

MINUTES

COMMUNITY DEVELOPMENT BOARD MEETING

December 15, 2009

The regular meeting of the Community Development Board was held in the City Council Chambers, 715 Mulberry Street, Waterloo, Iowa, and called to order by Chairman Eric Johnson, at 4:00 p.m. on Tuesday, December 15, 2009.

Members present: Jim Carstensen, Micky Johnson, Gary Rankin, Bernie Stroh and Eric Johnson.

Members absent: Elsie Duncan.

Also present: Rudy D. Jones, Community Development Director; Nancy Gulick, Community Development Coordinator; Noel Anderson, Community Planning & Development Director; Steve Schmitt, City Council Liaison; Ann Northey, Administrative Secretary and John Roof, Black Hawk Contracting.

A. APPROVAL OF THE AGENDA.

It was moved by Micky Johnson and seconded by Jim Carstensen to approve the Agenda as proposed. Motion carried.

B. APPROVAL OF THE MINUTES FOR THE REGULAR MEETING ON NOVEMBER 17, 2009. Minutes were not available and will be approved at the January meeting.

C. OLD BUSINESS.

1. Update on State of Iowa, New Construction Unit Production Application, Round 1 and Round 2.

Rudy Jones reported that of the 22 units that the city was awarded funds for new construction down payment assistance, 13 units are under construction with five units completed. Four of those units have been sold with approximately 12 applicants being pre-approved. Construction has been proceeding well and the numbers will pick up as we move throughout the year.

Rudy indicated an informational meeting would be held on January 7th to see which local developers are interested in participating in Round 2 of the State funding. Our proposal must be submitted to the Iowa Department of Economic Development by March 1, 2010. We are hoping for continued interest from current developers and hopefully there will be interest from new ones.

Gary Rankin inquired about the maximum limits and the income limits for the homeowners. Rudy indicated most of the eligible applicants are income driven.

Gary Rankin commented that the program administrators should be given feedback on the possibility of increasing the dollar amount, specifically due to the availability of lots, so they can build \$180,000 houses. In Round 2 with half of the units being \$150,000 it makes it difficult for the developers to put something together, get the lots and put the whole package together and make it a nice home. Perhaps we could go up to \$200,000 and still utilize the \$50,000 grant.

Rudy indicated this was proposed to IDED and we are in a situation where the primary contact is Terry

Minutes

December 15, 2009

Page 2

Vestal and he is retiring this week. He has not responded to our email correspondence. We could raise this question again tomorrow on our conference call.

Chairman Johnson asked if this cap of \$150,000 was a State requirement. There is infill being done in the Rath area, and this amount isn't a problem in this area. However, with the new construction in the Summerland development, the original homes built are around \$220,000 and those homeowners were concerned that we are subsidizing these houses at \$180,000. Now, if we are going to try and subsidize at \$150,000 and put those homes in that area, we could run into problems.

Noel Anderson stated they proposed to the State that in the Enterprise Zone, which is another State program, that they get the tax credits up to \$140,000 per unit, regardless if the units were at \$220,000 they would only get credits up to the \$140,000 amount. This was proposed as a change in their wording so more expensive houses could be built but the credits would be eliminated and the down payment would only be eligible for up to the \$150,000 amount. The State has not responded to this suggestion. Noel indicated this would make sense to do it the same way for the \$180,000 houses, as this is how some of the other State programs are set up.

Nancy Gulick interjected that we have to remember this is all CDBG Jumpstart money, which is driven by 70% of the funding must serve low-to-moderate income persons. The reason they are getting by with dealing with people at 100% is they are looking at those people in an "urgent need" category. We cannot go below what the low-to-moderate income assistance must be for people. This is part of the equation and we cannot build \$200,000 homes because people who can afford a mortgage for this type of home will be over the income limits for the program.

Gary Rankin expressed his concern from a developer's standpoint. If you try and build something new, it must be of a certain value regardless of what someone can afford or the income limits. Why not make the income limits fit what your program is trying to do.

Nancy explained another problem that she has observed through this process is that the whole State is under the same guidelines. As an example, an \$180,000 home in one town will certainly differ in value if built in another city. This limit has been put on the whole state, versus specific areas or entitlement cities. There are flaws in the program.

Gary Rankin stated he understands the guidelines, but from a developer's standpoint, this is a tough program to take advantage of in many areas due to the cost of the land and construction costs. We want a development that is nice and something to be proud to have in the community, and as a neighbor, etc. Some areas, if we can get the land for next to nothing, you would only want to build a \$150,000 house there.

Rudy stated this is a challenge with all of our programs and we should continue the same dialogue with the Neighborhood Stabilization Program, which also has stringent guidelines.

Mickye Johnson indicated we had a limited amount of time to put these Jumpstart programs together and implement them, as it was quickly given to the State.

Chairman Johnson asked to follow up on old business under new construction with John Rooff, even though it is not on the agenda. Is there an update and resolution of last month's discussion concerning the property Mr. Rooff purchased from David Deeds and the cost of additional infrastructure improvements.

Also, there were problems with the cost of the units from the Waterloo Housing Authority new construction sales and appraisals lowering comps for his new construction units.

Rudy Jones explained discussions with Ethel Washington and the attorney. It was understood that John Roof's building project would be similar to previous plans with David Deeds, noting trees had to come out and an alley put in place to eventually develop the entire area. Originally, HOME dollars were being considered for this project area, but with the new State allocation of funds being considered, Rudy stated the State is not allowing accompanying programs to further subsidize projects. Rudy indicated he would need another month to research what is available to make this project happen. Prior to the New Construction Program, our subsidy was \$10,000 per lot.

Rudy stated there was dialogue in the past on coupling programs together for new construction and he needed to confirm this could be allowed.

Chairman Johnson inquired if this is not allowed, is there another way to do this project, whether we pay for some of the infrastructure improvements or reimburse for these costs.

Rudy indicated this would be part of his research to come up with options for John Roof.

John Roof indicated he has continued discussions with Rudy on this matter as his project is capped at \$117,000 therefore, he cannot continue to build in this area at this price. Mr. Roof noted with the new school being constructed, this is a prime area in which to build. If the lots could be transferred for free from the City, this would be a different matter, noting other circumstances and the market has upset the appraisal process.

The Chairman indicated Rudy is working on a solution to this matter and will report next month.

2. Update on Rehabilitation/Relocation Specialist Position

Rudy indicated 21 applicants applied for the position. He will begin reviewing those applications with the Human Resources Department tomorrow, to select a number of applicants to interview. It appears we have some good applicants to consider. It is hopeful that an appointment will be made within 35-40 days with someone in place by February.

D. NEW BUSINESS:

1. New Community Development Board Members.

Rudy reported the request to fill the vacancy of one member and rotate those members with expired terms has been ongoing. Now is a good time to follow up on this with the new administration coming in. Rudy indicated he has four names for consideration, which he has submitted to the Mayor's office. If there were Board members who wish to consider a transition in moving off the Board, now would be the time. Your tenure is truly appreciated. All Board members will be replaced over the course of time, as technically under ordinance, the Board members are allowed to serve two three-year terms. Members can go off and be reappointed at the Mayor's discretion.

Chairman Johnson indicated a transition over the next two years would be appropriate, and an email should be sent out to the Board members for their input on timing to remove them from the Board, obviously the oldest expired terms should be replaced first.

Jim Carstensen indicated he would be retiring as of August 31, 2010 and may be relocating to a different

area. He indicated he would remain on the Board until that time. Jim Carstensen also indicated that Morgan Wortham had expressed interest in serving on the Board, and wondered if her application has been considered.

Rudy indicated that Morgan has communicated that and there are four or five other names presented prior to her request.

2. Endorse Rehabilitation Contracts for November 2009. (Report attached.)

It was moved by Micky Johnson and seconded by Gary Rankin to endorse the Rehabilitation Contracts for November 2009 as presented.

On roll call: Jim Carstensen, Micky Johnson, Gary Rankin, Bernie Stroh and Eric Johnson voted Aye. Nays: None. The Chairman declared the motion carried.

3. Neighborhood Stabilization Program Update.

Rudy Jones indicated the Neighborhood Stabilization Program is a federally funded project through the State of Iowa, provided to address the housing crisis. Waterloo is under contract to receive \$850,570.00 for a number of activities ranging from acquisition, rehabilitation, demolition, new construction, counseling and financial mechanisms. There are constraints and income concerns, and 25% of the funds must be utilized in acquiring properties that were foreclosed upon. We may designate entities to assist with this program or we can choose a partner to work with us. Rudy asked the Board to consider a contract with Iowa Heartland Habitat for Humanity to facilitate this program. Habitat is assisting us through the CHDO program and they already have a market to address the low-moderate income clientele.

Chairman Johnson inquired that Habitat would acquire foreclosed properties for rehabilitation and resale? Rudy indicated they would acquire foreclosed properties for the purpose of demolition to eliminate blight, demolition for new construction or acquisition for rehabilitation or acquisition for the purpose of demolition and new construction. The challenge is the foreclosed properties are coming on line and leaving the market quickly.

Micky Johnson inquired about the 25% of resources going to foreclosed properties and how many foreclosures are in Waterloo at this time?

Rudy indicated these properties are being snatched up quickly, so the number is always moving. Linda Morgan, Director of Habitat for Humanity has been working with a number of realtors to partner with them and keep this process from becoming highly competitive.

Gary Rankin questioned the need for this process and indicated he didn't want to compete with private enterprise.

Rudy stated this is another federal program, sponsored through the State, to address the housing foreclosure crisis. We, as an entitlement city, received the funding to get some of those houses that have been foreclosed off the market and offer them back to low- and moderate-income families.

Bernie Stroh indicated one of the problems he has seen with the private sector is that many properties are bought up, but then nothing is done with them, and they continue to be a blight on the neighborhood.

Rudy stated several examples of actual housing projects being considered for this program located on

Independence Avenue, Irving Street, Lane Street and Lafayette Street locations. Environmental and other property options must be considered to complete these projects, hoping to cluster projects to gain the most impact.

Chairman Johnson noted that 50% of the funding must be committed by March 2010, so we need to consider this contract for approval.

It was moved by Bernie Stroh and seconded by Micky Johnson to approve a contract with Iowa Heartland Habitat for Humanity to carry out activities described in the Neighborhood Stabilization Program application.

On roll call: Jim Carstensen, Micky Johnson, Gary Rankin, Bernie Stroh and Eric Johnson voted Aye. Nays: None. The Chairman declared the motion carried.

4. Confirm Board email on loan terms for Liberty Manor Apartments.

Nancy Gulick summarized that CommonBond and Liberty Manor will both close next week on their tax credit projects. Liberty Manor wanted their loan terms changed to 1% interest, amortized for 30 years with a balloon payment after 20 years, subject to cash flow.

Nancy made the Board aware that both loan payments for CommonBond and Liberty Manor will be subject to cash flow.

Chairman Johnson inquired if we were now receiving payments from Marsh Place? Nancy responded yes, we are receiving payments of interest only.

Nancy reported that Liberty Manor wanted their loan structured as amortized and not just interest only, so they will be repaying their loan.

It was moved by Jim Carstensen and seconded by Micky Johnson to approve the loan terms for Liberty Manor at 1% interest, amortized for 30 years with a balloon payment after 20 years, subject to cash flow.

On roll call: Jim Carstensen, Micky Johnson, Bernie Stroh and Eric Johnson voted Aye. Gary Rankin abstained. Nays: None. The Chairman declared the motion carried.

E. DISCUSSION ITEMS:

1. CAPER – HUD Review.

Chairman Johnson reviewed correspondence from HUD Omaha concerning the final review of the Consolidated Annual Performance and Evaluation Report (CAPER) for Program Year 2008. The Chairman and Rudy commended staff for their good work on these projects throughout the year.

2. FY2011 Funding Cycle – Application Review.

Chairman Johnson indicated that CDBG and HOME Program applications are due December 31, 2009. The subcommittee will meet on Friday, January 8, 2010 from 10:00 to noon to review applications before the first public hearing. Subcommittee members are Gary Rankin, Bernie Stroh and Eric Johnson.

John Roof addressed the Board concerning some lots on Lafayette Street, and was concerned with appraisals on these properties as well. Mr. Roof mentioned a number of programs that have been offered

and are not working, but the new construction program in Waterloo is working, and the Board has done a good job and we are producing. There are a lot of people who need to get into \$120,000 homes. It is important that we do not over-build in Waterloo and make these homes affordable for the clientele. John Roofff noted that the home on Monroe will not appraise for more than \$117,000 or \$118,000 and the woman buying will be out unless we chose to sell at that price. Mr. Roofff stated they will go ahead and close the house at \$117,000 and take the hit, but we are hoping to base this on the future of this program.

Mickye Johnson questioned Mr. Roofff, stating if the school comes down and the city deeds the property to you for \$1.00 per lot, then that would allow you to sell the other lots at \$117,000. Mr. Roofff agreed that he could do that, with \$23,000 in lot costs that played a part in the cost. Once the school comes down everything will be cleared in the demolition and then all that needs to be done on the lots is run sewer and water.

Jim Carstensen asked when the school building would be torn down.

Noel Anderson indicated the old school is a privately owned building and the city is working to acquire it.

John Roofff explained the tax credits were on hold for the houses he has built until two more homes are constructed.

H. ADJOURN MEETING

With no further business to come before the Board, the Chairman adjourned the meeting.

Respectfully submitted,

Rudy D. Jones, Secretary Pro-Tem