

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

June 11, 2013, 4:00 PM
City Conference Room
1515 Strongs Avenue, Stevens Point, WI 54481

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

EXCUSED: Commissioner Adamski and Commissioner Cooper.

ALSO PRESENT: Executive Director Michael Ostrowski, Public Housing Manager Donna Bella, Maintenance Supervisor John Niedbalski, City Attorney Logan Beveridge, Mary Ann Laszewski, Barb Jacob, and Stanton Thomas.

INDEX:

1. Roll call.
Discussion and possible action on the following:
2. Reports of the May 7, 2013 and May 21, 2013 meetings.
3. Payments for January – May 2013.
4. Accounts receivable write-offs.
5. 2012 Audit for the Community Development Authority of the City of Stevens Point.
6. Authorizing the consolidation of Asset Management Projects (AMPs).
7. Consideration on the actions taken at the City Plan Commission meeting of June 3, 2013 relating to the following:
 - a. First amendment to Reciprocal License Agreement between the Community Development Authority of the City of Stevens Point and Mid-State Technical College for the purposes of allowing encroachments onto the property south of 1001 Centerpoint Drive (Parcel ID 2408-32-2029-64).
 - b. Transferring and/or selling and/or assigning the rights to the property located at 1450 Water Street (Parcel ID 2408-32-2019-33) and the adjacent unaddressed property (Parcel ID 2408-32-2019-35) from the Community Development Authority of the City of Stevens Point to Affordable Senior Housing of Central Wisconsin Inc.
8. Authorizing the amendment to Reciprocal License Agreement between the Community Development Authority of the City of Stevens Point and Mid-State Technical College for the purposes of allowing encroachments onto the property south of 1001 Centerpoint Drive (Parcel ID 2408-32-2029-64).
9. Authorizing the sale of Edgewater Manor, located at 1450 Water Street (Parcel ID 2408-32-2019-33) and the adjacent unaddressed property (Parcel ID 2408-32-2019-35), from the Community Development Authority of the City of Stevens Point to Affordable Senior Housing of Central Wisconsin Inc.
10. Adjourn.

-
1. Roll call.

Present: Halverson, Stroik, Molski, Hanson, and Onstad.

Not Present: Adamski and Cooper.

2. Reports of the May 7, 2013 and May 21, 2013 meetings.

Motion by Commissioner Molski to approve the reports; seconded by Commissioner Hanson. Motion carried 5-0.

3. Payments for January – May 2013.

Commissioner Molski asked for an explanation on negative rents. Public Housing Manager Bella said that relates to the utility allowance that a tenant receives.

Director Ostrowski said that we have been using the credit card more to pay the standard operating expenses. This way we get credits back for using them.

Motion by Commissioner Molski to approve the payments for January – May 2013; seconded by Commissioner Hanson. Motion carried 5-0.

4. Accounts receivable write-offs.

Director Ostrowski indicated that there were limited write-offs for the beginning of the year, totaling \$1,476.96.

Public Housing Manager Bella added that even though we are writing this amount off, we collect these amounts from the tenant's tax refunds.

Aldersperson Stroik asked if this is a normal amount. Public housing Manager Bella said the amount varies.

Motion by Aldersperson Stroik to approve the accounts receivable write-offs; seconded by Commissioner Onstad. Motion carried 5-0.

5. 2012 Audit for the Community Development Authority of the City of Stevens Point.

Commissioner Hanson asked what is meant by gain on sale of fixed assets. Public Housing Manger Bella said this occurs when we sell fixed assets. The asset we sold was a vehicle. This was the profit that we gained.

Commissioner Hanson asked what were the operating grants. Public Housing Manger Bella said we get our operating subsidy from HUD annually.

Commissioner Hanson asked if the cost of the audit is charged back. Public Housing Manger Bella said that we charge it back.

Commissioner Hanson asked if this is done on a fiscal year. Public Housing Manger Bella said HUD's calendar is September 30th. However, the audit is done on a calendar year.

Motion by Chairperson Halverson to approve the 2012 Audit for the Community Development Authority of the City of Stevens Point; seconded by Aldersperson Stroik. Motion carried 5-0.

6. Authorizing the consolidation of Asset Management Projects (AMPs).

Chairperson Halverson said in reading through the memo, this seems like it would be to our advantage for the amount of capital that would be accessible to us.

Public Housing Manger Bella said HUD went to asset management in 2008. At that time, agencies had to determine what properties will be in what AMP. Since then they have lifted this requirement. Public Housing Manger Bella said we cannot touch Hi-Rise because of the tax credits. However, this facility is not scored in regards to PHAS. If you take Scattered Sites and Madison View and combine them, you can spread the vacancies out over all of the units, as opposed to a single AMP. This will only help our score, and get more capital funds.

Commissioner Hanson asked how high the score has to be to be a high performer. Public Housing Manger Bella said she believed it was 92 or 96. Commissioner Hanson asked if 92% means 8% vacancy. Public Housing Manger Bella said the score is made up of occupancy, accounts receivables, capital funds, and physical improvements. Commissioner Molski asked what our score was now. Public Housing Manger Bella said for 2011 we were a standard performer because of the vacancy issues. Director Ostrowski said that we were being penalized for one of the units that was a CAP unit. This unit was being consider vacant all year, and not considered a special circumstance. Since then, CAP has relinquished those units and we are now able to fill them.

Motion by Commissioner Hanson to approve the consolidation of Asset Management Projects (AMPs); seconded by Commissioner Molski.

Alderperson Stroik asked if there was any downside to consolidating the AMPs. Public Housing Manger Bella said no. In the beginning, HUD said to separate the AMPs into projects that you could sell. Public Housing Manger Bella said we will not be selling any of these projects. There is not a downside; we are not getting rid of any properties.

Motion carried 5-0.

7. Consideration on the actions taken at the City Plan Commission meeting of June 3, 2013 relating to the following:
 - a. First amendment to Reciprocal License Agreement between the Community Development Authority of the City of Stevens Point and Mid-State Technical College for the purposes of allowing encroachments onto the property south of 1001 Centerpoint Drive (Parcel ID 2408-32-2029-64).
 - b. Transferring and/or selling and/or assigning the rights to the property located at 1450 Water Street (Parcel ID 2408-32-2019-33) and the adjacent unaddressed property (Parcel ID 2408-32-2019-35) from the Community Development Authority of the City of Stevens Point to Affordable Senior Housing of Central Wisconsin Inc.

Chairperson Halverson said we need to act on these two items. The Plan Commission recommended approval of both items.

Alderperson Stroik asked what the difference was between items 7, 8, and 9; why are they separate. Chairperson Halverson said procedurally it's better to accept the recommendation from the Plan Commission and then act. Director Ostrowski said the CDA would acknowledge the Plan Commission's recommendation. Not approving it, but acknowledging it.

Alderperson Stroik said if they made a motion to deny, we could still authorize the sale. He said that makes no sense. Director Ostrowski said that the Plan Commission is a recommending body.

City Attorney Beveridge said having it this way is better for record keeping.

Aldersperson Stroik said number 7 is only the minutes. Chairperson Halverson said just accepting and putting it into our record to move forward. Aldersperson Stroik said just that they recommended it, not the actual agreements.

Motion by Commissioner Hanson to accept the actions of the Plan Commission; seconded by Commissioner Onstad. Motion carried 5-0.

8. Authorizing the amendment to Reciprocal License Agreement between the Community Development Authority of the City of Stevens Point and Mid-State Technical College for the purposes of allowing encroachments onto the property south of 1001 Centerpoint Drive (Parcel ID 2408-32-2029-64).

Director Ostrowski said that MSTC's southern wall is right on the property line that the CDA owns. So anything they do on the south side of the building, such as roof overhangs, landscaping, sidewalk, etc. will be on CDA-owned property. This agreement authorizes them to do this work and that the easements would run with the building.

Aldersperson Stroik asked if this area was ever planned to be a street again. Director Ostrowski said there is room to do a street. They will not be going out any further into the road.

Aldersperson Stroik asked if this will be an entrance to MSTC. Director Ostrowski said that was correct. Director Ostrowski referred the Board to the attachments for clarification.

Motion by Chairperson Halverson to approve the amendment; seconded by Aldersperson Stroik. Motion carried 5-0.

9. Authorizing the sale of Edgewater Manor, located at 1450 Water Street (Parcel ID 2408-32-2019-33) and the adjacent unaddressed property (Parcel ID 2408-32-2019-35), from the Community Development Authority of the City of Stevens Point to Affordable Senior Housing of Central Wisconsin Inc.

Director Ostrowski said at the last meeting, you authorized us to continue to negotiate with Affordable Senior Housing of Central Wisconsin Inc. The offer that is before you is for \$1,555,000.00. They would guarantee that 80% of the units will remain senior for a period not less than 10 years. In addition, the rents would not change for a period of three years. Thereafter, they would guarantee not to increase the rents on existing tenants by 1% per year. This offer would have \$200,000.00 earnest money.

Chairperson Halverson this was very reflected of what we wanted.

Commissioner Hanson asked if December 31st would be the actual date of transfer. Director Ostrowski said the closing date is flexible. This still needs to be confirmed by the Common Council.

Commissioner Hanson asked if the phase 1 was done. Director Ostrowski said the phase 1 was done with the Seramur deal. We would be working with the current buyer to get a reliance statement.

Aldersperson Stroik asked what the donation to the youth would be. Chairperson Halverson we do not have anything concrete.

Alderson Stroik said he was disappointed with only a guarantee of 10 years for keeping it senior. He was hoping to see 20-25 years to make it solid. This would help ensure that the citizens that are in the building are protected. City Attorney Beveridge said the 10 years only addresses keeping it senior. The restrictions on the rent increases are indefinitely. If you change the age requirements, this would require more parking and they do not have enough spaces.

Alderson Stroik said after 10 years they could come to us and say they want to rip it down and put anything on the site. In 10 years, we could displace 81 years and the parking is a moot story. We are basically asking them to go out of business.

Alderson Stroik said in 20 years they could increase rents 20%. City Attorney Beveridge said for the first three years, they cannot raise it at all. Even at 1% increase per year, this would still lag behind inflation.

Alderson Stroik said in 10 years, we could have 81 people who would not have a place to go. This would not be an easy transition for 81 people. He would hope that this would not happen. However, as a councilperson, 10 years is not enough time to make a sound decision.

City Attorney Beveridge said if they are going to tear down the building, they would need to meet the zoning requirements. Alderson Stroik said at that time, they could hold it over our heads, and require us to give them parking.

Alderson Stroik said he is torn because this is a decent proposal, but 10 years is really short. He would like to see 20 years. Commissioner Onstad said it all depends how you look at things. She looks at things differently. She has talked to a lot of people at Edgewater, and 10 years is a long time. There are no guarantees. Sooner or later you need to go with things that need to be done.

Commissioner Molski asked if the requests for proposals required a set time that they need to keep the building a senior status. Director Ostrowski said no. The request for proposal had particular goals, such as how they would deal with existing tenants, but it did not ask how long they would keep it senior.

Commissioner Molski said this would be asking for something that was not in our request for proposal. Chairperson Halverson said we asked the potential purchaser how long they would be willing to keep it senior. Those conversations took place, and a draft purchase agreement was presented. He felt that 10 years should give the existing residents some comfort, and that they would not be removed after a year or two.

Commissioner Molski said she feels that 10 years is good. There are not many people who know what they are going to be doing 10 years from now.

Commissioner Hanson asked if the assumption is that after 10 years that you will be thrown out. Chairperson Halverson said he did not believe that was the assumption. He feels the overall mission is to do senior housing.

Commissioner Hanson asked if the Lullabye building was at 100% occupancy. Chairperson Halverson said he believed it was, or at least it was said in the owner's proposal that it was full.

Alderson Stroik said all the examples that the potential purchasers showed were senior and he questioned why they were not willing to provide a longer timeframe for senior status. He said it is

difficult because once it is gone, the City will not get it back for \$1.5 million. If they decide to bulldoze it down after 10 years and the City needs to find a place for 81 residents, the City will be looking at a cost more like \$10-\$12 million. Right now, we can put \$2 million into it; we can still own it and put \$200,000 into the CDA trust fund every 10 years. This is the sure thing that we can offer our seniors.

Public Housing Manager Bella asked if the reason they would not do the 20 years was because they wanted to do assisted living. Speaking with experience from Hi-Rise, it was primarily senior tenants who lived there. When we did the remodeling on Hi-Rise and made 24 units accessible, we have seen an influx of handicap individuals, who are not all seniors.

City Attorney Beveridge said another thing to consider is that a lot of the seniors in our community are still in their own homes, however, they are on a fixed income and one of the things that they struggle with is paying property taxes. By selling Edgewater and putting it into the TIF, we are able to reduce the debt service, which is a value to the seniors as well.

Chairperson Halverson said the issue in 10 years if it is not senior, we would not be building anything. It would be the private sector through the tax credits. If the market is there, the private sector would do it. We need to stop thinking about city-owned senior housing. To rely on the general tax levy is unacceptable. It is absolutely not the right move for a city of our size to own senior housing and subsidize it with a tax base of our size. Doing the research, communities do not do this. Public Housing Manager Bella said she only found one example in the country, one in Colorado. Mayor Halverson said it is not a best practice, nor does it make financial sense for a community of our size. This is why HUD dollars are in decline, and they chose to maintain the Section 42 options. There is danger for us to embark as a community on our levy. There are a number of pitfalls. This is not a practice that is employed anywhere. Ten years is very acceptable to him. This will give the existing tenants a comfort level that any time in the near future, they will not be disrupted. Then we focused on the rent with no increases for the first three years and then small increases thereafter. The principle that we would get would go back to the trust funds to amplify the income we would receive off of those. We have discussed putting this into a TIF district. The income is lost from the PILOT, which does go to support operational dollars, but it is replaced with a TIF increment of about \$36,000 to \$40,000, depending on the assessment, around \$2 million. At this point you have a revenue stream that offsets debt service. There are pros and cons either direction, from his prospective, the way to harness the most positive is to sell it and get it in the TIF at the same time. This agreement gives us a high degree of protection in terms of the tenants.

Commissioner Hanson asked how many people were in the building right now. Public Housing Manager said roughly 55. Commissioner Hanson said we do not even meet 80%. They will need to go out and find 8-10 more people to meet 80%.

City Attorney Beveridge said the revenue projections may look favorable, but these are under the assumptions that we get down to five-percent vacancy. A shift in three-percent is about \$80,000, which is a risk.

Director Ostrowski said he handed out an amendment to number 17 saying that the rent would not be increased beyond 1% on existing tenants, as opposed to all tenants. This would have to be modified if you chose to do so.

Motion by Chairperson Halverson to approve the sale of Edgewater Manor to Affordable Senior Housing of Central Wisconsin Inc. with the amendment as presented; seconded by Commissioner Molski.

Roll call:

- **Ayes – Halverson, Molski, Onstad, and Hanson.**
- **Nays – Stroik.**

Motion carried 6-0.

10. Adjourn.

Meeting adjourned at 4:47 PM.

Chairperson

Date

Secretary

Date