

FINANCE COMMITTEE
APRIL 11, 2016 AT 7:24 P.M.
LINCOLN CENTER – 1519 WATER STREET

PRESENT: Ald. Slowinski, Phillips, Patton, Kneebone and Johnson

ALSO

PRESENT: Mayor Wiza; C/T Ladick; City Attorney Beveridge; Clerk Moe; Directors Ostrowski, Schrader, Lemke, Schatschneider; Ald. Doxtator, Morrow, Ryan, Mrozek, McComb, Oberstadt; Police Chief Skibba; Fire Chief Finn; Deputy C/T Freeberg; Steven Shepro; Tricia Church; Nate Enwald; Brandi Makuski; Larry Lee; David Shorr; Cathy Dugan, Mary Doudna; Joe Doudna; Jason Blenker; Sara Brish; Brian Worgernese; Mary Ann Laszewski; Reid Rocheleau

ITEM #1 – DEVELOPMENT AGREEMENT WITH COBBLESTONE HOTEL DEVELOPMENT LLC, TO CONSTRUCT A HOTEL WITHIN TAX INCREMENTAL FINANCING DISTRICT #6.

C/T Ladick stated the developer's incentive is structured to be beneficial to both the developer and the City. The developer would be getting an \$850,000 upfront incentive, plus they would be getting the land for \$1. The land value is estimated at \$150,000, so the total incentive package is around a million dollars. The money (\$850,000) would be recouped over 11 years, along with interest at a rate of 4.2%, which is significantly better than what we can get with keeping our money in the bank or investing it in other places. For the remaining 5 years after that 11 year initial period, we will have 5 years of pure increment into TIF #6 which will help that district and will help repay the City general fund. The benefit to the City is that the increment to the City during the last 5 years is estimated to be \$525,000 and the interest amount from that would be about \$265,000 making the total \$790,000. There will also be room tax estimated to be about \$89,000/year, depending on occupancy and room rates and of that amount, the City keeps 53% of it and 47% of it goes to Convention and Visitors Bureau.

Mary Doudna, 3374 Feltz Avenue, supports the proposal for both projects and feels it would be beneficial for the City.

Mary Ann Laszewski, 1209 Wisconsin Street, spoke against using incentives to fund projects like this. She stated that if the project goes through she would like to see conditions put on it such as not allowing it to turn into student rentals, should it fail, and if it does fail, the building should be taken down. She stated she does not see a need for a hotel and worries about what it will do to the existing hotels.

Ald. Mrozek stated she reached out to Sara Brish at the Convention & Visitors Bureau and asked for some figures on occupancy. She received a report produced by Smith Travelers showing six years of occupancy rates. She stated she does not feel that another hotel in the area will be the right fit and stated there does not seem to be a demand for it by looking at the occupancy rates. She is concerned over the anticipated plan changes. She stated she feels it will be more of a transfer of business, not additional business. She is a firm believer in letting the data speak and the data is showing we do not need more hotels in the area. These are taxpayers dollars we are using and she feels it is not using their money wisely and encourages the committees to do research on projects as they move forward.

Reid Rocheleau, 408 Cedar Street, stated that he is opposed to this project stating it is unnecessary and unfair to the other hotels in the City. He is concerned about the hotel going bankrupt or having to lower their prices to the point of it turning into a flop house. He would like to see the project postponed.

Ald. McComb stated she has owned a business downtown for 8 years and business has been increasing. The downtown is coming around, it does take time. The ADB has been discussing a project like this for some time and they are excited. She supports the project and stated that competition is a good thing. She did some research on Cobblestone and the reviews are positive and they are a quality hotel chain.

Sara Brish, SPCVB, spoke about the successes of tourism in Portage County. The tourism expenditures in Portage County have seen a steady growth over the past five years, since 2010, room tax revenues have increased 27.78% in Stevens Point and the Village of Plover combined, which is unheard of. She stating we are one of few thriving downtowns that does not have a hotel and people like to stay where they play and do business.

Mayor Wiza stated room tax was estimated to be about \$89,000, what sorts of things can be done with that money. Sara Brish replied tourism promotion is their main goal and would include print and on-line advertising through public relations.

Cathy Dugan, 615 Sommers, stated she appreciates the discussion regarding this project and is interested in hearing from the developer as to why he believes this is going to be a success.

Mayor Wiza stated he received a text from Troy Hojnacki, owner of Graffiti's, stating he would not be able to attend the meeting but he is 100% for the hotel.

Ald. Mrozek stated room tax is a good thing, but she feels it will just be a transfer from one hotel to another, not additional new money. She would like to see some solid research done on these projects by all the alderpersons and not to just take things at face value.

Brian Wogernese, CEO of Cobblestone Hotels, stated they are based out of Neenah and have been involved in over 80 hotel projects. They have never turned one into a flop house and have never given one back to a bank. He also stated that currently they have 15 under construction in several different states, closest one being in Chippewa Falls. They currently franchise 79 hotels with the Cobblestone brand, they own the franchise, but they also operate 67 hotels in 12 different states with 8 different brands, so they have a lot of experience. He stated they did their research on the mid-scale brands on this type of market and they are considerably higher than what was presented earlier. This product does not exist here, it's more of a boutique. The plan design has not changed since the original design, they have always planned on having double beds and suites with a pool. He stated they are not a big employment generator, but more so an economic impact to the community and the downtown markets. He went on to state that he believes the reason the bigger chains have not done this sort of project is that they want to be where the traffic is, not in the downtown area. With the exception of the Holiday Inn, they would be the only full-service hotel in the market.

Ald. Patton stated he is very pro-development, but questioned why they need money from the City. Mr. Wogernese replied out of the 15 projects they have going on right now, they all have some sort of incentive. He stated they have a backlog of about 50 projects and he said he could tell you which ones go to the top of the list. They have a pool of investors but they are looking at this one as a corporate group within their organization so there is only 3 of them that would own this one.

Mayor Wiza stated he asked C/T Ladick and Director Ostrowski what sort of incentives were provided for hotels/motels in the past. C/T stated they found one with the new Holiday Inn, which was \$450,000 Economic Development loan and also Country Springs was given a developers incentive. It was a pay-as-you-go incentive, which we paid out \$294,000.

Mayor Wiza stated that we are expecting a full payback for the incentive, including interest over a period of 11 years so every tax dollar that gets used on this project is going to be recouped and after the 11 years there will be 5 years left on the TIF. He asked what would be the estimated increment that the City would be getting at that point. C/T Ladick stated that 100% of the increment would be \$525,000. Mayor Wiza stated everyone he has talked to has stated this is great project and he strongly agrees.

Ald. Kneebone stated she does not like to give money away, but the fact that this is going to be paid back, with interest, it makes it a good project.

Ald. Patton questioned where the money for the incentive is coming from. C/T Ladick stated we can borrow it or take it from fund balance. He suggests fund balance due to it being the easiest way to handle it.

Ald. Johnson stated she thinks this is a good project from a lot of perspectives as she has served on youth sports committees and remembers times when they had to refer people elsewhere because Stevens Point didn't have enough rooms. She asked how the repayment to the general fund would work.

C/T Ladick stated right now TIF 6 is not able to support itself so they levy general fund dollars and advance it to TIF District #6. This would allow us to advance the \$850,000 to TIF 6 upfront and use it for the developer's incentive. As more increment comes back into TIF 6, they can levy less to support that TIF, which will help keep the tax rate stable and basically prevent having to advance more money to it. His goal is to someday not have to levy any money to TIF 6.

Ald. Phillips stated their financials look good but questioned if we have verified it. C/T Ladick replied he has not evaluated the full financials, but what we have looked at was the company itself and its operations.

Director Ostrowski stated he believes this is a phenomenal project for the downtown. He stated the downtown is getting better and has seen vast changes. There are hardly any vacancies downtown and sales have been up. The City will also benefit from this and stated the project fits the area. He also stated to remember that with regards to TIF's, the longer you wait, the fewer chances of opportunity you have to make projects work. As you get later into a TIF district, you only have 3-7 years left to capture that increment and we are at the crux of this TIF district where we need to make some of these projects happen to get the district back in the black. It's not to make the TIF look good, it is to reduce the burden on the taxpayers because right now the taxpayers are funding the TIF.

Ald. Phillips stated he would like to see if we could bring the dollar amount of the incentive down to \$550,000 so that it could maybe be paid back in 7 years rather than 11. He also stated he is concerned that we are not being consistent with our incentives. Director Ostrowski stated they are all handled on a case by case basis depending on what the district needs, whether it be blight, employment, etc.

Ald. Phillips questioned if there was any negotiating on what the incentives would be. Director Ostrowski stated there was additional money asked for and yes there was negotiation.

Ald. Slowinski questioned if we had the numbers from the Chippewa Falls project. Director Ostrowski stated yes, Chippewa Falls purchased a lot for \$600,000, Cobblestone gave them \$500,000 so there was a net loss to the City. That was a 45 room hotel and they gave them just over a million dollars in TIF financing so in breaking it down per room incentive, 61 rooms in the City is about \$16,870 of per room incentive and 45 rooms in Chippewa Falls is about \$25,000 per room incentive.

Ald. Slowinski questioned what happened with the concerns regarding our protections. Director Ostrowski replied that the building is essentially built. This funding does not go out the door until the project is completed so the City will be receiving tax revenue for that building, even if they went into foreclosure and it went to the bank, the bank would still be paying the City tax revenue. The City could also take a second or third mortgage on the building, if they chose to.

Motion made by Ald. Patton, seconded by Ald. Johnson, to approve the development agreement for Cobblestone Hotel Development LLC.

Director Ostrowski asked for some leniency for minor corrections as the Redevelopment Authority will take this up tomorrow and there may be some minor amendments but he will make the Council aware of any of the changes that come up.

Ayes: All

Nays: None

Motion carried.

ITEM #2 – REQUEST FO FILL A POSITION EARLY – ADMINISTRATIVE ASSISTANT IN COMMUNITY DEVELOPMENT.

Mayor Wiza stated this is a request to fill a position early because the administrative assistant in the office is planning on leaving and we would like to hire a new administrative assistant to allow some crossover time for training.

C/T Ladick stating the funding would come from the fact that the new person would be starting at a lower salary than the current person due to the current pay plan and how the steps work.

Ald. Johnson stated that she has done this in her department and strongly recommends it as it creates continuity in the department.

Motion made by Ald. Johnson, seconded by Ald. Kneebone, to approve filling the administrative assistant in the Community Development office.

Ayes: All Nays: None Motion carried.

ITEM #3 – REQUEST FROM THE DEPARTMENT OF PUBLIC WORKS TO ADD A LIMITED TERM EMPLOYEE (LTE) DUE TO EXTENUATING CIRCUMSTANCES.

Director Schatschneider stated that they have a few employees that are going to be out indefinitely so they would like to bring in a minimum of 1 LTE to see how it goes and if they need another one, he would come back and request more.

Ald. Slowinski questioned where the funding would come from. C/T Ladick stated it would be able to come from the Public Works budget due to the fairly mild winter.

Motion made by Ald. Phillips, seconded by Ald. Patton, to approve the funding of an LTE for the Department of Public Works.

Ayes: All Nays: None Motion carried.

ITEM #4 – ESTABLISHMENT OF A PILOT PROGRAM TO PROMOTE TREE PLANTING ON PRIVATE PROPERTY.

Director Schrader stated that Ald. Ryan approached the Mayor with this program as he has an area in his district where there is no boulevard, so the City cannot plant any trees. The area is in the 1500-1600 block of Main Street. The Director and the Forester were asked to put a program together to accomplish tree planting on private property in that particular area. He stated they put together a program where they would send a letter out to the owners of the property and they would tell them that they could receive up to \$100 in reimbursement from Jung's for the trees that we would select. They would send letters to the owners of the property and tell them that they could receive up to \$100 reimbursement from Jung's for the trees that we would select. They would need to sign the agreement, send it back, we would follow up with a letter and that letter would then be taken to Jung's which would give the credit of \$100 for planting the tree. We would then follow up to make sure the tree was planted and then follow up with the credit back to Jung's.

Ald. Patton questioned if this was for the whole City. Director Schrader stated no, right now this is a pilot program, starting with the 1500-1600 block of Main Street. Mayor Wiza added that if it is well received we are looking at some other areas. He also clarified that it is up to \$100, \$50 tree means \$50 reimbursement.

Ald Patton questioned if Jung's was the only ones that would do it. Director Schrader stated that they looked for nurseries in Stevens Point and Jung's was the only one.

Director Schrader stated the people then become responsible for taking care of the tree, it is not the City's responsibility.

Ald. Kneebone stated she feels this is a good idea, but did receive a call from a resident who did not think this was a good idea to use contingency money for this type of program.

Ald. Phillips stated he agrees with not taking it from contingency as it is supposed to be for emergency situations. Mayor Wiza stated the reason it is coming from contingency is this idea popped up in the middle of the year. He stated contingency is used for those things that are unexpected and does not expect more than \$1,000.

Ald. Phillips stated he would like to set up a program that could be budgeted for every year. Mayor Wiza stated he would not want it opened up City wide, he would want to stick with targeted areas and have a line item for each year and when it is gone, it is gone.

Motion made by Ald. Johnson, seconded by Ald. Patton, to approve establishing a pilot program to promote tree planting on private property up to \$1,000.

Ald. Mrozek stated she loves the idea but does not like it coming from the contingency fund as the definition of a contingency fund is a reserve set aside for extraordinary expenses resulting from possible business interruption or disaster, which this is not any of those things.

Ayes: Ald. Slowinski, Patton, Johnson and Kneebone Nays: Ald. Phillips Motion carried.

ITEM #5 – RENEWAL OF LEASE FOR FARMING CITY OWNED LAND AT THE END OF E.M. COPPS DRIVE.

C/T Ladick stated we have been doing this for some time. This is land by Cold Storage that the City owns that we lease to the same farmer every year for \$400 per year.

Motion made by Ald. Phillips, seconded by Ald. Slowinski, to approve the renewal of the lease for farming City owned land at the end of E.M. Copps Drive.

Ayes: All Nays: None Motion carried.

ITEM #6 – ACCEPTANCE OF A PROPOSAL FOR REPLACING CITY SERVERS.

C/T Ladick stated we received two quotes, one from Specialized Computers for \$178,566 and the other is from RMM for \$190,000. Staff recommendation is to take the lower bid and go with Specialized Computers. With regards to funding, this was actually budgeted in the 2015 Capital budget so the funds have been rolled over from 2015 to 2016. This is truly a need for the City as we have many software upgrades that we are waiting on but cannot complete because of the age of our server.

Ald. Phillips questioned how long this would carry us. Mayor Wiza stated typically 7 years.

Ald. Johnson questioned how many departments are backed up on them. Mayor Wiza said all except Water Department as they have their own servers.

Motion made by Ald. Patton, seconded by Ald. Kneebone, to accept the proposal from Specialized Computers for \$178,566.

Ayes: All Nays: None Motion carried.

ITEM #7 – HIRING AN INTERN FOR THE COMMUNITY DEVELOPMENT DEPARTMENT THROUGH THE CAREER READY INTERNSHIP PROGRAM.

Director Ostrowski stated this is an internship opportunity that includes a partnership with Great Lakes, there is a \$600 application fee by the host agency and we then have to pay the intern \$10-\$15 per hour for 10 hours per week, so \$1500. The \$1500 would be reimbursed at the end of the internship through the Great Lakes Program so essentially the net cost would be \$600. The intern has a focus on the Division Street corridor so he thinks it is a good opportunity to have a project along with an intern at a fairly

reduced cost. The \$600 would be paid through his budget from funds that have not been spent with some additional phones for tablets that we anticipated we would need, but the software implementation has been delayed a little bit.

Motion made by Ald. Patton, seconded by Ald. Kneebone, to approve hiring an intern for the Community Development Department through the Career Ready Internship Program.

Ayes: All Nays: None Motion carried.

ITEM #8 – APPROVAL OF CONTRACT FOR ARCHITECTURAL SERVICES FOR THE REPAIRS AND RENOVATIONS AT EDGEWATER MANOR.

Director Ostrowski stated a while back, a bid from Dave Johnson and Architects Group Limited out of Green Bay for the architectural design, engineering and project management for Edgewater Manor, and this is that contract. He did make the change that the contractor wanted, which was changing the number of months that the project would take from 12 to 24, but everything else they were in agreement to. He also stated the emergency generator was discussed and had been authorized to move forward. Candlewood was able to take the pumps and get them cleaned so they got them working again so they are not at the emergency level any longer, but he would like to look at designing the project to include the generator. He does not have a cost for that yet. He stated there is a pipe that goes up the entire façade of Edgewater that is going to have to be removed anyway during the project so it might be nice to have the same architect design everything and oversee the whole project. He is hoping to have a cost by the end of the week for that project but that would be all he would like to add within the agreement.

Motion made by Ald. Johnson, seconded by Ald. Patton, to approve the contract, along with the recommended changes, with Dave Johnson and Architects Group Limited for architectural services for the repairs and renovations at Edgewater Manor.

Ald. Phillips questioned where the money was going to come from. Director Ostrowski stated he would probably access into their checking or savings because right now they have enough to cover the architectural services.

Ayes: All Nays: None Motion carried.

ITEM #9 – APPROVAL OF PAYMENT OF CLAIMS.

Motion made by Ald. Phillips, seconded by Ald. Patton, to approve the payment of claims in the amount of \$971,885.63.

Ayes: All Nays: None Motion carried.

ITEM #10 – ENTER INTO CLOSED SESSION UNDER WISCONSIN STATUTES 19.85(1)(G) (CONFERRING WITH LEGAL COUNSEL FOR THE GOVERNMENTAL BODY WHO IS RENDERING ORAL OR WRITTEN ADVICE CONCERNING STRATEGY TO BE ADOPTED BY THE BODY WITH RESPECT TO LITIGATION IN WHICH IT IS OR IS LIKELY TO BECOME INVOLVED) FOR DISCUSSION OF RESOLVING AN ENCROACHMENT UP CITY PROPERTY WITHIN BUKOLT PARK.

Motion made by Ald. Phillips, seconded by Ald. Patton, to adjourn into closed session at 9:02 PM.

Roll Call: Ayes: Ald. Kneebone, Johnson, Phillips, Slowinski and Patton Nays: None
Motion carried.

Adjourned in closed session at 9:25 P.M.