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HOME PROGRAM COMMISSION

Minutes

January 25, 2010

MEMBERS PRESENT: Mayor Keith Bosman, Donna Cook, Jeff Labahn, Chief John Morrissey, Jim Schultz, and Carol Stancato

EXCUSED: Frank Pacetti

STAFF PRESENT: Mark McCarthy

The meeting was called to order at 5:01 p.m. by Mayor Bosman and roll was taken.

Approval of Minutes of June 24, 2009

A motion was made by Chief Morrissey and seconded by Donna Cook to approve the minutes as written. The motion passed unanimously (6 ayes; 0 noes).

1. Program Update and Status Reports

Mark McCarthy, Housing Development Specialist, distributed a revised Program Summary & Status Report. All the Program Income is committed to projects. The HOME Program could potentially take in \$1 million in 2010 depending on our home sales and HOME loan repayments. HUD is enforcing that the HOME Program Income Funds be committed and expended before spending any new Entitlement Funds from the US Treasury. The City of Kenosha is looking into contracting with a title company to control the funds in an Escrow Account. We are waiting to hear from HUD if this is allowable. (Since the HOME Commission meeting, we have been informed by HUD that utilizing a title company for construction escrow accounts will not be a resolution to expending HOME Program Income Funds.)

Mr. McCarthy said there are several projects under contract for the spring including the land used for the parking lot on 22nd Avenue west of Columbus Park. Also, St. Catherine's Commons and Celebre Place at Lou DeMarco Village have expressed interest in utilizing HOME Funds. These projects could utilize up to \$700,000 of HOME Funds for their projects. All projects will require Common Council approval. Mayor Bosman asked if the funds loaned to St. Catherine's or Lou DeMarco would be returned to the City? Mr. McCarthy said we would be providing gap funding for them as either a loan or a grant. If HOME Program Income Funds are used a match is not required. If Entitlement funds are used, then a match is required. We have a sufficient reserve of "matching" funds to cover these projects, if needed.

2009 HOME Funds need to be committed by August 31, 2011 and 2010 funds by summer 2012. We have two (2) years to commit the funds and five (5) years to spend the funds. Mr. McCarthy said we have \$650,000 available in Program Income committed to projects, and if we sell some of our houses, we will have even more Program Income. We cannot draw any new Entitlement Funds until all Program Income Funds are expended. With the income ranges we are required to work with, people are having a difficult time obtaining loans making it hard to sell our houses. We will be receiving a loan payment from Villa Ciera for a rental project of \$175,000. The Committee decided to zero out the second line item in the first table and change the title to "***HOME Program Income Received as of [date] (generated from home sales and loan repayments).***" This resulted in a change in the *Estimated Total Funds Available to \$824,562.*

Mark McCarthy said the Common Council did not approve the use of new HOME Entitlement Funds for rental projects. At this time, HOME Program Income could be used for Senior Rental

Development. The 2007, 2008, and 2009 HOME Program Descriptions would have to be amended for rental projects to utilize these funds.

CHDO Funds will be approximately \$80,000 and are used on CHIP projects but the funds do not come out of the \$399,701 for Homebuyer projects under the 2009 Entitlement Funds amount. So the actual 2010 total is about \$532,903. Mr. McCarthy said in 2009, we completed four (4) homes and sold one (1). There are five (5) more houses under contract. The City also has \$1.7 million in Neighborhood Stabilization Project funds to build two (2) houses and rehab six (6) houses.

A motion was made by Jeff Labahn and seconded by Donna Cook to receive and file the Program Summary and Status Report as revised. The motion passed unanimously (6 ayes; 0 noes).

2. Consideration of 2010 HOME Program Description

The recommended 2010 HOME Program funding estimate is based on 2009 funds. Based on the previous motion, the sentence “*It is anticipated ...HOME Program funded loans.*” in paragraph 1 under “*HOME Program Income*” on page 1 and row 4 “*HOME Program Income*” in the table on page 2 will be deleted from the program description.

Mr. Labahn stated the main difference between the 2009 and 2010 program descriptions are the addition of: 1) City of Kenosha Eligible HOME Program Activities; and 2) Rental Housing Development – New Construction. Previously, we were limited to where we could help rental development projects. Now, 2010 funds and HOME Program Income could be available Citywide. Mr. Labahn said the language releases some geographic restrictions. Mayor Bosman said if we have two (2) good rental projects and this will help get the developments done, then it is a good thing.

Mr. Schultz left.

Mr. McCarthy said another change is the “*Homebuyer Counseling Requirement.*” All our homebuyers must complete a HUD accredited Homebuyer Counseling course. This HUD accredited course will be offered by the City of Kenosha Housing Authority.

Mr. Labahn said based on the discussion, City Development staff will repackage the report for Finance Committee and Common Council.

A motion was made by Donna Cook and seconded by Carol Stancato to approve the the 2010 HOME Program Description Program as revised based on the recommendations made by the Committee. The motion passed unanimously (5 ayes; 0 noes).

3. Public Comments

Public comments opened. No public comments. Public comments closed.

4. Any Other Business as Authorized by Law

Mr. Labahn said the 2010 HOME Program Description will be on the March 15th Finance Committee and Common Council agendas.

A motion to adjourn was made by Carol Stancato and seconded by Donna Cook. The motion passed unanimously (5 ayes; 0 noes).

The meeting adjourned at 5:55 p.m.

HOME PROGRAM COMMISSION

Minutes
April 7, 2010

MEMBERS PRESENT: Donna Cook, Chief John Morrissey, Frank Pacetti, Jim Schultz, and Carol Stancato

EXCUSED: Mayor Keith Bosman and Jeff Labahn

STAFF PRESENT: Mark McCarthy

The meeting was called to order at 5:01 p.m. by Frank Pacetti and roll was taken.

Approval of Minutes of January 25, 2010

A motion was made to approve the minutes as written. The motion passed unanimously (5 ayes; 0 noes).

1. Consideration of Application for HOME Program Rental Development Funding from Parmenter Development, Inc. for the Proposed Celebre Place Senior Residential Care Apartment Complex (RCAC), 1870 27th Avenue.

Mark McCarthy, Housing Development Specialist, said the application submitted by Parmenter Development is for a \$5.7 million residential care complex for seniors. Horizon Development would manage the complex. They may manage the construction of the complex as well. The proposed project funding is shown on page 1 of the fact sheet. The developer is requesting \$666,600 in HOME funding for 11 HOME units. The HOME units would remain fixed for 20 years even if the loan were paid in full sooner. Mr. Pacetti asked how it was determined to set aside 11 HOME units. Mr. McCarthy said there are three (3) tests used. The first test is the per unit subsidy limits per bedroom size. The project is well below the limits. The second test is the HOME Fair Share test which is the minimum number of HOME units required based on the percent of HOME funds to the total HOME eligible project costs, prorated for the total number of units. The third test is based on the HOME Subsidy Layering Financing Gap Analysis, page 16, which shows a financing gap over \$740,000. This number is a fluid dollar amount based on the tax credit cost. The test results support a lower number of subsidized units, but the developer chose 11 units which is the maximum number without having to follow the Davis Beacon Labor Standards. If there are 12 or more units, then the Davis Bacon Labor Standards must be followed. Robert Gake, Parmenter Development, Inc., said all 47 units would be subsidized for 30 years.

Mr. Gake said for the WHEDA application they feel the tax credits will sell for \$0.68 or lower on the dollar. Frank Pacetti, City Administrator, said the development proposed for the Brass Site thinks they will sell at \$0.73 or \$0.74 on the dollar. Mr. Gake said if they do not acquire all the necessary financing with the tax credits, then he is not sure if the project will be constructed. Mr. Pacetti said it wouldn't be fair if WHEDA gives tax credits to both the Celebre and Brass developments but the Brass gets the gap and Celebre doesn't. Mr. Gake said WHEDA gives the gap between \$0.68 and \$0.73 for selling of the tax credits. Mr. Gake said there are also many 2009 projects that did not move forward, that WHEDA would like to see go forward. Mr. Pacetti said the agreement could be structured to cover just the gap. Once WHEDA funds have been received, the City could make up the difference. Mr. Pacetti stated Administration wants to see this project built.

Mr. McCarthy noted a change under "Unit Summary" on the Fact Sheet. There are a total of 47 units. Thirty-three units will be low income housing tax credit units for persons with income at

or below 50% of Kenosha County Median Income (including 11 HOME-Assisted Units) and 14 low income housing tax credit units available to persons below 60% of Kenosha CMI. In the chart under "Unit Mix and Initial Rents" the one (1) bedroom units renting at \$631 are at 50% CMI and the two (2) bedroom units renting for \$757 are at 50% CMI.

The affordability requirement for the HOME Program is 20 years. There is an additional ten (10) year affordability requirement because of tax credits for a total of 30 years. Mr. Pacetti noted that the tax credit for the buyers are exhausted after approximately ten (10) years, and the affordability requirements still remain in effect for 30 years. Jim Schultz clarified that all units will remain affordable for 30 years. Mr. McCarthy said concurred. Investors only cover tax credits for approximately ten (10) years? Mr. Gake said yes, they wish to be bought out by then.

Mr. McCarthy said the rental amounts listed on page one (1) of the fact sheet are in line with the HOME low rent limits which are required and include renter paid utilities. The utilities schedule comes from Kenosha Housing Authority utility allowance schedule.

The loan requested from Parmenter Development, Inc. is for \$666,600 at 3% simple interest for 20 years with annual interest payments of approximately \$20,000 beginning the 3rd year with a lump sum principle payment of \$666,600 at year 20. The loan is for eligible construction costs.

Carol Stancato asked how the City will know if the complex is leased up. Mr. McCarthy said the City receives an annual report including the unit number, renter's name, rental amount, income, etc. Ms. Stancato said the report will be in retrospect. The information could be up to 12 months old. Could the City receive documentation from as soon as the complex is leased up? Mr. Gake said they would be willing to send the City confirmation in writing when the complex is leased up.

Chief Morrissey said the Permanent Loan Financing on page one (1) of \$940,000 on the fact sheet and page six (6) of the application of \$915,000 do not match. Which amount is correct? Also, the number of units is incorrect on page three (3) of the application. Mr. Pacetti asked for the cost of the project. Mr. Gake said \$5,770,000. Mr. Pacetti said the application needs to be accurate and consistent. If the cost of the project is \$5,770,000, then that needs to be consistent throughout the application. Mr. Gake stated that when Robert Schwarz completed the application there was a slight gap even with funding. They were going to try to bring down the construction costs to make it work. Mr. McCarthy said the Gap Analysis on page 16 of the application uses \$940,901. Mr. Pacetti said the numbers do not add up. Parmenter Development has one day to get the application in order.

Chief Morrissey asked if the developer has met with the Alderman of the district. He has concerns. William Michels, representing the Senior Action Council, 6308 Eighth Avenue, Kenosha, said he has a meeting with him on April 8, 2010.

Mr. Pacetti stated all 47 units will remain affordable for 30 years. Chief Morrissey noted that some are at 50% of the County Median Income (CMI) and others are at 60% CMI. On page three (3) of the application, the Income Restriction for the two (2) HOME-assisted groups should be at 50% CMI stated Chief Morrissey. Mr. Gake agreed. Mr. McCarthy said the City is concerned with the HOME units and WHEDA is concerned with the other units. It was noted that on page three (3) of the application, in addition to the above addition to the HOME-assisted groups, the units with an Income Restriction of \$31,900 are at 50% CMI and the units with an Income Restriction of \$38,280 are at 60% CMI which is the tax credit income limit for a 3-person household on a 2-bedroom unit as allowed by WHEDA.

Discussion followed regarding the interest rate for the loan. Mr. Pacetti said information received from a reliable source indicated the interest rates would be capped at 7% for loans. Mr. Gake said if they could get a lower rate that would be helpful. Jim Schultz asked if the 8%

interest rate used in the application was quoted 8% by a bank. Mr. Gake said no, it was information received from general contractors. WHEDA is trying to set up standard practices.

Mr. Gake asked if the application could be moved forward assuming the appropriate changes are made. Discussion followed regarding the discrepancy in the amounts throughout the application. The Commission could move the application forward with a loan up to \$575,800 based on Mr. Pacetti's calculations depending on final equity from tax credits and loan. Mr. McCarthy said the Subsidy Layering Gap Analysis would have to be the final analysis. Mr. Michels said if the tax credits are not received, then the project does not work. We came to the City because assistance and approval by the City adds to the points schedule with WHEDA.

Chief Morrissey said if the \$666,600 is correct, he would have a hard time supporting the amount because the numbers do not add up. It is not the project that concerns him, its just that the numbers don't add up.

A motion was made by Chief Morrissey and seconded by Carol Stancato to approve the HOME Rental Development Program Application submitted by Parmenter Development, Inc. for a maximum loan up to \$580,000 subject to receiving tax credits and a Subsidy Layering Gap Analysis finalized based on actual receipts to finance eligible construction costs for the proposed Celebre Place Affordable Senior Residential Care Apartment (RCAC) to be located on the vacant parcel at 1870 27th Avenue.

Mr. Schultz concurred that he supports the lower of the two (2) amounts - \$580,000 v. \$666,600. There was further discussion on the maximum loan amount of \$580,000.

Chief Morrissey withdrew his motion. Ms. Stancato withdrew her second.

A motion was made by Carol Stancato and seconded by Chief Morrissey to defer the approval of the HOME Rental Development Program Application until April 8, 2010 at 5:30 p.m. when a special meeting will convene to further discuss the application. The motion passed unanimously (5 ayes; 0 noes).

Public Comments

Public comments opened. No public comments. Public comments closed.

Commissioner Comments

No Commissioner comments.

Staff Comments

No Staff Comments

A motion to adjourn was made by Carol Stancato and seconded by Chief Morrissey. The motion passed unanimously (5 ayes; 0 noes).

The meeting adjourned at 6:16 p.m.

HOME PROGRAM COMMISSION

Minutes
April 8, 2010

MEMBERS PRESENT: Chief John Morrissey, Frank Pacetti, Jim Schultz, and Carol Stancato

EXCUSED: Mayor Keith Bosman, Donna Cook, and Jeff Labahn

STAFF PRESENT: Mark McCarthy

GUEST: Alderman G. John Ruffolo

The meeting was called to order at 5:30 p.m. by Frank Pacetti and roll was taken.

1. Consideration of Application for HOME Program Rental Development Funding from Parmenter Development, Inc. for the Proposed Celebre Place Senior Residential Care Apartment Complex (RCAC), 1870 27th Avenue.

Frank Pacetti said the Commission received an updated application packet with revised numbers. Mr. Pacetti noted on page 6 of the application, the cost to purchase the land is listed at \$230,000 with an inkind donation from the Senior Action Council of \$50,000 as indicated on page 5. The total purchase price of the land is \$280,000. The credit statement says the purchase price is \$280,000. Mr. Michels said the Senior Action Council has agreed to sell the property for \$230,000 and they will have a lifetime office in the complex in exchange for the additional \$50,000. The office will have basic amenities.

Chief Morrissey noted the loan is structured with 3% simple interest for 20 years with interest paid for 18 years. When will the principal and additional two (2) years interest be paid? Mr. McCarthy said the principal and remaining interest will be paid in year 20. Ms. Stancato asked if the loan would be interest free for two (2) years. Mr. Gake said they were looking at payment of the principal and two (2) years interest in 2030. Mr. Pacetti asked when the two (2) years interest needed to be paid. Mr. McCarthy said based on the Proforma, interest payments begin in year three (3). Mr. Gake said there is nothing in the application regarding the two (2) years interest, but they are willing to discuss the payment. Mr. Pacetti asked if they are willing to pay the two (2) years interest along with the principal at the end of the 20 year loan. Mr. Gake said yes, that is agreeable. Mr. Pacetti said during the first two years the interest will accrue. The principal balance after year one (1) will be 686,598 and 706,596 after year two (2). Mr. Pacetti said he is not in favor of the funds being interest-free for two (2) years. We can defer the interest. The interest would begin once Parmenter Development, Inc. starts drawing down on the funds. At the end of the 20 years, the principal and accrued interest is due. The interest due annually beginning in year three (3) would be \$1,200 more than the originally anticipated amount of \$19,998 for a total of approximately \$21,198. Mr. Gake asked if the City would allow prepayment of the interest to lower the principal to \$666,600 by the end of year one (1). Mr. Pacetti said prepayment of interest at anytime is acceptable.

Chief Morrissey asked if the HOME Program had funding for this project. Mr. McCarthy distributed a report of the HOME funds available. The report showed the current projects underway or starting this spring and summer. We have \$800,000 in Entitlement funds for 2009 and 2010 with additional funds remaining from 2007 and 2008. The 2010 funds are

listed, but are not actually in hand. We do have the funds available for this project. We will also receive additional funds from the sale of homes. We are attempting to sell more homes by lowering the selling prices. Chief Morrissey noted that only four (4) homes have been sold in the past four (4) years. Mr. McCarthy said we also have \$908,001 in Entitlement funds. If additional Program Income funds come in then we have to use that first. Mr. Pacetti said HUD changed their rules mid-stream. We can not use Entitlement funds if we have Program Income funds available. We receive Program Income funds from loans paid back, etc.

Chief Morrissey asked if there are other WHEDA programs that we have authorized to fund but haven't paid for yet. Mr. McCarthy said we do not have any other projects committed. If we do not have the funds, we can't commit to a project. Mr. Pacetti said if this project or any other project is approved, the funds are encumbered for the project. We are not allowed to give the funds to anyone else. Mr. Schultz clarified that we only commit funds that we have. Mr. McCarthy concurred.

Ms. Stancato asked how solid the 2010 fund estimate is. Mr. McCarthy said the amount will probably be higher. We have heard there will be an increase, but have not received the final determination.

Mr. Schultz asked when Parmenter Development, Inc. anticipates making their first draw on the funds. Mr. Gake said they anticipate signing the first contract with the construction company in late winter or early spring. Construction should take about nine (9) months. The first draw should be approximately late 2011. Mr. Schultz asked if the City can hold the funds for that length of time. Mr. McCarthy said we have two (2) years to commit the funds and five (5) years to spend the funds. So, the 2009 funds have to be committed by 2011. Mr. Gake said funds could be drawn during construction if needed. Mr. Pacetti said it is hard to manage funds with the new HUD rules. HUD is also aware. With written agreements, we have a commitment to use the funds and so we will not lose the funds.

Mr. Pacetti said the percentage for the loan changed to 7½%. The application is figured at 8% interest for the loan.

It was noted that Alderman Ruffolo was contacted. Alderman Ruffolo is the alderman of the district adjacent to the project. The alderman of the district in which the project is being proposed is newly elected.

Ms. Stancato said on page three (3) of the application, the Income Restriction for the HOME-Assisted 2-bedroom unit should be \$28,350. Alderman Ruffolo asked if the Income Restriction amount was the maximum income allowed for that specific category. Mr. McCarthy said the Income Restriction amount indicates a specific percentage of the Kenosha County Median Income (CMI).

A motion was made by Chief Morrissey and seconded by Carol Stancato to approve a maximum loan of \$666,600 for Parmenter Development, Inc. based on actual Gap Analysis following WHEDA Tax Credit sale and first mortgage placement. Simple interest at 3% annually. Interest to be deferred for a maximum of 24 months and added to principal. Annual interest only payments begin in year three (3). Principal balance due at end of year 20. Deferred interest and/or principal may be paid back at any time without penalty. The motion passed unanimously (4 ayes; 0 noes).

Public Comments

Public comments opened. No public comments. Public comments closed.

Commissioner Comments

Chief Morrissey noted that in the future, applications should be completed more thoroughly.

Staff Comments

Mr. McCarthy said this type of project is where the HOME Program needs to put their funds. This project creates jobs during the development of the project and after the project is completed.

A motion to adjourn was made by Chief Morrissey and seconded by Carol Stancato. The motion passed unanimously (4 ayes; 0 noes).

The meeting adjourned at 6:10 p.m.