

Meeting Minutes

Finance Committee

November 10, 2008, 7:08 p.m.

Lincoln Center, 1519 Water St. PRESENT: Alderpersons Molski, Walther, Moore, Stroik and Hanson

ALSO PRESENT: Mayor Halverson; C/T Schlice; City Attorney Molepske; Clerk Moe; Directors Gardner, Schrader, Halverson; Acting Fire Chief Zinda; Chief Morris; Deputy C/T Freeberg; Ald. Slowinski, Trzebiatowski, Myers, Brooks;

Gene Kemmeter; Officer Drossel; Mary Ann Laszewski; Eric Schroeckenthaler; Intern Brad Kalsow; Mike McCoy, Dave Plaisance; Daryl Kurtenbach; Rich Sommer; Paul Wachowiak; Mildred Neville; Reid Rocheleau

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1. Claim - Tony Sucksdorff.
2. Regional Revolving Loan Fund.
3. Developers Agreement for 1009 Third St. (McCoy).
4. Sale of Land - Portion of Lullabye Site.
5. Funding of Fire Apparatus.
6. Energy Grant.
7. Funding of Industrial Park Road Improvements.
8. Payment of Claims.
9. Adjournment.

1. CONSIDERATION OF CLAIM - TONY SUCKSDORFF.

Motion made by Ald. Molski, seconded by Ald. Moore to deny the claim based on our insurance company's recommendation for Tony Sucksdorff.

Ayes: All Nays: None Motion carried.

2. REGIONAL REVOLVING LOAN FUND.

Motion made by Ald. Stroik, seconded by Ald. Walther to approve the regional revolving loan fund.

Ayes: All Nays: None Motion carried.

3. DEVELOPER'S AGREEMENT FOR 1009 THIRD STREET (MCCOY).

Rich Sommer, 4224 Janick Circle North, stated his comments were written and passed out a handout.

Daryl Kurtenbach, 5282 Airport Road, stated he did not object to the development, but was opposed to using TIF dollars for it. He does not support using TIF dollars for residential projects and stated that TIF dollars are nothing more than taxpayers hard earned money. He does not understand how the City and the taxpayers are going benefit from this and also stated it is a bad time with all the budget crunch issues. He suggested that the City do a survey to the landlords to find out what the actual housing situation is.

Mayor Halverson clarified that TIF money is not general tax dollars. TIF funding in this particular equation would only use the incentives in increments that would be created from the project. We are not investing any additional tax dollars into that project and any TIF incentive that we use has nothing to do with operations or any other reductions that we would have to make in our operational budget. TIF expenditures and TIF incentives for projects are not correlated through the operational budget.

Ald. Myers stated he thinks we need to take a good look at how many apartments we have at the current time. He quoted the newspaper as stating these apartments would be good for the people who are working downtown. Since we are not building any new businesses downtown that would warrant new jobs and the people that work downtown already have a place to live, we really do not need more apartments for that purpose.

Reid Rocheleau, 408 Cedar Street, Whiting, stated we do not need more apartments in this town and opposes selling this property so quickly. He stated that the Developer's Agreement is still being worked out, so he does not understand how it can be approved yet.

Dave Plaisance, 3241 Nicolet Court, stated at last weeks meeting, John Gardner stated there was a commercial appraiser that justified the fact that we were not flooding the rental market by having this property built. He would like to know who the appraiser was and also to see the documentation that supports that claim. He referred to the Saturday, November 1st newspaper in which there were 43 different listings for apartments to rent, of which 15 have more than one to rent. He asked what the purchase price was for this property.

Mayor Halverson stated \$106,500 per acre, approximately 4.5 acres.

Dave Plaisance stated the City website shows 4.011 acres and lists a purchase price of \$532,000. The June 9th Finance Committee minutes shows it was approved for purchase at \$550,000. Last week at the meeting he asked the Mayor when the City bought this property and his comment was over a year ago. It went to the Finance Committee on June 9th and the actual purchase happened on August 26th. He does not understand what could have been misread, but it appears as though it was a lie. He questioned if this TIF is for a blighted area. He stated that our purchase price was \$532,000 and in 2002 the Gerards bought it for \$425,000 and questioned how the price for a blighted property could go up \$107,000. In the minutes from the June 9th Finance Committee it stated that Gerard had this property listed three years ago for \$525,000 and no one bought it at that. The assessment on this property at the end of last year was \$490,900, but somewhere between when the tax bills came out and the meeting on June 9th, the assessment went up to \$513,000. He finds it interesting that the City purchased this land nine days after it gave approval for the Gerard Corp. student rental project on the corner of Maria and Isadore. He stated that up until last week, they still had not purchased that property. When the City bought this property from Gerard Corp., there were back taxes and interest due on it in the amount of \$3,465.95. The sale of this property happened on August 26th and the back taxes were paid on September 3rd, which is five business days after the fact. He would like to see the settlement statement that shows whether the Gerard Corp or the City paid these taxes. With the City buying the property, we are losing out on \$10,502.00 of property taxes since the City does not pay taxes. If the City is sitting on a deficit, why are they buying land at \$532,000. He feels that the property should have been bought at the assessed value or lower. He stated that from the looks of the estimate, we overpaid \$41,100 from the estimated fair value at the end of 2007. He admitted to not knowing much about TIF districts but the money had to come from somewhere. He questioned how much of a loan the City has on this property.

Mayor Halverson replied that the money was borrowed.

C/T Schlice added that it was borrowed from the State Trust Fund.

Dave Plaisance commented that the State Trust Fund gets their money from our taxes, so the City went out and used our tax money through the State and overpaid for this land. He shows 4.011 acres for the value of this property and it is his understanding that the City is looking at selling it for \$60,000 an acre at 4 acres, which equals \$240,000. The property was purchased at \$532,000, so there is quite a loss. He recommends that the Finance Committee look into this more before allowing the sale of the land. If there was a need for this, local builders would be jumping at the chance to build in that spot. The local builders know this is not needed. He approves proceeding with the project without using TIF dollars.

Paul Wachowiak, 1620 Meadowview Lane, echoes many of the previous comments. He also does not support using TIF dollars for residential housing, however if it is felt that we have to use TIF dollars, he feels it would be best used as owner occupied housing. His experience has been that we get a better return for our dollar in owner occupied housing. It leads to better care and concern which leads to higher value. He also stated that we should also require it be a green building and think ahead to plan for the future. He does not want to be held hostage by people who say they will not build without TIF funding. He recommended the City seek outside help in evaluating the Developer's Agreement or at least taking more time for the City to develop it and see if we can get some more for our tax dollars.

Mary Ann Laszewski, 1209 Wisconsin Street, commended Mayor Halverson for addressing issues in an article in the Portage County Gazette of November 7th, regarding our City budget, the need to raise taxes, the deficit that we face and also his acknowledgment of the State proposed stormwater controls. She voiced her concerns with stormwater management issues in regards to this property. She also questioned why we are discussing this without a Developer's Agreement.

Mildred Neville, 1709 Jefferson Street, stated she is disturbed by the idea that there was a letter written on August 6th, before we bought the property, telling the McCoys they could buy it. You would think that if the City had some property to sell that the residents of Stevens Point and Portage County would have had an opportunity to purchase it. She stated she sees red flags about pushing this through so fast and feels it should not be rushed.

Ald. Stroik stated he has some concerns as to why we would buy a property for \$106,000 per acre and then sell it right away for \$60,000 per acre. The Developer's Agreement does not show the total of the incentives, but he stated that he calculated if we sell it for \$42,000 and we paid \$106,400 an acre, along with direct incentives of \$32,500 for the 7/10's of an acre, and then added the extension of utilities, he comes up with about \$70,000 to \$80,000 in incentives. He questioned the incentives in relation to the utilities and how it is handled with other properties.

Mayor Halverson stated that the water and sewer lateral needs to be hooked up. He stated that the key with this one is the electrical that needs to be rerouted with the total on that to be approximately \$25,000.

Director Gardner stated that the numbers mentioned earlier by Ald. Stroik depend on what it is being compared to. This land was clearly purchased with the intent of reselling it, to stimulate redevelopment of the site. It has been sitting empty for 10-15 years and was available sometime before that and nothing developed, so the City bought it to try to stimulate the area to develop. He believes the intent was always assumed that it would be sold for less than what it was bought for. For example, the Council voted to sell it to the Children's Museum for a dollar, it was used to motivate people to do something that the free market has not done up till now. Another example was the three apartment complexes that were built on Doolittle Drive. That land sold with the all utilities right to the property line for \$20,000 and \$50,000 per acre depending on how much they bought. It was the same for the land on Whiting Avenue and also the land on HH purchased by Mr. Seramur and these were local developers that bought the land.

Ald. Stroik stated he is struggling with the comments and issues brought up here and also the several phone calls he has received. There are a lot of reasons to pause with this, one of them being the jail getting voted down. He supports the redevelopment of the mall, but by putting the housing project before the mall redevelopment, we do not know what the employment outlook will be for the downtown. He feels that by putting the apartment complexes in, it could potentially inhibit that site for something bigger or better should the mall redevelopment take place. If somebody were to relocate next to it and would need the entire site, we would not be able to sell it. He understands we need the development but thinks we are moving too fast.

Director Gardner stated an example that if he were to build residential in Stevens Point, he would not overpay what he could get other sites for. He just mentioned that the other sites on Doolittle, Whiting and some other places sold for between \$20,000 and \$52,000 per acre, so it is not an incentive if it is bought at \$60,000 an acre. The City bought high and sold low with the intention of stimulating the area.

Ald. Stroik stated we should have put a sign there to try to sell the property for \$60,000 and let the developers handle the rest, without the incentives.

Director Gardner stated that we already had these two offers in hand.

Mayor Halverson made some clarifications in regards to the conversations and letters that went out to the McCoys. He stated that letters went out and went out very specifically because we knew the opportunities that were before us with the McCoys. We started out with all three and four bedrooms and went to one, two and three bedrooms. We started out at a dollar and got \$60,000. If we do want to revitalize downtown with a plan that outlays the importance of the 24/7 marketplace and residential downtown, it would be impossible for us to develop it for a cent more than \$60,000 and on top of it to be able to tell them how we want the building to look. Although we have not talked about aggressive use of solar or wind or any type of very aggressive investments, we have made it very clear that we expect certain design elements that would not naturally happen if you let the free market decide what those apartments are going to look like. If we are going to make the decision that we do not want any apartments on that site, then the revitalization plan needs to be redone. As of now, it calls for a great deal of residential investment and will probably be a huge component because we are not going to solely have retail environments any longer that will be productive in downtown. Not to mention if you add more residential, you may be hurting the retail development and the commercial development that comes after the residential is introduced, they do not have to be inclusive as one particular project. You may be able to develop more commercial space as well as retail because of the residential presence. We have changed our focus a great deal as far as the amount of incentives that we are proposing to give to the McCoy's on this site. It is a 10 year increment which will be a pay as you go and we are not borrowing any funds up front and we will be getting \$60,000 an acre plus revenues off from the sales. When we talked about buying this particular property, the block to the direct west and the entire mall site, we discussed having site assemblage because without it, we do not have a project. That meant we were going to pursue a purchase of that property to get it part of the revitalization, no matter what was put on that site. The first opportunity was the Children's Museum and the second, which is now a residential component, is directly in-line with our revitalization plan. He agrees that we need to fully maximize that site so that we can get as much tax revenue within the TIF district that we can because we do not use direct tax dollars to reinvest into the TIF district. He stated that within six or seven years, along with the increments, we will be ahead in our investment. There has to be a balance between what we are going to invest in the beginning but know that eventual appreciation within the district, as well as added increments, will by far outweigh

any investment that we put into the property short-term.

Ald. Stroik questioned when we the notified the Central Wisconsin Apartment Association and how much time they had to respond.

Daryl Kurtenbach recalls the meeting, but does not recall this particular conversation.

Mayor Halverson stated they made it very clear that we expect residential development to happen on the Lullabye site and we encouraged a consortium or a group of apartment owners to come up with ideas. He stated that we also said that as local developers, we would give them stronger incentives. He thinks the meeting was late September or early October, but it was post Gerard.

Director Gardner stated there has been correspondence going back to late July saying that if you want to make plans, we will work with you on making plans. He is guessing the meeting with the apartment association was July or August but agrees it was after the Gerards.

Mayor Halverson stated that the letter to Mr. McCoy has nothing to do with the apartment association, that letter was in place knowing that the sale was going to be finalized. He apologized to Mr. Plaisance if he misled him by saying six months. He stated that if we do not want to move forward, it is okay, but it was made very clear to him by the electors that he needed to redevelop the areas that needed it. He is using the economic tools that he is afforded by State law to do so.

Ald. Moore stated that when Gerard Corp purchased this property, they also planned to build apartments on it in addition to a lower level office space. That plan failed.

Director Gardner stated they applied for a WHEDA tax credit and were not successful in getting it.

Ald. Moore replied that is proof that it does need TIF dollars to go through. This property has tried to develop previous times and has failed because of lack of money in the housing area.

Mayor Halverson stated that he understands the questions and concerns, but this site has been sitting for 12 years and he thinks the citizens look at this and want their government to act.

Ald. Stroik questioned when the final Developer's Agreement would be completed so they know what the maximum dollars of the discount are going to be.

Director Gardner replied that the principles are already listed, the amount that is pending is the cost of hooking up the utilities.

Attorney Molepske stated that the reason there is not an agreement yet is because he wanted to see if there was interest in pursuing a TIF at that location. If there was not, then there is no reason for a Developer's Agreement. If it does get passed, the Clerk would mail it out tomorrow. The Developer's Agreement language will mirror the other properties that have received TIF dollars, for example, Klasinski Clinic, Scorpio and the former Holiday Inn. It is a pay as you go and the increment will be at least a \$1,000,000.

Ald. Stroik questioned why we do not make the McCoy's buy both properties now so that we have tax revenue coming in on the entire site, rather than losing approximately \$10,000.

Attorney Molepske stated that the \$10,000 in tax may be the total tax but our percentage after the other taxing jurisdictions are paid, would only be \$4,000 to \$4,500.

Ald. Stroik commented at \$60,000, we still only get a portion, so he argued that by sitting on it tax free until they decide to develop it is not helping our tax revenue. They can take their time because they have first rights to it. He stated he does have faith in the Mayor's office and the administration with regards to getting the City developed, which is what the taxpayers elected the Mayor to do. However, he does not agree with holding the property for them for what we know will eventually be another set of apartment complexes. He thinks we should increase the cost as time moves on, for example \$70,000 after 12 months, etc.

Attorney Molepske stated that should be part of the motion if that is what they want.

Ald. Stroik questioned if they have to make a decision this month, he would like to see more time for further review.

Mike McCoy, 2310 Mill Street, New London, stated he understands the comments and concerns and that it is an option to wait another month, it is just not the ideal option. He is not sure what it would do to the schedule.

Mayor Halverson stated he believed the key to the option was that there would be an opportunity to purchase the additional .3 acres of the one acre parcel after the first building was completed.

Ald. Stroik commented that the value of that land would start collecting taxes right away. They could still have their four years to develop that second site or leave it at green space, but there would at least be taxes on it.

Ald. Hanson stated he agrees with Ald. Stroik on making them buy both sites, develop the first one now and develop the second one in 18 months.

Director Gardner stated one of the reasons we talked about not having them buy the whole piece was for partially for financial reasons and the other for control of the land. For instance, if they decide they do not want it any longer, we still have control of the land to say what can be done with it, otherwise, we have to work on buying it back from them. If the concern is over taxes, raise the price. He also stated that they have to develop the land in a certain amount of time or we get to buy the property back.

Attorney Molepske stated that if there are concerns about the Developer's Agreement, it can be changed.

Ald. Stroik questioned if the right of first refusal is on the 3/10 of an acre.

Attorney Molepske stated it is an option on the right to purchase. The difference is that with a right of first refusal, if we would want to sell it to a third party, they can come back and buy it under the same terms. With the option, they have the right to purchase it for a certain number of months

and after that, they have no rights.

Ald. Brooks commented that he is also uncomfortable with making this decision so fast and would support waiting another month for further review.

Ald. Moore stated this has been discussed for quite some time and he feels that this project is an ideal fit for the location.

Motion made by Ald. Moore, seconded by Ald. Walther to approve item #3 (principles of the Developer's Agreement for 1009 Third Street for the McCoy's).

Ald. Molski commented that when Mr. Gerard owned that land, it was for sale for development for a long time.

Ald. Walther questioned how long it has been since this property originally was looked at for residential.

Director Gardner replied that the adopted land use plan that was included in the redevelopment plan was before he was with the City, so either 1983 or 1984 and it was included as high density residential.

Ayes: Ald. Molski, Walther and Moore Nays: Ald. Stroik and Hanson
Motion carried.

Ald. Molski requested that the City Attorney get the Developer's Agreement to them tomorrow so that there is time to look at it before Council.

4. SALE OF LAND - PORTION OF LULLABYE SITE.

Motion made by Ald. Moore, seconded by Ald. Molski to approve the sale of the portion of land on the Lullabye site.

Ayes: Ald. Molski, Walther and Moore Nays: Ald. Stroik and Hanson
Motion carried.

5. FUNDING OF FIRE APPARATUS.

C/T Schlice stated we are looking for permission to advance the appropriation of \$1,441,165 from reserve with repayment from the 2009 borrowing and the contract for payment of 50% of the platform truck from the Village of Plover. C/T Schlice stated the advance payment will result in a discount of \$82,927.00. The only danger is that if we are unable to borrow in 2009, it would then take longer to reimburse the revenue.

Motion made by Ald. Hanson, seconded by Ald. Moore to approve the funding of the fire apparatus in the amount of \$1,441,165 with reimbursement to come from future borrowing.

C/T Schlice stated that we also have a pending grant application.

Mayor Halverson stated the Fire Chief has not heard the outcome, but if we do get the grant we will be applying it to the Debt Service.

Acting Fire Chief Zinda stated it is for a 90/10 split, so it would be for \$850,000.

Ayes: All Nays: None Motion carried.

6. ENERGY GRANT.

Director Gardner stated one of the things they will be grading and scoring on is whether the City has passed a resolution in support of the Governors 25/25 program, which means that 25% of the City's energy is going to be produced by renewal resources. There will be no out of pocket expense, just staff time. By approving this, it would mean that we support the Governors program.

Ald. Molski asked where and how this would be used.

Director Gardner replied the purpose of the grant is to summarize what all of your energy is being used for now. We have an inventory of all of our buildings so then what we would do is summarize how much energy each building uses, as well as all of our vehicles. Someone would then need to figure out how to reduce the amount of energy we use to help save money.

Motion made by Ald. Stroik, seconded by Ald. Hanson to approve the energy grant.

Ayes: All Nays: None Motion carried.

7. FUNDING OF INDUSTRIAL PARK ROAD IMPROVEMENTS.

C/T Schlice stated we are going to apply for a TEA grant and funds are set aside in the amount of \$397,684 in the Industrial Park Improvement Fund which will cover the improvement costs. Recommendation is to allow the expenditure from these funds, which is what it was designated for.

Motion made by Ald. Moore, seconded by Ald. Molski to approve the funding of the Industrial Park Road improvements in the amount of \$397,684 with funding to come from the Industrial Park Improvement Fund.

Ayes: All Nays: None Motion carried.

8. APPROVAL OF PAYMENT OF CLAIMS.

Motion made by Ald. Molski, seconded by Ald. Stroik to approve the payment of claims in the amount of \$509,866.17.

Ayes: All Nays: None Motion carried.

Adjournment at 8:51 p.m.

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