

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

Date: December 3, 2013, 5:00 PM

Location: County/City Building, City Conference Room, 1515 Strongs Avenue, Stevens Point, WI 54481

PRESENT: Chairperson Halverson, Alderperson Stroik, Commissioner Adamski, Commissioner Molski, Commissioner Schlice, and Commissioner Onstad. Commissioner Cooper was excused.

ALSO PRESENT: Executive Director Michael Ostrowski, Public Housing Manager Donna Bella, Maintenance Supervisor John Niedbalski, Mary Ann Laszewski, Reid Rocheleau, Barb Jacob, Krista Mendyke, and Travis Haines.

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1. Roll call.

Discussion and possible action on the following:

2. Payments for September 2013 and October 2013.
3. Accounts receivable write-offs.
4. Adoption of agency pay plan.
5. Budget review and approval for Hi-Rise Manor, Madison View, Scattered Sites, and Edgewater Manor.
6. Resolution – Adopting the 2014 operating budgets.
7. Selection of management firm for Edgewater Manor.
8. Motion to enter into closed session under Section 19.85(1)(c) of the Wisconsin Statutes for the purpose of considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility, relating to:
 - a. Consideration of review of executive director position for housing authority relating to current personnel.
9. Reconvene into open session (approximately 30 minutes after entering into closed session) for possible action relating to the above.
10. Organizational structure of housing authority and redevelopment authority.
11. Adjourn.

1. Roll call.

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

Discussion and possible action on the following:

2. Payments for September 2013 and October 2013.

**Motion by Commissioner Schlice to approve the payments; seconded by Alderperson Stroik.
Motion carried 5-0.**
3. Accounts receivable write-offs.

Director Ostrowski indicated that we had about \$5,420.05 in write offs, \$1,288.03 in rent and utilities, and \$4,132.02 in charges. He asked that the Board allow staff to write off any further charges that may occur before the end of the year so it does not affect our HUD score.

**Motion by Commissioner Molski to authorize the write offs; seconded by Commissioner Schlice.
Motion carried 5-0.**

4. Adoption of agency pay plan.

Commissioner Adamski arrived at 5:02 PM

Director Ostrowski said the CDA and City did a pay plan study through Carlson Dettmann. The consultant reviewed job description questionnaires that the employees filled out and placed them in the appropriate grades and steps. He indicated that the current and proposed salaries are within the packet. It includes the amount to the minimum, which is the amount it takes to get an employee to the minimum step within their proposed grade, as well as the amount to step, which is the amount of money it would take to get the employee to the next step, if their current salary is between steps.

Aldersperson Stroik asked if the money was budgeted. Public Housing Manager Bella said the new salaries are reflected within the proposed budgets.

Motion by Commissioner Schlice to approve the agency pay plan; seconded by Commissioner Onstad.

Chairperson Halverson said if there are any appeals related to grade placement, the process will be similar to the City where the appeal would go through him and Mr. Carlson. If a further appeal is requested, it would go before this Board.

Commissioner Schlice and Commissioner Onstad agreed to make the appeal process as part of the motion.

Motion carried 6-0.

5. Budget review and approval for Hi-Rise Manor, Madison View, Scattered Sites, and Edgewater Manor.

Commissioner Schlice said nothing jumps out at him.

Motion to approve the budgets as presented; seconded by Chairperson Halverson.

Commissioner Molski asked why we were expecting a big increase in the cost of the audit. Public Housing Manager Bella said it was because we have combined everything.

Aldersperson Stroik said he would like a summary. He asked what the major changes are. Public Housing Manager Bella said each line item is gone through extensively. The big thing we have to deal with is the HUD cuts with our subsidy. With the scattered sites we have seen a lot of low income people renting from us, so that affects our bottom line. It was like a 30% difference from last year.

Commissioner Adamski said she has also included a salary for an executive director position. Public Housing Manager Bella said she put this wage in there based on the wage Jim Hamilton was making. Chairperson Halverson said this was appropriate for planning purposes. Director Ostrowski said this may be modified once we go through the other agenda items. Commissioner Adamski said it is better to be conservative.

Aldersperson Stroik asked why we are projecting a net decrease in rental revenue for Edgewater Manor. Public Housing Manager Bella said she struggled with this because we have seen some

people move in, but more have moved out. She said the projected budget is not always an accurate number, but it is the best she can get. She said she goes on the conservative side.

Commissioner Adamski said because of the large variances that you may have, he would recommend that the budget be revised after six months.

Aldersperson Stroik said with Edgewater we projected last year that we would lose \$20,000, but were actually on pace to have a net profit of \$126,158. Director Ostrowski said two of the bigger expenses did not occur, the window caulking, and sealcoating. Director Ostrowski said we are having some concerns with the shifting of the exterior walls and we are having a structural engineer come in and look at to see what is causing the shifting. Aldersperson Stroik said that is not in the projection. Director Ostrowski stated correct, because we need to first look at what is causing the problem. He said it will likely require a revised budget once we know what the figures are.

Aldersperson Stroik asked what growth we projected when we decided we were going to keep Edgewater. Director Ostrowski said we projected a one percent increase in rents, as well as drop down to a vacancy rate of 25%. Aldersperson Stroik asked what the current vacancy rate was, to which Director Ostrowski said about 36%. Aldersperson Stroik asked what the \$309,000 revenue projection was based off of, to which Director Ostrowski indicated 40%. Director Ostrowski said that every tenant that we lose, we lose about \$6,300 per year in rental income.

Chairperson Halverson said one of the concerns is that there is the potential that we may face severe façade issues. This may be a significant sum of money to repair it. Public Housing Manager Bella said that, in that situation the CDA would need to borrow or use trust fund revenue because they do not have enough money.

Aldersperson Stroik said what is our goal, do we typically just want to break even. Chairperson Halverson said that is the philosophical question. We could do a variety of things. He said that is what this body or the redevelopment authority will have to decide after the first of the year.

Aldersperson Stroik said remove Edgewater. With Scattered Sites we are budgeting to have a profit of \$20,000 and Hi-Rise a profit of \$33,000. Last year we budgeted \$260,000 of profit between the both of them. This year we are projecting only \$53,000. In a business world, this would not be good. Chairperson Halverson agreed, and said that we are facing decreases in operating subsidy and this is going to be another conversation that needs to be had. Public Housing Manager Bella said HUD has some initiatives to help the public housing program.

Aldersperson Stroik said his concern is the substantial decrease in the budget, and do we need to start pinching pennies today to save. Public Housing Manager Bella said she has seen this trend come and go.

Aldersperson Stroik asked if our expenses in the sites increased or stayed flat. Public Housing Manager Bella said they have stayed flat. We have cut back on expenses. Director Ostrowski said they have cut back on staff, and we have contracted out when we can. In addition, we have split the executive director position. Director Ostrowski said one of the concerns is that we have seen lower income individuals, which translates into a lower subsidy from HUD.

Public Housing Manager Bella said our program has a lucrative operating account that we have access to in the meantime. We have enough to fund this thing for a long time if we need to.

Commissioner Schlice asked on the Edgewater budget if the \$65,000 is going to be carried over in addition to the \$50,000 budgeted. Director Ostrowski indicated that we have received the bids for the caulking, but we don't know if there will be any additional costs. These are not being carried over. If the façade costs exceed the \$50,000, we will likely have to come back for an amended budget.

Director Ostrowski said if we proceed with a property management company we may need to amend the budget as well.

Commissioner Molski asked if the management company would be doing the budgeting for Edgewater. Director Ostrowski said that we would still be doing the budgeting, but they would handle the management aspect of it. Alderperson Stroik asked if we are on the hook for all maintenance. Director Ostrowski indicated that is correct.

Roll call:

- **Ayes – Halverson, R. Stroik, Adamski, Molski, Schlice, and Onstad.**
- **Nays – None.**

Motion carried 6-0.

6. Resolution – Adopting the 2014 operating budgets.

Motion to approve the resolution; seconded by Commissioner Adamski.

Roll call:

- **Ayes – Halverson, R. Stroik, Adamski, Molski, Schlice, and Onstad.**
- **Nays – None.**

Motion carried 6-0.

7. Selection of management firm for Edgewater Manor.

Director Ostrowski indicated that proposals were due on November 15, 2013, and they were opened later that day. The proposals were then submitted to the board members that afternoon. Four proposals were submitted:

1. Barb Jacob,
2. Candlewood Property Management, LLC,
3. Carlson Maintenance & Management Co., and
4. Copperleaf Management Group, LLC.

Within the RFP, we identified the following criteria to review the proposals:

- Relevant experience;
- Customer service;
- Services offered;
- Costs of services provided;
- Staff time at the Property; and
- Evidence of successful attraction and retention of residents.

Director Ostrowski said he provided a summary of each proposal within the staff report. They did vary in price. One based it off of a flat fee, some based it off of seven percent of rents collected, and the other based it on a variable rate depending on the occupancy level, ranging from five percent rents collected to ten percent rents collected. Director Ostrowski also indicated that the fees charged for maintenance also varied.

In reviewing the proposals, Director Ostrowski had recommended Candlewood Property Management because of their strong proposal. They have a lot of properties that they manage, they have a low vacancy rate overall, and they provided examples of properties that they turned around from having a high vacancy rate to start with and now having a much lower vacancy rate. Their cost was fairly competitive and they are one of the largest management companies.

Commissioner Schlice asked if Director Ostrowski reviewed the proposal on management fees or total costs. Director Ostrowski said both. The fees varied. Candlewood's management fee was seven percent with a \$2,000.00 minimum. The hourly rate for maintenance was variable, but they were a little bit higher in terms of maintenance costs.

Commissioner Schlice said while you are moving up to 10%, if you take the maintenance costs into consideration, Copperleaf is a lot lower than Candlewood. Director Ostrowski said that it would depend on how much maintenance you would need. Director Ostrowski said that there were other factors taken into consideration, such as evidence of properties that they have turned around and the experience that they have.

Commissioner Schlice asked if we did a proposal against these. Director Ostrowski said that we did not. Chairperson Halverson said he would like to get away from that. Public Housing Manager Bella said another reason is that the community has indicated that it is hard to differentiate between public housing and Edgewater. She indicated that because they follow HUD guidelines, they have lots of rules for their tenants. She said it would be hard to apply these rules at one location and not the other. Director Ostrowski said one of the recommendations in the public housing study was to separate the two. People may believe that Edgewater is public housing and this may be one of the reasons for the lack of applicants.

Commissioner Schlice said Barb's blew everybody's out of the water, but that is a one person show compared to a team. Chairperson Halverson said he would think there is an experience issue there.

Aldersperson Stroik said with all the respect to the people who submitted bids, he did not see that any of the four bids really showed the experience and cater to the needs of why the council and community kept the facility. He does not believe any of the proposals accomplished this number one goal.

Commissioner Adamski asked what the goal was. Aldersperson Stroik said the community said to him as a voting member of the council was so that the seniors would have a good place to live, that it is well maintained, clean, not fancy, but their needs are taken care of.

Commissioner Adamski said you are indicating that none of these proposals address that goal. Aldersperson Stroik said he does not believe they meet the needs of the senior group. He is not comfortable with them.

Aldersperson Stroik asked how we advertised for the service. Director Ostrowski said he mailed it to the property management firms in the area, put it on the website, sent it to the Central Wisconsin Apartment Association for them to distribute to all of their members. We tried to capture as many as we could.

Chairperson Halverson said when you look at the depth of Copperleaf it is exclusively senior. When you look at the depth of Candlewood, the sheer size of the organization is large, the vacancy rates are low, and the diversity of the population that they cater to is high. No offense to Barb, but she is not qualified. Mr. Carlson is, but his operation is a little smaller.

Chairperson Halverson said that the concerns that he heard was that we need to make sure that it is well maintained, it's clean, and it's full. If these were the intent, this is where Candlewood starts to rise to the top. We own an apartment building. The only option for us is a management company of some kind. What he heard is that the residents are unhappy with the maintenance and they are unhappy with the cleanliness. We need to get the occupancy rate up, and in his opinion Candlewood is the best one to perform.

Aldersperson Stroik said we are still on the hook, other than their incentive to fill it. Chairperson Halverson said they are running the day to day management of the structure. We do not have the ability to do that.

Aldersperson Stroik asked what the day to day duties are. Director Ostrowski said tenant complaints, inspections, showing of units, leases, and maintenance.

Commissioner Adamski asked how long the contract would be for. Director Ostrowski said that is up to the Board. He would like to see at least one year, if not longer. Commissioner Adamski indicated that if they do not perform within this year, we can start this process over again.

Director Ostrowski said there are other options that provide senior programs, if that is something you want to provide. Chairperson Halverson said he does not know if we will have the income to do that.

Aldersperson Stroik said when we looked at this we looked at a profit the first year and that each year it got better. Chairperson Halverson said that was after significant improvements. Aldersperson Stroik said he does not see the ownership to get full occupancy with these proposals.

Aldersperson Stroik said the biggest obstacle with the prior proposals was the ten year option. He said for this type of return there is no guarantee that it is going to fill. They could be happy with a ten percent vacancy rate. He asked if we want to renegotiate and get a twenty year commitment to make it senior. Chairperson Halverson asked what Aldersperson Stroik was suggesting.

Aldersperson Stroik said based on these proposals he does not think it is in the best interest of the CDA. If we are going to accept a budget of \$10,000, he does not see the ownership to fulfill the mission.

Chairperson Halverson said the proforma you are seeing with the budget for next year assumes a 40% vacancy rate and does not assume an injection of \$2 million. The injection of \$2 million that has always been in the director's projection is what will get you a higher occupancy rate.

Chairperson Halverson said we are going to need a company that is going to run it. We are going to need to figure out what is going on with the façade, and the other \$1.8 million of improvements that will need to occur. If we put \$2 million in the building, then the proforma becomes very reachable. Regardless of reworking Parkinson's proposal we need to work on 2014 no matter what. Chairperson Halverson said if we are going to hold the building, step one is the management company, step two is to get through the structural issues that we have, step three is the other spreadsheet.

Commissioner Adamski said the market is going to drive what is going to happen in the next year. These four bidders are interested in doing this; otherwise they would not have put together a proposal. They are going to want to do everything that you suggested to make the facility better to make a larger fee. If they don't we can fire them and start all over again.

Director Ostrowski said this gives us at least a one year trial period to see if it works. We may have to look at other options, including whether or not it stays senior. As much as we want it to, it may not be cost feasible. Maybe it goes down to 50 or 45 years of age.

Aldersperson Stroik asked if we would sign an agreement for January. Director Ostrowski said the resolutions to dissolve the CDA would be in front of the council in December, so the intent was to have them start January 1.

Aldersperson Stroik said if he would redo it, if the proposal that was in front of us before had a 20 or 25 year commitment, that proposal would truly fit the needs better than what we are doing here. He feels like he did justice a few months ago by keeping the building, but feels that justice will not come to fruition. He feels the city would be better off with a 20 or 25 year commitment. Could we postpone to see if that is even an opportunity. Chairperson Halverson said the opportunity for us to go back and renegotiate is probably pretty low.

Chairperson Halverson said he has ruled out this way of thinking for some time now. He has focused his efforts not so much on the short term budget, but the long term projections, where we may have some matching grant opportunities. This would be in addition to the interest that we make off of the housing trust funds.

Aldersperson Stroik shared a pamphlet about a company in Madison called Horizon Management Services who manage senior housing. They also have activities and additional services. He did not see these services in the proposals that we received. Chairperson Halverson said these services will cost more. There is an experience based activity program with Copperleaf.

Chairperson Halverson said in terms of where we are he heard some basic things. We need to get the building full, we need to get it clean, marketable, and responsive to the needs of the people in there. If we are going to start to run a more aggressive senior living facility, then we're out, we need to sell it. If we want to start to kick back some of the profits towards recreational activities, we could do that on a case by case basis. Aldersperson Stroik said these services would be able to help fill the building.

Chairperson Halverson said we need a game changer. We need a rebranding. We need to get this property away from public housing. For short term issues, he did not here activities were a problem, or that they want them to go on there. They want responsiveness and they want it clean. It needs to be updated.

Motion by Chairperson Halverson to award management services for Edgewater Manor to Candlewood Property Management, LLC for a one year contract starting January 1, 2014 and ending December 31, 2014, unless extended in the interim; seconded by Commissioner Onstad.

Commissioner Adamski said he would have to abstain because he has a number of clients who have submitted bids.

Director Ostrowski said asked if the motion would include that the City Attorney and himself draft the contract, which it was agreed to.

Commission Schlice asked if we have done a background check on all of the applicants. Director Ostrowski said that we have not done a formal background check. We have looked a CCAP. If you would like this as part of the motion we could do that and if anything comes up we could bring it back to you, otherwise if there are no major issues, we would proceed. This was agreed to.

Commissioner Schlice asked what the non-renewal clause would be. Chairperson Halverson said we need to give them plenty of notice, and would recommend November 1.

Roll call:

- **Ayes – Halverson, Molski, Schlice, and Onstad.**
- **Nays – R. Stroik.**
- **Abstain – Adamski.**

Motion carried 4-1-1.

Commissioner Schlice had to leave the meeting at this time.

8. Motion to enter into closed session under Section 19.85(1)(c) of the Wisconsin Statutes for the purpose of considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility, relating to:
 - a. Consideration of review of executive director position for housing authority relating to current personnel.

Motion by Commissioner Adamski to enter into closed session; seconded by Commissioner Molski.

Roll call:

- **Ayes – Halverson, R. Stroik, Adamski, Molski, and Onstad.**
- **Nays – None.**

Motion carried 5-0.

9. Reconvene into open session (approximately 30 minutes after entering into closed session) for possible action relating to the above.

Motion by Chairperson Halverson to reconvene into open session; seconded by Commissioner Adamski.

Roll call:

- **Ayes – Halverson, R. Stroik, Adamski, Molski, and Onstad.**
- **Nays – None.**

Motion carried 5-0.

10. Organizational structure of housing authority and redevelopment authority.

Chairperson Halverson said that the redevelopment authority duties will fall to Director Ostrowski in the Community Development Department, and a separate redevelopment board would be created. The appointments to the redevelopment and housing authorities will be made on the third Monday of this month.

What the Board had discussed was writing a transitional memo to the new housing authority board recommending the interim appointment of Donna Bella to Executive Director of the Housing Authority, and laying out suggestions to the housing authority to use as they see fit, or disregard. At least what we wanted to make sure was that we get some direction on continuity.

Motion by Chairperson Halverson to approve the interim appointment of Donna Bella as Executive Director of the Housing Authority, with the inclusion of a transitional memo to the new housing authority board; seconded by Commissioner Adamski. Motion carried 5-0.

11. Adjourn.

Meeting adjourned at 6:44 PM.

Chairperson

Date

Secretary

Date