

MINUTES
SPECIAL MEETING OF THE MIDLAND CITY HOUSING COMMISSION
WEDNESDAY, MARCH 2, 2016 AT 2:00 P.M.
333 W. ELLSWORTH STREET
CITY COUNCIL CHAMBERS ROOM
MIDLAND, MICHIGAN

1. Roll Call

PRESENT: Burgess, Mortensen, Garchow, Loose, and Wright

ABSENT: None

OTHERS

PRESENT: Grant Murschel, Community Development Planner; Lori Jung, Assistant Manager of Senior Housing; Dave Keenan, Assistant City Manager; and twenty-six (26) others.

2. Public Hearings

a. PILOT – Bracken Woods

Dave Keenan gave the staff presentation on the payment in lieu of taxes proposal (PILOT) for Bracken Woods, 5301 Dublin Avenue, by Lockwood Development. Keenan explained how the current proposal compared to the last proposal during summer 2015. The new proposal includes 10 units at 30% Area Median Income (AMI) compared to 2 units within the last proposal. The remainder of the units (94) will serve 50% AMI. All units will be for eligible very low- or extremely low-income residents. He explained the financials behind the proposal and indicated what revenues the City would likely receive annually from the PILOT with the new proposal compared to the last proposal and the development currently.

Mark Lockwood presented as the applicant on the PILOT proposal. He indicated that the project is needed as the current financial model of the property mortgage allows for maintenance reserves only and not for ongoing capital improvements. The current model for the property owner is a money losing situation. The current loan is also not able to be repaid early. Closing on the property by Lockwood Development would take place within 60-90 days after the PILOT is approved, if approved. Proposed improvements to the facility will be made within 12 months, and Midland County trades people are required to participate in the renovations. Lockwood indicated that he sees the proposal as a means to investment of 2.88 to 1 dollars into the community for affordable housing rents achieved compared to tax revenue lost.

Lockwood answered the question by Garchow by indicated that Lockwood will be the general partner in its relationship with Cinnaire Corporation (formerly Great Lakes Capital Fund). Lockwood also answered the question from Mortensen by indicating that the current vacancy rate is around 9%. The vacancy rate has decreased substantially since Lockwood companies took over the management in July 2015.

To answer a question by Mortensen, Lockwood indicated that the current development is comprised of 60% AMI units and that overtime as units are turned and occupied by new tenants, the settings will change down to the combination of 50% and 30% AMI units. He answered the question by Wright by indicating that a precedence has been set at the state for these kinds of transactions and proposals with the Michigan State Housing Development Authority (MSHDA). The proposal is following these guidelines.

Chairman Loose opened the floor for any public comments in support of the petition.

Kristi Carlson, of the Affordable Housing Alliance (AHA) in Midland, indicated her support for the petition. AHA has over 200 people on their waitlist for affordable units within Midland County. Any additional

affordable housing to meet this need would be great.

Rob Worsley, program director of Midland Community Former Offenders Advocacy and Rehabilitation (MCFOAR), gave his support for the proposal and any additional affordable housing that is in good condition.

Ron Parmele, of 5415 Wallbridge Lane, indicated his support of the petition. He argued that a tax reduction through a PILOT is an investment by the City. He read through his letter that was included in the agenda packet to the Commission.

Amanda Johnson, of Midland Area Homes (MAH) and the Midland County Continuum of Care chairman, indicated that the Continuum still sees the need for additional affordable housing in the community. MAH receives over 1,000 call inquiries each year from households looking for affordable housing in Midland.

Robin Greiner, of 318 Seminole Court and the shelter coordinator at Shelterhouse, indicated that any additional 30-50% AMI units would be helpful to not only a majority of the organization's clients but also for their employees. The Asset Limited Income Constrained Employed (ALICE) population still need additional places to live in the city that are affordable.

Chairman Loose, hearing no additional comments in support, opened the floor for comments in opposition of the petition.

Mike Rapanos, of Midland, expressed his opinion that it seems unfair for PILOTs compared to others within the rental market. He has Section 8 (Housing Choice Voucher) tenants in 7 of his units currently and that program appears to be a better way to meet the need for affordable housing. He questioned why the balance of time on the current PILOT is not enough. He thinks it is shameful that someone can make more money than the income limits after they have qualified and still be able to live in the unit. The current owner was foolish to sign a 9% interest loan at 20 years. He questions why MSHDA, Lockwood and Cinnaire would put in \$5 million to a property that is only worth \$3 million.

AnnaMaria Morgan, president of the Midland Area Real Estate Investors Association, indicated her opposition to PILOTs. She believes that she is an advocate for all Midland taxpayers and questions whether PILOTs are really the solution to the affordable housing need. She wants to know why the vacancy rate at Bracken Woods is so high currently. In July, her group pushed against the last proposal and their efforts resulted in Lockwood revising their proposal. She gave two examples of members of her group that provide affordable rent rates to low-income individuals over a long period of time. Other Midland taxpayers will be left to assume the risk for the development investment done by Lockwood & Cinnaire.

Susan Weitz, 5409 Sunset Drive, gave her opposition to the proposal. She and her husband have owned rental properties for 38 years. She believes that you can be for affordable housing and against PILOT proposals. She advocated for a City-administered voucher program.

Ken Hitch, of St. John's Episcopal Church, spoke in opposition of the PILOT because it would be unfair to Midland taxpayers and the working poor. He indicated that forgiveness without accountability is incorrect. He questioned if the proposal is really meeting the need and why the Housing Commission is not asking for more units at 30% AMI. He believes only 30% AMI units should receive PILOT relief.

Bruce Pynnonen, of 2604 Manor Drive, explained that he is a landlord that receives some profits in some years, and no profits in other years. He questioned what the role of government is. He does not agree with the notion that there is a 50% turnover rate every year. In his opinion, MSHDA will not allow the property to sit vacant for 25 years if it is foreclosed on. The PILOT law was intended to eliminate blight in Detroit and other communities.

Oswald Anders, a member of MAREIA and a landlord in Midland for 34 years, spoke in opposition. He indicated that if there are vacancies than the need has been met. He questioned how rents are calculated if there are live-ins with the people who were initially approved. He has had difficulty finding tenants recently and he attributes this to an oversupply of rental housing in the community. In his opinion, PILOTs create a creative financing mechanism for landlords and an unfair competitive advantage over his properties.

Peggy McMann, of 5001 Washington Street and member of MAREIA, indicated that their position is not against affordable housing but against PILOTs. She wants to know who is making money in this deal and if it is MSHDA since Boston Capital is not making money. Tim McMann also spoke in opposition as he understands this PILOT proposal is simply to facilitate the flipping of the property.

Bill Brenton, of 5101 Oakridge Drive and owner of Tek Circle, indicated that most of his tenants are low income and the working poor. He is undecided on the proposal. He does not receive a subsidy but manages to keep his rates low. He has a waitlist for his units and does not understand why someone would invest \$5 million into a property only worth \$3 million.

Bill Carey, of Stanford, spoke not in opposition or support of the proposal but rather questioned the role of government. He thinks the proposal is corporate welfare.

Hearing no more comments in support or opposition of the petition, Chairman Loose allowed the applicant to address any of the comments that were received.

Mark Lockwood indicated that the 25 years proposed is the number of years that are needed to service the loan. The entire complex will be for low-income people, not just the 30% AMI units. Renovations will only total \$3.1 million. He pointed out that a new complex of this size cannot be built for that price. He toured Bracken Woods with MAREIA members last summer in an effort to be as transparent as possible. The vacancy rate is caused by some units being used to provide appliances and other parts to other units; this units can then not be rented out.

Rod Lockwood indicated that all units will be reduced from their current level of 60% AMI down to a combination of 50% and 30% AMI.

Keenan indicated that a PILOT is currently in place at this location. The proposal can be used as a tool to provide additional affordable housing when the private market does not adequately meet the need.

Murschel reported that currently 294 tenant-based and 41 project-based Housing Choice Vouchers within Midland County. There are currently 25 households on the Homeless Preference Waitlist, that is regularly updated and audited, and there are 122 households on the general waitlist. The general waitlist has been closed since July 30, 2011.

Chairman Loose closed the public hearing.

Mortensen commented that she would like to see the number of units within the PILOTs in other communities and an understanding of how these community's housing commissions are set up.

Wright wondered if there is an end number in sight for the number of units needed of affordable housing in the community. Loose indicated that the focus group in 2010 worked to determine that number.

Garchow commented that the data that has been submitted by staff indicated that there is still a need for affordable housing in the community. He is supportive of the proposal since it will work to sustain 104 units of affordable housing. He feels like enough information has been presented. The purview of the Commission is not to debate how tax dollars should be used but rather how this proposal meets the PILOT criteria and

meets the need in the community.

Keenan indicated that the city budget each year is developed with the PILOT service fee revenues and not the revenue of full taxation. Prior to its construction in 1995-96, the Bracken Woods site was a wooded lot that resulted in very little property tax revenue.

Mortensen wondered if the Commission should act on the item without all of the questions from City Council having been answered. Keenan indicated that some of the answers to the questions will take additional staff time. He indicated that the Commission needs to determine if the proposal still meets the criteria. Keenan continued by indicating that it appears that an additional look at the PILOT policy is necessary as there have been lessons learned through this and the last proposal.

It was moved by Garchow and seconded by Burgess to report to City Council that the current Bracken Woods PILOT proposal by Lockwood Development meets the PILOT standards that are in place. The motion passed unanimously (5-0).

Chairman Loose temporarily recessed the meeting at 5:14 p.m. The meeting was called back to order by Chairman Loose at 5:22 p.m.

Chairman Loose suggested moving item 3a ahead of 2b on the agenda. The Commission agreed.

3. Reports

a) Senior Housing Updates – Lori Jung

Jung presented the quarterly reports for Riverside Place and Washington Woods senior living communities. She highlighted that the occupancy rate is still very healthy at Riverside Place but there have been a few vacancies due to deaths and health issues. Washington Woods is still moving forward with the renovation project. She looks forward to having the members of the Commission over to the facility to see the renovated rooms.

2. Public Hearings

b) Community Development Block Grant 2016-17 Budget

Murschel presented the staff proposal for the 2016-17 CDBG budget. He indicated that staff has estimated that \$332,889 will be available to spend for the year. The proposals for planning and administration, contingency, and housing rehabilitation administration remain at the same level as the current year. He indicated that not every application can be funded in full for the year and that some organizations might not receive any funding for their projects.

Given the previous concerns about the transportation costs associated with transporting city of Midland residents out to West Midland Family Center, the Commission encouraged Murschel to reach out the WMFC to explore other options. The Family Ties program has been very successful over the years but with budget constraints, the current funding level might not be sustainable long term.

Garchow indicated that he is supportive of the staff proposals and understands the concerns with the two parking lot maintenance projects.

It was moved by Mortensen and seconded by Wright to approve the recommend approval to City Council the proposed CDBG 2016-17 budget as presented in the staff report dated February 25, 2016. The motion was approved unanimously (5-0).

4. Communications

None.

5. Future Meeting Date

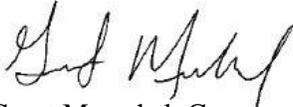
a) March 7, 2016 – Regular Meeting – CANCELLED

It was moved by Wright and seconded by Mortensen to cancel the regularly scheduled meeting of the Housing Commission on March 7, 2016. The motion was approved unanimously (5-0).

6. Adjournment

The meeting was adjourned by Chairman Loose at 5:49 p.m.

Respectfully submitted,



Grant Murschel, Community Development Planner

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