

MINUTES

September 4, 2007



Fiscal Committee

4:45 p.m.
Carnegie Town Hall
235 W. 10th Street

Members Present: Committee Chair – J. Pat Costello, Vernon Brown, Kevin Kavanaugh
Members Absent: Gerald Beninga
Staff Present: Debra Owen, City Clerk and Jamie L. Palmer, Assistant City Clerk
Guests: Mike Cooper, Director of Planning & Building Services; Eugene Rowenhorst, Director of Finance; Valerie Kuhl, Citibank; Doug Morrison, Citibank; Bob O'Connell, Sioux Falls Chamber; Randy Bartunek, Director of Community Development

1. Call To Order

Committee Chair Costello called the meeting to order at 4:45 p.m.

2. Approval of Minutes

A motion was made by Committee Member Brown and was seconded by Committee Member Kavanaugh to approve the August 13, 2007 minutes as written. Costello called for a voice vote on the motion. All committee members voted yes.

3. Reports and Updates

A. Proposed Neighborhood Redevelopment Funding Mike Cooper, Director of Planning & Building Services

Mike Cooper opened the discussion regarding the proposed neighborhood redevelopment funding proposal (Item 36 on tonight's council agenda). The proposed ordinance would establish a funding source to acquire property in the Neighborhood Conservation Program Area. Citibank has proposed a \$5 million revolving line of credit for only the targeted area which is 9th Street to 16th Street and Minnesota Avenue to Covell Avenue. This is the same area that was recently targeted for code enforcement Phase 1 and Phase 2.

The Mayor's Neighborhood Conservation task force committee has been meeting since January. The members include representatives from the neighborhood businesses, property owners, non-profit agencies, and financial institutions (including Citibank). The committee has discussed pursuing ideas for redevelopment and redevelopment incentives. Cooper shared a draft report developed by this committee which outlines several redevelopment incentives and proposed guidelines for the line of credit offered by Citibank.

Cooper states that there is a lot of support for this program and using it for affordable housing. The neighborhood representatives stated that they don't want 100% low income housing but would prefer mixed income housing. They would also encourage the expansion of our community development programs, home owner's assistance

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programs, home buyers assistance programs, and incentives to convert rental units to owner occupied.

Eugene Rowenhorst and Mike Cooper have met with other financial institutions to establish another funding source which could be used for developer financing incentives and a rental rehabilitation loan program. There has been no formal commitment from these institutions but there is definite interest.

The last page of the report is a rough draft of guidelines which includes:

- Use of this fund for property acquisitions will be targeted within the Neighborhood Conservation Program area.
- Property acquisitions will be based on identified redevelopment priorities within the Neighborhood Conservation Program report.
- The price offered for each parcel will be based upon a Fair Market Value to be established after completion of an independent fee appraisal. The City will not acquire any property that includes occupied rental units.
- The City will prepare a pro forma analysis for each potential redevelopment parcel prior to any acquisition.
- The City will determine whether any structures acquired can be moved, rehabilitated, or in need of demolition prior to development of the property.
- A Request for Proposals will be solicited for redevelopment of acquired parcels and will contain information regarding development objectives and selection criteria.
- Primary land uses for redevelopment parcels should include residential and mixed use residential with retail and/or office on the street level as identified in the Neighborhood Conservation Program Report.
- Mixed income housing is encouraged, with affordable units available to households with incomes at or below 60% of median income as set by HUD and adjusted for family size.
- All proposals that are recommended for approval will be forwarded to the City Council for final authorization prior to any sale of land.
- An annual report will be presented to the City Council that summarizes all redevelopment activity and inventory of property acquired under this program.

Costello asked for clarification of the area that they are discussing. It has been referred to by several different names such as City Urban Revitalization Plan, Neighborhood Revitalization District, and Neighborhood Conservation District. Cooper stated that all names refer to the same area.

Kavanaugh asked if any land has been purchased in this area. Cooper said, "No." Kavanaugh asked if Sioux Empire Housing or Sioux Falls Housing have purchased property in this area. Cooper deferred this question to Randy Bartunek. Bartunek stated that he could not speak for Sioux Empire Housing but the Sioux Falls Housing Corporation recently purchased three properties with non-federal funds. The properties were in bad condition and could not be rehabilitated. Kavanaugh asked if efforts will be coordinated between the three entities. Cooper stated that there will be a number of entities making proposals to buy properties but not using this same funding. Kavanaugh's concern is that all entities must work together. Cooper stated both the Sioux Falls Housing Corporation and Community Development are members of the task force committee and communication is open.

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Brown asked how can we assure taxpayers that this line of credit is the best deal without completing a RFP. Cooper stated that a number of other financial institutions have been involved and have been asked for input regarding the redevelopment incentives. Cooper stated that Wells Fargo proposed a much smaller program than the one proposed by Citibank. He stated that Citibank approached us with this idea and he doubts that any other institution would be able to offer the low interest rate (5.75%). Brown asked again how can we be sure without a RFP. Rowenhorst said, "The thing that we have to keep in mind is that Citibank came to us, and it would be in my opinion, quite inappropriate that when somebody comes to us with a deal that we go shopping on them."

At this time, Cooper invited the representatives from Citibank to speak. Valerie Kuhl stated that a discussion arose at the last meeting about how to involve more partners. Conversations occurred with large employers, other financial institutions, and the medical institutions but they are not in the lending business and therefore they cannot structure a proposal like this. However, there was interest to develop a fund that could be used by the City for things such as buying down rates, eliminate the interest carrying costs, or marketing for a community name. The task force members agree that this initial \$5 million is the catalyst that will get this program started and get more partners involved. However, the City is open to working with other financial institutions. Cooper stated they have been requesting ideas and programs which would fit the objects/needs for this area. Citibank was the first to come forward with a broad enough scope to work with property acquisition.

Brown asked if we were aware of the estimated cost to taxpayers each year. Cooper stated that he couldn't quantify that because it depends on if you consider the cost as just buying and selling the land or if you add in the potential impact that the redevelopment might have on the community. Ultimately, the goal is to redevelop properties that have blighted structures, expand housing opportunities within the neighborhood, promote new construction within the neighborhood, and rehabilitate units when possible. Brown stated that he wants to be sure that the public understands the cost involved, as well as, the long term benefit.

Kavanaugh stated that ultimately this is going to cost money and expressed concerns about where that money will come from. There was discussion regarding appropriating funds for shortfalls during the annual budget process. Kavanaugh said that he felt this might be a good option. Costello reiterated that if we can manage loss on a case by case basis or possibly an annual basis and so that the money can be appropriated out of the CIP budget. Cooper stated that each acquisition would be analyzed extensively.

There was discussion regarding deferring this ordinance to a later date. Cooper strongly encouraged the Fiscal Committee to move forward and also stated that passing this ordinance tonight wouldn't commit the city to start purchasing land. He stated that they would continue to seek out other financial incentives but felt that if he doesn't have some type of commitment from the council he doesn't feel that others will get involved with this project. Neighbors keep coming to meetings and asking when the incentives will be available. Cooper said there are some property owners waiting for us to make offers.

Costello asked if there a way to control the number of incentives that we are offering. Cooper stated that any proposed redevelopment which involves a sale would have to

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come to the City Council for authorization. Costello asked if the city knows the value of the land acquired – not assessed value but the amount for which it can be sold. Cooper stated that he would know the value of the land prior to purchasing. He stated that most of the parcels are zoned commercial which would allow office or multi family use.

Rowenhorst stated that all we are discussing is assembling land for redevelopment. Other financial institutions are going to have an interest in financing the redevelopment. This particular proposal from Citibank doesn't deal with that piece of the transaction. There will be a lot of opportunities for others to participate because there is a lot to do in this neighborhood. It will have to be partnership deal.

Brown asked if the proposed guidelines should be adopted through a Resolution or if they would remain informal. Cooper stated he is willing to do either. Kavanaugh stated that he appreciates everything that has been brought forward but he needs more time to review the material. Kavanaugh doubts tonight's outcome will have an impact on participation of other partners in this deal. It needs to be made clear that everyone can be involved. Cooper asked for a reasonable timeframe to allow for review of this information. Brown stated that he would like to see something comprehensive rather than receiving it a piece at a time. Kavanaugh stated that it is important for the public to understand this plan. Brown stated that the Fiscal committee is supportive of the project but we need to assure that the process is correct.

Kavanaugh stated that he has heard some discomfort from other financial institutions about this proposal. Brown stated that he feels that the discomfort from other financial institutions is because there was no RFP. Cooper stated that an RFP can be done but that it would require a longer timeframe. Brown doubts it would require any more time than developing it one piece at a time. Cooper stated that sometimes the first step has to occur before others get involved. No other institution came forward until now. Brown stated that he feels they were waiting for a request from the City. Cooper stated they did make requests at each meeting.

Costello asked if the guidelines could be incorporated into the ordinance or a resolution. Rowenhorst stated that the guidelines could not be incorporated in the ordinance as it relates to the financial aspect. They could be drafted into a resolution. Kavanaugh asked if the guidelines were developed by the committee or presented to the committee. Cooper stated that they were developed by the committee on August 29th but they haven't reviewed them again. Costello asked Cooper if he could have a list of members/attendees of this committee.

Kuhl stated that Citibank wants to be a partner and they are committed to restore the luster to this area. Kuhl stated that this process started in September 2006.

Kavanaugh requested that this information be shared with the entire Council. It was suggested that the Council would prefer the guidelines in resolution form. Cooper will recommend that this ordinance be deferred to Tuesday, October 9, 2007. He will also plan to present this information at the Informational meeting on October 1, 2007.

Brown asked about historical structures in this area. Cooper stated that there are only five that have been identified as salvageable.

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Costello asked again if the RFP process is necessary. He said he doesn't want to delay this item for another six weeks only to find out that an RFP is required. Rowenhorst stated that neither an RFP nor a bid process is required. Owen stated that there is a statute that specifies professional services can be exempt from the bid process so your decision should be based on if you think the loaning of money qualifies as a professional service. Kavanaugh stated that there may not be a legal reason to do it but more of a professional courtesy.

Rowenhorst stated that Citibank has the most experience with this type of loan program, especially the mixed use. Kuhl stated that Citibank is a limited purpose bank and therefore limited to this type of financing due to the bank structure.

Owen stated that she received a call from a banker who stated that it was communicated, from Citibank and the City, that the deal was complete and the City was moving forward with Citibank. Cooper and Rowenhorst denied ever being asked that question by any financial institution. The Fiscal Committee recommended Cooper talk to the other financial institutions to assure they all have a clear understanding.

4. Open Discussion

There was none.

5. Adjournment at 5:50 p.m.

A motion was made by Committee Member Brown and was seconded by Committee Member Kavanaugh to adjourn at 5:50 p.m. Costello called for a voice vote on the motion. All committee members voted yes.

Jamie L. Palmer
Assistant City Clerk