

MINUTES

February 16, 2023

Board Meeting

Members Present

Kim Kasting.....President
Tina Gross.....Vice President
Amy Richardson.....Secretary
Lisa Jones.....Treasurer
David Bedwell.....Member
Amanda Ott.....Member
Dustin Royer.....Member

Others Present:

Krista Linke.....Community Development Director
Drew Eggers..... Legal Counsel

Welcome:

Kim Kasting called the meeting to order at 9:00 a.m.

Election of Officers

Kim Kasting is resigning as president with this meeting. Ms. Kasting nominated David Bedwell as President, Tina Gross as Vice-President and Amy Richardson as Secretary. Lisa Jones seconded. Passed unanimously, 6-0. Mr. Bedwell appreciated the opportunity and vote of confidence from the board for the appointment for the next year. He took over from Ms. Kasting as the chair of this meeting.

Approval of Minutes – November 17, 2022

Ms. Jones made a motion to approve the November 17th minutes. Amanda Ott seconded. Passed unanimously, 6-0.

Monthly Reports:

A. Awareness Committee or Monthly Update: In the absence of Amy Richardson, Krista Linke reported that the committee has not met. Ms. Richardson asked Linke to set a regular meeting schedule. Priorities are 2021 and 2022 annual reports and completed project summaries for 2021 and 2022 along with loans and grants completed in those years as well.

B. Finance Committee or Monthly Update:

1. November and December 2022 Financial Reports – Ms. Linke began with November financials. She reviewed the status of projects. No loans or grants are in progress as of November. At the end of November there was a total of \$569,000 available in program funds. For December, Ms. Linke highlighted projects for this month as well. The \$30,000 grant for the bicentennial alley was paid, and that project is complete. At the end of December, total program funds were \$628,973. Mr. Bedwell identified that commercial activity has slowed but asked of Ms. Linke if there is any new levels of residential activity. Ms. Linke responded that there is not, but she would like to look at some revisions to the residential program. She would like to see it marketed more after discussing changes.

C. Loan and Grant Committee or Monthly Update:

1. 526 W. King Street – Carol Bade (RRLF) – This included a new roof, fencing on the west side of the property, hand railing, walking stones for the front and back porches, tree removal, a trailered car to be removed and painting. Ms. Bade is only \$400 a year over the amount to be 100% fully forgiven. If it is 70-80% forgiven, Ms. Bade will not likely proceed with the application. The committee asked the board if an exception to the guidelines could be made. Dustin Royer reported that she lives next door to 548 W. King that FDC rehabbed, so this is indicative of the positive influence to motivate more development in neighborhoods. Ms. Jones asked if the guidelines are state mandated. Ms. Linke identified that income limits are state mandated but the forgiveness percentages based on income are established by FDC. Ms. Bade would qualify for 90% forgiveness with the rest in a loan, but FDC would pay Horizon Bank more to service the loan than they would stand to make on the loan in interest. Approximately \$2,500 is what Ms. Bade would have to repay. Ms. Gross asked how often numbers are updated. Ms. Linke reported just having done it at the beginning of this year based on annually updated HUD numbers which did increase \$2,000. Attorney Drew Eggers suggested the danger of precedent setting. He advised establishing a rational decision for any deviation from the standard and a statement of what the standard operation procedure of the deviation will be. Ms. Gross concurred with Mr. Eggers and further believes Ms. Bade should pay the \$461 difference. Ms. Linke explained that an upfront fee of \$150 is paid to service the loan and additionally five dollars a month. At four percent interest on \$2,500 over seven years, more in bank fees would be paid than recouped in interest. Mr. Eggers supported the board not making a decision that costs more money than the norm, and the less expensive route is recommended but with the statement of reasons and procedures for the deviation. Ms. Linke stated FDC has never had an applicant this close. She recommended three categories instead of four. The 10% difference to pay on a loan loses money on the repayment for FDC. Ms. Linke concluded her belief that anyone who makes \$32,000 or less per year should just receive a grant and establish that as the lowest loan category. Mr. Bedwell calculated the Bade project that FDC would make \$350 and it would cost \$570, so FDC would be upside down \$220. Mr. Eggers didn't support that, but advised establishing the across the board guideline before deciding on Ms. Bade's specific case, and then keep the changes going forward for all applicants. Mr. Royer asked if the low/medium category would remain at 70%. Ms. Linke was inclined to leave it, having the 50% and 70% categories with the third category at 100%. So a single household making \$32,000 or less would be 100% forgiven instead of 90%. According to HUD, a grant could be given to a single household making \$64,000 annually. Mr. Bedwell summarized two options before the FDC. One would be to consider a case by case basis with the counsel from Mr. Eggers. Second would be changing the categories which would place this application in the 100% forgiven amount category. Loan and Grant Committee discussed this to make the program more attractive in the environment. Mr. Eggers recommended changing the policy over deciding on a case by case basis.

Mr. Royer made a motion to change the very low and extremely low to a 100% forgiven. Ms. Ott seconded. Passed unanimously, 6-0.

Ms. Kasting made a motion to approve the Bade application. Ms. Jones seconded. Passed unanimously, 6-0. At Ms. Gross's request, Ms. Linke will send out the revised grid.

2. 749 E. Jefferson Street – Logan Petty (RRLF) – Exterior work, contaminated paint, refresh siding, damaged window sills and update the porch. There is a situation regarding income, who is on

title and who is living in the household. There are two names on the title but they are engaged, and Bristin is not living there yet. They have been asked to show proof of her residency elsewhere so one individual's salary can be the basis of the decision. That has been provided.

3. Site Visits (if needed) Tuesday, April 4th @ 3:00pm
4. Loan and Grant Committee Wednesday, April 12th @ 3:00pm

D. Development Committee or Monthly Update:

1. Property Recovery Task Force – Ms. Kasting reported meeting yesterday.
 - a. 650 Hurricane Street – Project Budget – Mr. Royer reported finding major structural issues, so the decision was made to demo the entire house. Stout Renovations gave an updated quote of \$37,934 additional. Total project cost is approximately \$274,819. A grant of \$34,128 was received from city economic development fees. So all in is expected to be \$240,690 with very little deviation likely since everything is new. That number includes the purchase price for the property and complete construction expenses. A decision about a detached garage is pending. The estimate received is \$28,000, resulting in a total of \$268,000. Adding a two-car garage would increase the ease of sale and the value \$10-15,000. Fourteen out of sixteen King Street showings commented about not having a garage. The actual buyer is building a garage. Ms. Jones asked what the anticipated sale price will be. Mr. Royer explained that to be difficult to calculate. There are not many new builds in the Hurricane Street area to run comps. It will be under valued for any other new construction home for that size in the city. Mr. Royer is not aware of any new homes being built today without a garage. The home square footage is roughly 1200. Ms. Ott is in agreement but expressed concern that this home is significantly higher in value than all other parcels in the area. Though a garage would be beneficial, she believes the home is already priced out of the neighborhood. Ms. Ott is also concerned that FDC develop responsibly within neighborhoods for relationship building and their betterment. Mr. Royer responded that the price would not necessarily need to be adjusted with the addition of the garage. He believes the home will sell in the \$250,000 range. Ms. Linke believes it will attract more buyers with a garage. Ms. Gross added concern for if the home isn't marketable and FDC has to maintain the expense of it. Ms. Jones asked about the potential for a garage to be built later. Mr. Royer confirmed that it would be more expensive to build the garage later and the financing becomes more difficult. Ms. Kasting added that net loss across the three home projects was \$20,000 as opposed to an FDC fully forgiven grant. Stout Renovations recommends if the garage is going to be done, it is better to do it now. There is the question of whether a buyer would even offer \$250,000 without a garage. Appraisers usually give \$15,000 for a garage. With the \$37,000 demo change order, the unrestricted account is short \$21,000. With the added cost of the garage, it would be an additional \$28,000 short. Ms. Linke believed an ask would need to be made of City Council for unrestricted funds instead of RDC because those funds are limited to the TIF district. Another option is that operating funds could be used and as soon as the house sold, operating funds could be replenished. The unrestricted funds account would take the loss. Ms. Gross preferred going to City Council first and hold the use of operating funds to be reimbursed as a back-up plan. Rob Shilts gave the concerning history of the property and suggestions as to how to approach City Council for the request for funds. Mr. Bedwell suggested going before City Council with the two funding options of \$21,000 and \$50,000.

City Council approval would be the third week in March. Marissa Stout advised that that would put the project significantly behind. Consensus was to proceed without the garage. Mr. Royer identified that this will be an ongoing issue for projects going forward. Ms. Kasting added that Ms. Ott has worked on a grant submittal for \$5-10,000, and they are looking for others. Ms. Linke also explained that a larger ask could be made of City Council.

Ms. Gross made a motion to approve the change order of \$37,934.78. Ms. Kasting seconded. Passed unanimously, 6-0.

- b. 548 W. King Street Final Project Numbers – It's sold at \$251,286. Invested in the project was \$300,000. With the Circle Drive project as well, FDC is \$20,000 to the good overall. Remaining in the TIF restricted direct investment account is \$304,000. Ms. Jones suggested this could be part of the ask of City Council. She also advised that they will want to see that FDC is self-sustaining and won't need to ask for funds repeatedly.

- c. 351 E. Jefferson Street – New Lease Agreement – An offer has been received. The building is empty and has been shown several times, but it is not listed. The priority is to lease or sell. Leasing has always been the choice as it provides a revenue stream. Ms. Kasting recommended working with a real estate professional to have it listed and handle showings. Ms. Linke is meeting this afternoon with an interested party. There are four parties having expressed interest. Ms. Linke would like to give them a deadline of the end of the month, and then list it if still needed. Mr. Royer advised discussing how much money FDC is willing to commit to the build out. Ms. Kasting added that the space would look more appealing to potential tenants with even just the AC and stairs and upstairs flooring. Mr. Royer was hesitant to do build-out based on tenant needs. Ms. Linke presented an offer. When both downstairs spaces were leased, 2022 rental income was \$47,600 for the year. Repairs, utilities and insurance were a little under \$8,000 for the year. Last year was unique with the mold remediation, spray foam upstairs and build-out floor plans, adding up to \$6,000. Total 2022 expenses was \$17,596 so net operating income last year was \$30,003. With the offer the decision needs to be made about purchase vs. lease, what should the price be, should it be presented to the general public and how to go about the process. Mr. Bedwell identified 1850 square feet on the ground floor. Office space is currently going for approximately \$12 per square foot for leasing, so somewhere in the \$2,000 range monthly. The upstairs without ground floor access and ADA, it would likely be half that amount or six to seven dollars per square foot. Total income would be approximately \$33,000 annually. With expenses, in the \$24-25,000 range. Additional ground floor square footage is 1,200 for JP Parker storage. It brings in \$600 a month. That would increase it to the \$35,000 range. Mr. Eggers does not believe FDC is in the business of being a landlord and doesn't believe they should be. He also cautioned against selling it without opening it up to the public or getting multiple appraisals. He didn't see a current discussion as beneficial but it is one for the future. Ms. Ott asked how FDC can be sustainable without earning money and receiving money from government entities. Ms. Linke explained that this one property was the source of operating expenses funding. For programming funds she doesn't know how FDC can continue to expend funds, award grants, and take losses on properties and not ask for more money. Coverage of operating expenses has been figured out, but programming requires funding. Ms. Gross asked if JP Parker would be willing to use the upstairs for storage. Ms. Linke responded that they are not willing due to the stairs. Ms. Gross followed up with asking if the property were sold, could the funds be used in direct investment. Ms.

Linke confirmed but unrestricted since the purchase and improvements were made from TIF as the building is in the TIF district. Rental income is unrestricted, but sale monies could be restricted. Mr. Royer stated the difficulty to find someone to rent only the upstairs. Mr. Royer inquired as to whether the build-out budget could be calculated and included in the budget for a tenant and let them manage the project. Mr. Bedwell asked for an estimate for the upstairs build-out and the back parking lot and bring back to the board. A second tenant upstairs would require an expensive remodel of the entrance with a vestibule and second entrance. Ms. Ott preferred a one tenant lease. Others concurred. Mr. Royer and Dana Monson are pursuing commercial brokers. General consensus was for leasing.

Ms. Jones made a motion to authorize Ms. Linke with the Property Task Force and legal counsel Mr. Eggers to manage and approve any offers for this property. Ms. Gross seconded. Passed unanimously, 6-0.

- d. Next Property Recovery Task Force meeting is Wednesday, March 15th @ 9:00am

Director's Report

Tina Gross – At Large Appointment – Mr. Bedwell made a motion to appoint Ms. Gross for another year. Ms. Jones seconded. Passed unanimously, 6-0.

Public Comment

None.

Adjournment

No further business came before the Directors. The meeting was adjourned.

Approved this 16h day of March, 2023:

By: 

David Bedwell, President

Attest: 

Amy Richardson, Secretary