



MINUTES

REDEVELOPMENT AUTHORITY OF THE CITY OF STEVENS POINT

Date and Time:	April 12, 2016 4:00 PM	Location:	City/County Building City Conference Room 1516 Strongs Avenue Stevens Point, WI 54481
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Present: Chairperson Schlice, Alderperson Phillips, Commissioner Cooper, Commissioner Molski, Commissioner Sawyer, Commissioner Gardner, and Commissioner Dugan.

Also Present: Executive Director Ostrowski, Reid Rocheleau, and Mary Ann Laszewski.

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1. Roll call.
2. Persons who wish to address the Board on specific agenda items other than a "Public Hearing" must register their request at this time. Those who wish to address the Board during a "Public Hearing" are not required to identify themselves until the "Public Hearing" is declared open by the Chairperson.
3. Public comment for pre-registered individuals for matters appearing on the agenda.

Discussion and possible action on the following:

4. Minutes from the March 15, 2016 Redevelopment Authority meeting.
5. Financial reports, claims, and statements from February 2016.
6. Development Agreement with Cobblestone Hotel Development, LLC and the City of Stevens Point, for the property east of 1101 Centerpoint Drive, Stevens Point, WI 54481 (to be addressed 1117 Centerpoint Drive, Part of Parcel ID 2408-32-2029-65 and Part of Parcel ID 2408-32-2029-66) for a hotel development project.
7. Building improvements to the Great Lakes Building, 1101 Centerpoint Drive.
8. Adjourn.

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1. Roll call.

Present: Schlice, Phillips, Cooper, Molski, Gardner, Dugan

Commissioner Sawyer arrived at 4:02pm

2. Persons who wish to address the Board on specific agenda items other than a "Public Hearing" must register their request at this time. Those who wish to address the Board during a "Public Hearing" are not required to identify themselves until the "Public Hearing" is declared open by the Chairperson.
3. Public comment for pre-registered individuals for matters appearing on the agenda.

Reid Rocheleau stated concerns regarding the last discussion of just an option to purchase and now having a development agreement with Cobblestone Hotel Development, and selling the property to the developer for \$1 and not for what it is worth.

Mary Ann Laszewski does not support giving TIF incentives to competing businesses and said that this would be giving unfair competition to the current hotels. She said that by having visitors to the area stay at this new downtown hotel that it will just transfer the income from one of the other local hotels and it will not increase the overall hotel revenue. She is asking for our support for our existing hotels as she said they are struggling already, and requested the postponing of this decision to offer this incentive, so we can do a more serious study of the impact it is going to have on other local businesses.

Discussion and possible action on the following:

4. Approval of the minutes from the March 15, 2016 Redevelopment Authority meeting.

Motion by Commissioner Gardner to approve the minutes from the March 15, 2016 Redevelopment Authority meeting; seconded by Alderperson Phillips.

Motion carries 7-0.

5. Financial reports, claims, and statements from February 2016.

Executive Director Ostrowski stated they have been provided in the packet and there has not been any real changes other than some loan payoffs within the Housing Trust Fund account. The current balance is about \$290,000. Looking towards the future at some potential projects within this account/program, he would like to start those conversations again given that Edgewater is now part of the City and no longer part of the Redevelopment Authority. He stated that we should look at some of the options we have considered in the past for potential housing projects or housing assistance rehab projects, considering there are available funds in that account that are not earning the greatest interested rate and could be utilized for other projects within the community. With the city increasing code enforcement, we are running into situations where people have challenges paying for improvements on their property and whether this becomes an avenue for that, similar to 0% interested loans that we have done with CAP in the past, that might be an opportunity, otherwise programs of redeveloping the worst house on the block. We should bring those conversations back at the next meeting.

Motion by Commissioner Gardner to approve the financial reports, claims, and statements from February 2016; seconded by Commissioner Dugan.

Motion carried 7-0.

6. Development Agreement with Cobblestone Hotel Development, LLC and the City of Stevens Point, for the property east of 1101 Centerpoint Drive, Stevens Point, WI 54481 (to be addressed 1117 Centerpoint Drive, Part of Parcel ID 2408-32-2029-65 and Part of Parcel ID 2408-32-2029-66) for a hotel development project.

Executive Director Ostrowski explained this was in front of the Finance Committee yesterday; the proposal is for an approximate 60 room, four-story hotel to be located between the Great Lakes building and Strongs Avenue extended. The approximate value of the project would be \$5 million. The Finance Committee did approve this unanimously yesterday and it will go to the full council on Monday. The commitment from the RA would be the transfer of the property for \$1. The commitment for the city would be an upfront incentive after the project is built of \$850,000. In looking at some of the financing, we did value the land at approximately \$150,000 to \$180,000 depending on the use, on a per square foot basis. The TIF incentive of \$850,000 brings it just over to \$1 million for a total incentive. The tax revenue that they would guarantee for 11 years would be at least \$102,500 annually. The city would be reimbursed or recoup its investment within 11 years plus interest of about 4%, which is likely more money than the city would make by investing those funds. In terms of room tax, on average, they thought they would be at a 60% occupancy rate at about \$100-110 a night. Even with a 50% occupancy

rate it would create about \$90,000 of room tax each year, of which the City gets approximately 50% of that total. The commitment on the part of the RA would be the transfer of the property for \$1, that would occur at closing, and that would require them to show proof of financing for the project.

Aldersperson Phillips clarified that none of this happens until they act on their option on the property, to which Executive Director Ostrowski confirmed yes, they will have to exercise their option and that requires us to hold the property until at least August 30, 2016. They would do their diligence through that period and then start spending money on site plan work, elevation drawings, landscaping and going through the proper approval processes that they would need to go through to get this project approved. If completed, they can exercise that option to purchase and move forward with the property.

Commissioner Dugan stated she was happy the developer spoke last night. She is wondering how much the City or the RA needs to look at their financials before going forward. Executive Director Ostrowski stated at closing on the property they would have to have proof of financing, whether it is a loan commitment from a financial institution or equity stake from the investors involved, they will have to prove that they have the needed funds to complete the project. She asked then if closing would come at the end of the option period, to which Executive Director Ostrowski stated correct.

Commissioner Gardner stated in the definitions it says development and defines that as an approximately 60 room hotel. He would like to see if the plans they have submitted showing the elevations, the quality of the expenditures all attached to the agreement. Executive Director Ostrowski stated what we can put them as part of the agreement. He stated what would happen in that case is once the developer creates those plans; they will be incorporated in this development. Commissioner Gardner clarified that building elevations in the contract would be of similar quality and design of what is proposed, otherwise we have the ability to walk away and say no that is not what you have sold us on and it would be in the contract and not a subsequent document. Commissioner Dugan agreed.

Commissioner Schlice asked if this would go through the Plan Commission, to which Executive Director Ostrowski stated it will have to go through the approval process for reviewing a site plan and historic review. He stated what Commissioner Gardner is getting at is attaching the renderings and the preliminary site plan that they have, showing what scope and scale this is going to be. We can attach that in exhibit, but once the official plans are completed they should be incorporated into the agreement as well.

Commissioner Gardner asked about the amount of incentive being offered. He said he knows that an incentive had been offered to the Holiday Inn in the form of loans to the developers, and how does this incentive that is being proposed by the council and by the RA compare with other communities that are competing to get a Cobblestone Hotel in their downtown. Executive Director Ostrowski explained that for the Holiday Inn, we did a loan in the \$400,000 range through our revolving loan fund program, which has been transferred to CWED. We also provided a TIF incentive of pay as you go option on the Country Springs Hotel, the former Ramada, they received about \$200,000 as a pay as you go, and then when Sentry purchased it and tore it down that ended that agreement. In terms of what Cobblestone is seeing in other communities, their most recent example is Chippewa Falls where they are constructing a 45 room hotel, the city had purchased a piece of property and tore down a building at a cost of \$600,000 for a prior project that they were going to do, and that project ended up falling through. The Cobblestone project came along and Cobblestone had agreed to pay \$500,000 for the property, so there was a loss \$100,000 to the city, and the city also provided them with a TIF incentive of just over \$1 million. The incentive per room was approximately \$25,000 per room. With our project, and the incentive of the \$850,000, along with a \$150,000-\$200,000 land value, we are about \$16,000 per room. Our incentive compared to what Chippewa Falls had offered them, is less per room.

Commissioner Gardner stated that the Executive Director had indicated earlier that Cobblestone was considering a range of different communities and whoever got there first were going to be the ones that would concentrate on this year. Executive Director Ostrowski stated correct, they have 12 projects going on right now, but they look at specific communities, their niche is typically smaller communities. Every year they do a few projects with their internal investor group and certain projects rise to the top, and that is typically because of the ability for a certain return. He stated with the City's incentive, they are not getting the complete increment. After construction they will guarantee a payment of \$102,500 of tax payment every year that will come to the city, and after the 11 years it is paid back in full to the city with interest. The last remaining five years of the TID, is increment that the city can use to help pay down the debt in TID 6 and start getting that district back into the black as opposed to having it be a financial burden on the taxpayers.

Commissioner Cooper asked if the \$102,500 is based off of the \$5 million value, to which Executive Director Ostrowski stated that would be the recapture of the \$850,000 with a 4% rate over 11 years.

Adperson Phillips asked if this project goes through and the Blenker project goes through, what would be the status of the TIF district then, to which Executive Director Ostrowski stated it will not be in the black immediately, but it is getting another step closer. Some of the increment from TIF 5 and 7 will help pay down some of TIF 6 debt, but if we don't have to take it out of the others, that would help. Chairperson Schlice added that all of the revenue generated will help the taxpayers in the long run as well.

Commissioner Sawyer asked if we have any idea as to whether or not competitive hotels have recently had any significant capital improvements to their properties, to take into consideration what this does to competitiveness. Executive Director Ostrowski stated the Holiday Inn on the east side was constructed in 2005, the Ramada torn down which was 23% of our room count in the city, the former Super 8 had a fire, so they completely revamped their building and it is now the Baymont, the Elizabeth Inn in Plover, those have really been the major remodels and currently the Fairfield Inn is going through an interior remodel as well. Commissioner Sawyer asked, the fire you were talking about, do you know whether they exceeded the payout in their insurance in order to do the remodel, or did they have additional funds that they invested. Executive Director Ostrowski stated he owner had a couple of different properties and does not know how he used the insurance pay out; there was some remodeling prior to the fire. Commissioner Sawyer asked other than the restaurant were there other businesses that were in the Ramada, to which Executive Director Ostrowski stated there was Tilted Kilt and that was the last restaurant and no other commercial tenants. Commissioner Sawyer asked if this project would have any other similar projects, to which Executive Director Ostrowski this project is anticipating to have some sort of a restaurant within it, but it does not prevent individuals from going into the downtown area. One of the reasons why this location was chosen, as opposed to the other half of the Lullabye site, is it gets them closer to the downtown. People do not have to cross Centerpoint Drive, and there is a nice easy connection. Commissioner Dugan asked if they are still working with Ellis Stone, to which Executive Director Ostrowski stated he has been working directly with Brian from Cobblestone, but they can chose whatever company they want to.

Alderson Phillips asked about a liquor license for that restaurant, to which Executive Director Ostrowski stated depending on the number of seats in the restaurant, and we do have a reserve liquor license left that they can access. Commissioner Schlice mentioned that there could be one for a hotel, to which Executive Director Ostrowski stated yes, with a hotel with so many rooms and the restaurant has so many seats.

Executive Director Ostrowski stated the Finance Committee has approved this last night and it was indicated that he would let them know if would be any changes coming forth from the RA at the council

meeting, so he will make reference to the definition for development to include the respective attachments. The transfer of the site does not occur until proof of financing at closing. There was one typo on page 15 under 9.10 the RA authorization should say the execution of this agreement by the RA was authorized by the RA. The other security we could take would be a subordinate position behind the bank or investors, so if that is your wish we can add that to the agreement, to which Commissioner Schlice and Alderperson Phillips agreed we should.

Motion by Commissioner Schlice to approve the Development Agreement with Cobblestone Hotel Development, LLC and the City of Stevens Point, for the property east of 1101 Centerpoint Drive, Stevens Point, WI 54481 (to be addressed 1117 Centerpoint Drive, Part of Parcel ID 2408-32-2029-65 and Part of Parcel ID 2408-32-2029-66) for a hotel development project; seconded by Commissioner Cooper.

Roll Call:

Yeas: Schlice, Phillips, Cooper, Molski, Sawyer, Gardner, Dugan

Nays: None

Motion carried 7-0.

7. Building improvements to the Great Lakes building, 1101 Centerpoint Drive.

Executive Director Ostrowski explained that he had received a call from Great Lakes, and they are experiencing problems with water leaking through the roof. The last major storm, they had to replace about 25 ceiling tiles. What is happening is it seems to have the copula settling which is making a depression area and the water is pooling around the copula. They are looking for some potential solutions to fix this problem, one which may be to remove the copula. Since it is an RA owned property and they are a tenant in the building, it is before you for your consideration. Right now they are responsible for the cost of the repair.

Commissioner Dugan stated that is one of the few things that bring it back to the mall. Commissioner Schlice stated if they are trying to repair it and they are not having much luck. Commissioner Dugan stated you get a mason in there and they put in something more than flashing and the water drains out away from the building. Alderperson Phillips asked if it has been inspected, to which Executive Director Ostrowski stated we have not inspected it, but Great Lakes has had a commercial roofing company out there.

Alderperson Phillips stated he happens to like the building the way it is, but he does not think it is settling because it is a steel structure, he thinks the material that is under the rubber roof is deteriorating and that is causing it to go down, so you can cut that open and remove that old dead material and replace it with foam and reinstall the rubber. Executive Director Ostrowski maintained it is up the board, that is why it is before them today, and if you want to keep that design element, we will find a way to fix it.

Commissioner Molski stated she thinks the design review commission will say to keep the copula. She no longer sees the connection anymore and it is no longer Centerpoint.

Commissioner Gardner stated he would vote in favor of keeping it, as well as to have a professional look at it and give some estimates.

Executive Director Ostrowski summarized that he will have Great Lakes look at seeing if they can keep the structure.

8. Adjourn.

Meeting adjourned at 4:45 PM.

Approved:

John Schlice, Chairperson

Date

Attest:

Michael Ostrowski, Executive Director

Date