



MINUTES

REDEVELOPMENT AUTHORITY OF THE CITY OF STEVENS POINT

Date and Time:	July 8, 2014 4:00 PM	Location:	City Conference Room 1515 Strongs Avenue Stevens Point, WI 54481
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Present: Chairperson Halverson, Commissioner Adamski, Commissioner Molski, Commissioner Sawyer, and Commissioner Schlice

Excused: Alderperson Stroik and Commissioner Dugan

Also Present: Executive Director Ostrowski, City Attorney Beveridge, and Alderperson Mike Phillips

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1. Roll call.

Discussion and possible action on the following:

2. Approval of the minutes from the June 9, 2014 redevelopment authority meeting.
 3. Approval of the special June 9, 2014 joint common council / redevelopment authority meeting.
 4. Approval of financial reports, claims, and statements from May 2014.
 5. Amendment No. 4 to the AECOM Agreement for Environmental Services, for remedial action – soil venting piles on Mason Street, former Dunrite Cleaners.
 6. Maintenance needs and financial projections for Edgewater Manor.
 7. Executive Director's update (informational purposes only).
 8. Adjourn.
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1. Roll call.

Present: Halverson, Adamski, Molski, Sawyer, Schlice

Discussion and possible action on the following:

2. Approval of the minutes from the June 9, 2014 redevelopment authority meeting.
Motion by Commissioner Molski to approve the minutes from the June 9 redevelopment authority meeting; seconded by Commissioner Sawyer. Motion carried 5-0.
3. Approval of the special June 9, 2014 joint common council / redevelopment authority meeting.
Motion by Commissioner Schlice to approve the minutes from the June 9 joint common council / redevelopment authority meeting; seconded by Commissioner Molski. Motion carried 5-0.

4. Approval of financial reports, claims, and statements from May 2014.

Motion by Commissioner Schlice to approve the financial reports, claims, and statements from May 2014; seconded by Commissioner Adamski.

Commissioner Sawyer questioned why security deposits were under other income and refunds under other expense, as they are typically held in trust. Chairperson Halverson said it should be a liability and asset on the balance sheet, as opposed to on the profit and loss. Commissioner Adamski asked why they were not getting a balance sheet along with the profit and loss statement. Executive Director Ostrowski said he could request a balance sheet be provided going forward. Commissioner Schlice said he would hope that they do a year end entry to balance it.

Roll Call: Yeas - Halverson, Adamski, Molski, Sawyer, Schlice

Nays - None

Motion carried 5-0.

5. Amendment No. 4 to the AECOM Agreement for Environmental Services, for remedial action – soil venting piles on Mason Street, former Dunrite Cleaners.

Executive Director Ostrowski said this is similar to what we have done in the past. Every time we move through a different step in the environmental remediation process, AECOM submits an amendment. This amendment is to start up the vapor mitigation system for the soil that was removed from the former Dunrite Cleaners location. There are several piles at the Mason Street location and what will occur is that a blower will blow air through them until they are remediated. Completion is anticipated by November of this year.

Commissioner Adamski asked what the reason was that this recommendation was made, as opposed to leaving it right where it was. Executive Director Ostrowski said you could either dispose of the soil in the landfill or you could do the soil venting piles, which was much more cost effective.

Commissioner Sawyer had some questions about the commercial terms. He indicated that some of the terms that look to be boiler plate caused him to stop and think about them for a minute. Specifically, litigation support, environmental conditions, and limitations of liability. He wants to make sure that these terms are not something different than what has gone on previously. Executive Director Ostrowski said these are the same terms that were approved with the prior agreement. The former City Attorney worked to modify some of their standard terms. They changed some of them, but their corporate did not want to change all of them. Commissioner Sawyer said specifically his concern was about the environmental conditions on page 25 of 29. It talks about being the intention of the Client to assume any liability alleged to have resulted from AECOM's joint or concurrent negligence. Commissioner Sawyer said this concerns him because AECOM could look for any slight bit of negligence and escape any liability. Commissioner Sawyer asked what our negotiation position on this. City Attorney Beveridge said the context of that provision is exclusively limited to any liabilities that arise from preexisting environmental conditions at the remediation site, or subsurface equipment. Essentially, this is saying that we have represented to them that we have provided them all the knowledge we have of the conditions at the site. If there are any injuries at the site that we were incorrect about, we are liable. This is not some sort of general assumption.

Commissioner Schlice said before this was put over on Mason Street, were we assured strongly that we would not re-contaminate the area. Executive Director Ostrowski said we had to get DNR approval. There is a plastic barrier underneath.

Aldersperson Phillips asked if we go out for bids on doing this type of work, or are we always stuck with AECOM. Chairperson Halverson said there are very few firms that are able to do this work. In fact, we are

sometimes directed to use only certain firms with some of the grant dollars. Alderperson Phillips said we then don't ask other firms to give us time and material quotes. Executive Director Ostrowski said the difficult part about this project is that AECOM started this project with us and it is very difficult to switch mid-stream with all the information that they have gathered and plans that they have drawn up. We could also run the risk of a third party using the information gathered by AECOM and then not having any liability from it. Executive Director Ostrowski said if we are starting a new project we can put that out for bid or proposals. Alderperson Phillips said he would like to see that for comparison purposes.

City Attorney Beveridge said one thing to keep in mind is that AECOM does their proposals in phases as opposed to all at once.

Motion by Commissioner Adamski to approve Amendment No. 4 to the AECOM Agreement for Environmental Services, for remedial action – soil venting piles on Mason Street, former Dunrite Cleaners; seconded by Commissioner Molski. Motion carried 5-0.

6. Maintenance needs and financial projections for Edgewater Manor.

Executive Director Ostrowski gave a summary of the joint meeting of the redevelopment authority and the common council regarding this matter. He said there were suggestions at the meeting, such as selling the building, going back to the previous bidders for the property, get another opinion on the façade, and getting a structural analysis on the entire building. He said it is being brought back before the authority to determine how they would like to proceed.

Commissioner Adamski asked why no action was taken at the joint meeting. He said he was uncomfortable with the five members taking action on this, because no matter what they do, he is confident that it will be second guessed. Executive Director Ostrowski said it was for discussion only. We needed to bring them up to speed on what is occurring. In addition, there was no clear action item for them to consider. Executive Director Ostrowski said we could forward your recommendation to the council to consider.

Commissioner Adamski asked if it made more sense to have another joint meeting. Chairperson Halverson said he did not believe so. This body should have the discussion today and vet the alternatives, and then decide what steps the redevelopment authority wants to take. Chairperson Halverson said we already have two opinions relating to the façade. We have done the reviews; bottom line is that the façade is going to need to come off. The fix that we instituted is finished and we were able to get the caulking done as well below the bid requirement.

Executive Director Ostrowski said that when they did do the fasteners on the building in about twenty of the holes that they drilled water poured out of the holes. Water is getting trapped, you need to better insulate the building, and you need to repair the weep hole system. Executive Director Ostrowski said he does not want to run the risk of any of the façade falling off and if the engineers are saying the temporary fix is only going to last about a year or two, and they doubt we are going to get an opinion that it is going to last longer, we have to act on this, as it is going to take some time to work through any of the alternatives we select.

Commissioner Sawyer said he gets the impression that some of the members of the common council who were opposed to changing the use of the property were skeptical of some of the numbers that they were given regarding the improvements, such as the amount that was being proposed for the appliances for the apartments. He asked if there is some reluctance to accept the numbers that have been put together because they think this is some politically motivated, back-dooring way to change the use of the property. Chairperson Halverson said he felt Commissioner's Sawyer's summary was spot on. Commissioner Sawyer asked if there is some way of assuring them that these numbers are legit and that this is a problem that is going to very costly in continuing to use this property the way it is currently being used. Chairperson

Halverson said the executive director did the best job he could have done in explaining the appliance line in itemizing the costs. What they did not realize that a great deal of the costs is the HVAC system and the individual heating and cooling units. He said the numbers could come down with competition among companies, but the numbers were not pulled out of the sky. We had used numbers from past renovation projects for the housing authority. Mr. Niedbalski gave us ideas of what they experienced historically. These numbers are very accurate.

Chairperson Halverson said we need to deal with the proforma we've been presented. Do we want to keep it and invest the \$3.2 million and have a market rate apartment complex owned by the redevelopment authority that will lose cumulatively \$398,000 over twenty years.

Commissioner Adamski expressed concern for the financial loss, along with the point that Chairperson Halverson made at the third meeting that the city is not supposed to be in the apartment building business. He has a ton of borrowers that don't need the city competing against them. Chairperson Halverson stated that in this instance we are directly competing against them and using their tax dollars against them.

Commissioner Adamski said when the executive director did this work, we did not anticipate what just occurred. With a building this old and so poorly constructed, you are going to run into other surprises. Chairperson Halverson said the executive director has accounted for some capital holdback each year. Executive Director Ostrowski said he has put \$25,000 each year, to which Commissioner Adamski said is a pretty low number for a building of this size.

Commissioner Adamski said that if we are going to put this building back up for sale, he is in agreement with the Mayor that we need to go through the RFP process. He asked what the highest bid that we received before was. Executive Director Ostrowski said about \$1.5 million.

Commissioner Molski said we discussed this very thoroughly, and she feels that it is in the best interest of the redevelopment authority and the city to sell the property. After seeing some of the projections she did hear some alderpersons wavering at the prior meeting. She would like to see us go out for requests for proposals and get it off our backs once and for all.

Commissioner Adamski said you cannot justify sticking \$3.2 million in the building and then have a \$400,000 loss.

Motion by Commissioner Molski to draft and release requests for proposals for the sale of the property; seconded by Commissioner Adamski.

Commissioner Schlice said two months ago we postponed moving forward with the needs analysis. He really thinks from a business standpoint that we spend the \$10,000 to get that study, which should answer any questions. This will also allow you to put your numbers together. He said right now it is a best guesstimate on the costs. We really need to do that to do things right. To go out and not put everything on the table we can leave ourselves open in the future to liability.

Commissioner Sawyer asked if an inspection of the property is going to be part of a sale. Chairperson Halverson said we are talking about two different things. As part of the sale, you will likely have a property inspection, but what Commissioner Schlice is talking about is the needs assessment. This is a bit different than an inspection.

Commissioner Sawyer asked if we could combine them to save money. Executive Director Ostrowski said typically the buyer does the inspection. Commissioner Adamski said that is the typical operating procedure. This is no different than a residential house. The buyer decides if it is necessary.

Commissioner Adamski said he was not sure in whomever we hire will have the same expertise in determining the needs of the buyer. They are in the business of rehabbing these properties and determining what to do with them.

Chairperson Halverson said we have two different things at play. The backdrop of the needs assessment was for our information if we kept the building. All of the documentation that we have now will have to be disclosed.

Commissioner Schlice moved to amend the motion to do the needs analysis. Executive Director Ostrowski asked City Attorney Beveridge if we can do this based on the wording of the agenda item. City Attorney Beveridge said he did not believe so because you are now expending funds. You could direct staff to bring back an item.

Executive Director Ostrowski said he received an email from Alderperson Randy Stroik saying he thinks that we need to do the structural analysis before we can decide to renovate or sell, this will steer us in the best direction. Commissioner Molski asked if we already have the structural analysis. Chairperson Halverson said we have feedback from two different entities about the façade, not the structural analysis of the entire building. Executive Director Ostrowski said if you would like to add a structural component, this will be in addition. Executive Director Ostrowski said he could get a proposal for that component and bring it back to you if this is how you would like to proceed. Commissioner Adamski said he has never seen a seller get an inspection in his forty years. Commissioner Schlice said government entities are different.

Alderperson Phillips said he was the one who brought up the question about the cost of appliances and after speaking with Executive Director Ostrowski about the HVAC units he is satisfied with the estimate. The rest of the estimate seems right on.

Alderperson Phillips said he was on the fence at the last meeting about selling the property. When the financial projections were presented, it looked like we could make some money on the facility. This is why he voted to keep it. Looking at the new projections, he would definitely vote to sell it.

Commissioner Adamski said it seems that Commissioner Molski's take from the last meeting is that some of the other alderpersons feel the same way.

Chairperson Halverson said it does not make sense based on the loss that we are projecting with no subsidy. For us to fill the building it cannot be senior, or it needs to be less senior. Chairperson Halverson said the city has \$8 - \$10 million left in debt capacity, but we need to have \$4 - \$5 available at any time for East Park Commerce Center, and if you use \$3.2 million, then you really have no debt capacity. He said that there are not a lot of large or major projects, but we will need \$4.5 - \$5 million for the overpass, although the debt that we are retiring should cover that. The point is the debt capacity of the city is not endless and it needs to be prioritized where it goes. We need to have the biggest benefit for the greatest many.

Commissioner Schlice said he is not objecting to selling it but he feels it will be easier to do if we have all of the information.

Commissioner Adamski asked if we can take a vote to sell and make the decision about the needs assessment before the RFPs are issued.

Commissioner Sawyer asked what would happen if we made the proposal to sell and it went to the city council said we are not convinced, then we come back with the concept of the structural analysis to do that.

Commissioner Schlice said he would like to have the needs assessment to have the whole picture. He feels it is well worth the \$10,000 and politically it will give the council a fallback, outlining the reasons for selling it.

Chairperson Halverson we need to be clear and practical about what is going to happen. Edgewater Manor is damaged goods and the number that we were going to get for it without this being a known issue was low for this size of building. We will be lucky to get \$200,000 for the building and may only get a payment for the land. So the question is what are we going to gain by doing the needs assessment now as opposed to letting the buyer determine the needs, with a backdrop that they would be doing the renovations. Commissioner Schlice said he does not want to see anything come back and bite us later on. Commissioner Molski said they may look at doing it differently.

Alderperson Phillips said he would not want an inspection because what if they do find something and it is unsalable. Leave it up to them to find something. It is up to the person submitting the bid to have all their bases covered; it is a waste of money.

Commissioner Sawyer expressed concern that if we do a study and it does not pick up everything, do the buyers now come after us because we were the ones who did the study.

Commissioner Schlice said maybe we are better off tearing down the building and redevelop the land. Chairperson Halverson said his next comment was going to be if as part of the RFP you would also like responses for a vacant site on the river. If the property was leveled and cleared, what would the responses to the RFP be, and what proposals would we get.

Commissioner Adamski asked if the city staff could clear the building. Chairperson Halverson said no.

Commissioner Adamski asked how much it would be to raze the building. Chairperson Halverson said \$300,000. Commissioner Adamski said it does not make sense to spend more than \$300,000 on a property that you are likely not going to get \$300,000 for. Chairperson Halverson said yes it does. You are able to equalize the land to sell and you allow a \$6.5 million development to happen that you have no money into.

Commissioner Adamski asked if we are complicating the process by having a two tiered RFP. Chairperson Halverson said yes, but you will get more people looking at it.

Commissioner Sawyer asked how much control does the city have of the site if we are talking about it being demolished. Chairperson Halverson said we would have exclusive control with zoning and because we own it.

Commissioner Schlice said he would withdraw his amendment if we would include this within the RFP.

City Attorney Beveridge said it would be in order to release multiple RFPs.

City Attorney Beveridge asked if the redevelopment authority had available funds to raze the building. Director Ostrowski said we do not have \$300,000 on hand. Executive Director said you could draft an RFP for any and all possibilities, and not necessarily commit the authority to cover the cost of razing the building.

Commissioner Adamski said what is more important is the ability to expand the TIF district than the money. He said some of the owners who purchased property near the district will have a better opportunity to redevelop them if the district is expanded. This is more important than the dollars and cents we are talking about.

Commissioner Adamski said if we do them both at the same time; there is no reason that we have to accept the purchase one. Why not do them both and then cross that bridge when we get the proposals back.

Commissioner Molski amended her original motion to include any and all proposals for the building and land; seconded by Commissioner Adamski.

Executive Director Ostrowski asked if the commission wanted the RFP back in front of them for review, or just send it to the council. It was decided to send the request to the common council.

Motion carried 5-0.

7. Executive Director’s update (informational purposes only).

Executive Director Ostrowski gave the following updates:

- One new tenant will be moving into Edgewater Manor, but another has indicated that they will be leaving.
- The phase 1 environmental assessment for the former Lullabye property is completed, and this allows us to now complete the grant application.
- The parking lot south of Great Lakes is near completion with only the landscaping really left to finish.

8. Adjourn.

Meeting adjourned at 5:03 PM.

Approved:

Andrew J. Halverson, Chairperson

Date

Attest:

Michael Ostrowski, Executive Director

Date