commissioner Molski to start the negotiations with Affordable Senior Housing of Central Wisconsin; seconded by Commissioner Onstad.

Aldersperson R. Stroik asked to still have a more detailed 10 year projection if the CDA continued to own Edgewater Manor, to which Chairperson Halverson stated yes that will be provided no matter what.

Motion carried 5-0.

5. Adjourn

Meeting adjourned at 5:15 PM.

Chairperson

Date

Secretary

Date