

Economic Development Commission
Board Meeting Minutes
May 25, 2017
City Hall – Hooker Conference Room
4:15pm

ROLL CALL: Kurt Zorn, Geoff McKim, Dorothy Granger, Vanessa McClary, Malcom Webb

STAFF: Thomas Cameron, Brian Payne, Alex Crowley, Laurel Waters, Dan Sherman

GUESTS: Doug Duncan - Petitioner

APPROVAL OF MINUTES

Geoff moved to approve the minutes from February 15, 2017. Vanessa seconded the motion. The motion passed unanimously.

OLD BUSINESS - None

NEW BUSINESS

Resolution 17-01 and 17-02: Real Property Tax Abatement Application – Naples, LLC, N. Kinser Pike

Alex presented a Real Property Tax Abatement Application for Naples, LLC on the southeast corner of Gourley Pike and Kinser Pike. Doug Duncan, with First Capital Group, was introduced and is the representative for Naples, LLC which is a partner to First Capital Group. Alex stated staff has been working with First Capital who would like to put a 26 unit residential building with commercial on the first floor of a three story building. This would have been the “by right” development of this site. Early into the process it became clear the site had some challenges when it came to commercial and those challenges would make commercial either outright unsustainable or not very successful. After staff began to engage the thought was to convert the first floor of commercial to residential, bringing the development to 39 units, which would make it a more viable property. In order to do this, the Plan Commission and BZA would have to give permission. For the City to advocate for and recommend approval of this, staff wanted to support the Administration’s objectives relative to affordable housing. In working with First Capital there was an agreement that of the 13 new units available on the 1st floor, six of those become workforce housing units. That would make 15% of the total building’s units workforce housing. The duration of the work force housing commitment would be 99 years. Alex explained when these discussions were started there had been only one tax abatement for workhouse housing, the Chocolate Moose site. As time moved forward it became clear the administration’s desire for 99 years is a very important data point, thus changing this development from 50 to 99 years. Alex explained the guidelines for those who would qualify for one of these workforce units have been fluid. The Chocolate Moose had its own set which have been adjusted. There was a recent PUD revision and those guidelines and are the current set of guidelines. A resident who would qualify would have to work at least 35 hours per week, have a

total household income less than 120% of the area median income, and documentation would have to be provided at the time of application. The rent will be built off the living wage. The calculation is 30% of the annualized number for the medium wage. This sets a one bedroom rent at the lesser amount of \$647 or 85% of the market rate of what the apartment would be.

Alex stated staff is trying to create some predictability when it comes to what a tax abatement would be which is explained in his memorandum.

Staff recommendation: Approve a 7 year Real Estate Property Tax Abatement, phased in at 100% in Year 1, 75% in year 2, 60% in Year 3, 45% in Year 4, 30% in Year 5, 15% in Year 6, 5% in Year 7. The total estimated abatement value based on 2017 tax rates and capital investment estimates is \$274,336.

There was a period of discussion and questions from Board Members.

Alex concluded by stating staff is trying to engage with developers. If the City says to them we want to do a tax abatement with this schedule, and it has no basis in what the developer's financials; the idea is to engage with the developer, try to get a sense of their financial picture so the City can align the proposal to align relative to what their impact might be.

Dorothy thought this was a great idea, which is parallel to what was being asked for in Council, trying to come up with the definition that Council can use moving forward.

Doug Duncan stated the movement for developers from "no way, no how, not giving up 6 units into this program, we'll just scrap the project, will do "by right." However, after working with Alex and trying to identify the data points and then getting a 3rd party appraiser, then presenting to the owners, they were then able to look and see the benefit of the possible tax abatement. In most projects the cash flow is very critical in the first 3 – 5 years. It is hard to quantify what we the developers are giving up because developers are giving up so much annually in rent income. It also affects the ability to go to the bank, to the lender, because they will lend on an income Performa income stream, plus that Performa will give a value. Also, something else the developers are giving up that may be unrecognized, and its hard to quantify, at the end of this when it is sold, the value is strictly an income stream. It is the revenue minus the operating expenses, and the net operating income and what the market will pay for that income stream is the value; there is no way to put a value on that. The benefit is at the front end. Another point to pay attention to, if we aren't careful as a community and the City gets too aggressive in 20 years these things will wear out and need capital improvements. At that period, the ability to do that is going to be based on the income stream. Duncan felt developers should not be restricted so much, that in 20 years the community has a lot of workforce housing units but they are un kept.

Dorothy agreed, but stated they were going to build the project anyway.

Doug Duncan stated he could not tell her they weren't. Jeff Fanyo has had this property for twenty years, and Jeff has looked at projects for 20 years and nothing has been built.

Dorothy stated or it might continue to be green space. It is not the best piece of property, the topography at the end of the property and west is challenging. Dorothy asked what the rent will be. Duncan stated between \$940 and \$1,000 for a one bedroom. Duncan added it would also depend on how upscale it is made.

Alex stated the timing of the project moving on to City Council if approved by the EDC is to present to City Council on June 7th and 14th.

Kurt asked for any questions or comments before any motions are made reference the Resolutions.

Dorothy stated she tries to think differently as a member of this committee but she can't stop thinking as a council member. Having a formula moving forward for how we might think about tax abatements is a great idea, but it needs to be out there already, and put it out to developers that have not approached us to want to build something. As a councilperson what she feels happens is that developers come to City Council with an idea and have waivers they need passed and then ask for a tax abatement after the fact. This doesn't sit right with her. She added, the developer wanted to build it with commercial, whether it is viable there or not, but that is what the City says you have to do, and then they come with a proposal, and you are getting what you want which is no commercial. She concluded by stating she will probably, as a member of this committee, vote no. Tax abatements have their value, but she was not convinced this project is one.

Geoff asked if Dorothy felt this was too high a price to pay for the workforce housing. She stated she does.

Geoff made a motion to approve Resolution 17-01 to designate an Economic Development Target Area. Vanessa seconded the motion. Vote was taken. The motion passed 4 – 1, Dorothy Granger was the one nay vote.

Geoff made a motion to approve Resolution 17-02 which approves a recommendation to the Common Council regarding a request for tax abatement. Vanessa seconded the motion. The motion passed 4-1 with Dorothy Granger the one nay vote.

Tax Abatement Annual Report

Alex stated there are 4 active tax abatements, and there are 4 pending.

The active tax abatements are for BNL Rentals, BigO, Cook Pharmica, Hoosier Energy.

Pending tax abatements are Woolery Mill, The Foundry at 304 W. Kirkwood, Cook Pharmica, and Urban Station.

Cook Pharmica Real Estate rolled off this year.

Vanessa made a motion to accept Tax Abatement Annual Report. Geoff seconded the motion. The motion passed unanimously.

Good of the Order

Alex introduced Brian Payne. The Board welcomed him.

Meeting adjourned at 5:20 p.m.