



MINUTES
Committee on Development and Planning
Tuesday, August 3, 2021@ 3:00 p.m.
Tony Benavides Lansing City Council Chambers

CALL TO ORDER

Council Member Spitzley called the meeting to order at 3:01 p.m.

PRESENT via audio/video

Council Member Spitzley, Chair-
Council Member Garza, Vice-Chair
Council Member Hussain, Member – arrived at 3:07 p.m.

OTHERS PRESENT via audio/video

Sherrie Boak, Council Staff
Lisa Hagen, OCA
Joe Abood, OCA
Barb Kimmel, EDP
Mikki Droste, Capital Area Housing
Brian McGrain, EDP
Scott Frye, Jonathon Rose Company
Felipe Serpa, Redwood Housing
Doug Fleming, Lansing Housing Commission
Sam Spadafore
Brian Kandler, Representing Cedar Place

MINUTES

MOTION BY COUNCIL MEMBER GARZA TO APPROVE THE MINUTES FROM JUNE 15, 2021 AS PRESENTED. ROLL CALL VOTE, MOTION CARRIED 2-0.

PUBLIC COMMENT

No public comment at this time.

Discussion/Action

RESOLUTION – Introduction and Setting Public Hearing; Ordinance to Establish Payment in Lieu of Taxes (PILOT); The Porter Apartments

Mr. Serpa spoke on the project they plan to begin, which they acquired through limited partnership, and intend to perform a substantial renovation of the 98 unit senior housing building.

Council Member Garza asked for details on the \$9 million renovation and if they did not get the 4% PILOT would they still move forward with the renovation. Mr. Serpa confirmed they would but the scope of work will change, including the implementation of central air and HVAC for the entire building because of the extreme cost from switching from the downtown BWL steam to electric. Mr. Serpa offered to provide a list of the items they will address at one of the later meetings. Council Member Spitzley asked for the list to be provided when they present the night of the public hearing. She added he should also provide an overview of the project, address his financials, and address any questions asked today.

Mr. Serpa provided a brief overview of his company's involvement since May, 2021, and acknowledged they have brought in new property management (KMG Prestige). They are closing on the credit deal in the 4th quarter of year, and refinance through MSHDA using low income tax credit equity and historic tax credit equity. Council Member Spitzley spoke briefly on the history with Porter and the City asking the new owners stay engaged and understand the situations that occur on the property. She suggested that the applicants have a comprehensive presentation at the public hearing on August 23rd.

Mr. McGrain acknowledged they did not have the applicants prepare any presentations for today and asked for any questions the Committee might have today. Council Member Hussain arrived at the meeting, and concurred with Council Member Spitzley that there is an expectation for a presentation because he believed the work gets done at the Committee.

Mr. Serpa supported the expectations of the Committee, and confirmed they have met with the tenants, explained the scope of the work, and have been proactive with outreach to committee members. He has been in the building to keep his eyes on things and see what challenges there are, and again spoke briefly on the challenges of the heating and cooling with the municipal steam system. Mr. Serpa assured the Committee his company will strive to create living environments that are top notch, and focus on the underserved, noting these are not their first historical renovations. Data and details on their projects will be part of the presentation on August 23, 2021.

Council Member Garza asked if they are using any COVID dollars on the project, and Mr. Serpa stated those funds have expired. Council Member Spitzley asked if the tenants will pay for the new central air and Mr. Serpa explained that the tenants do pay electric, current if they have wall/window AC unit, they are paying for it, but once they get central air that extra cost for the tenants will go away. Depending on the final scope of the renovation based on the PILOT that is awarded he could not confirm the exact cost at this time. As far as the tenants paying, they get a utility allowance from the federal government, and reimburse up to a certain dollar amount. Council Member Garza asked again if the PILOT was not approved if they would not pull of the steam system and Mr. Serpa confirmed.

Council Member Spitzley asked Mr. Serpa to be prepared to speak to why a 40 year PILOT. Mr. Serpa assured the Committee that they are long term stewards, do not purchase to sell, and intend to hold their assets. That has to do with their mission to preserve affordable housing in the long term. Council Member Hussain asked Mr. Serpa to also be prepared to speak to why not a 10% PILOT without City approval. Mr. Serpa acknowledged the requests and stated he would have a comprehensive analysis with the Council public hearing

Council Member Spitzley asked all the applicants present to have their presentations for the public hearing on August 23rd to Ms. Boak by Friday, August 20th.

Council Member Garza referred to the application, noting they currently have eight properties and asked how many of those are similar to this one. Mr. Serpa stated he would have all the details at the August 23rd meeting.

Mr. Abood informed the Committee the OCA was currently working with Haufman Law Firm on suggested language changes in the ordinance. There will be no material changes to the ordinance, but they will talk about the changes at the public hearing.

Ms. Kimmel had nothing to add.

MOTION BY COUNCIL MEMBER HUSSAIN TO SET THE PUBLIC HEARING FOR AUGUST 23, 2021 ON THE PILOT FOR THE PORTER APARTMENTS. MOTION CARRIED 3-0.

RESOLUTION – Introduction and Setting Public Hearing; Ordinance to Establish Payment in Lieu of Taxes (PILOT); The Apartments West

Ms. Kimmel summarized the application for a 4% PILOT for 40 years, adaptive reuse of an existing school building located at 519 W Kalamazoo, where they are proposing 52 –single units, 23 double units and 5 barrier free. They estimate to complete by 1/2024 and the project has applied for low income tax credits for MSHDA.

Mr. Fleming went through the presentation that was in front of the Committee which outlined the background, the partners with Capital Group out of Wisconsin and the Lansing Housing Commission. The Lansing Housing Commission will provide residential services and support. Recently when they had an open waiting list for vouchers there were 3,300 applications. Referencing the presentation, page 5, it reflected they were seeking a 9% tax credit in the October round as part of the need for the 4% PILOT. Mr. Fleming acknowledged that when they purchased from the school district, they were in support of the plans. Lastly, Mr. Fleming outlined the historic preservation, maintaining the auditorium and gym for community space. He did note for the Committee that the reason for the 4% is because of the historical building and the unknowns that come with a structure like that. Mr. Fleming did recap that as a school building it was tax exempt, so with this purchase and PILOT the City will start getting taxes. It was noted they have another project with the PILOT, but that was 10% PILOT because the building was newer and not as many unknowns.

Council Member Garza asked about the parking. Mr. Fleming acknowledged it will be a challenge, but will need a final number from MSHDA on what they will require, and once they get that number, they will create the parking spaces. They are prepared to use the center part of the site for parking.

Council Member Garza asked if the 3,300 vouchers mentioned earlier were all Lansing residents, and Mr. Fleming stated residents can sign up from anywhere, the physical properties are in the City, but the vouchers extend to Charlotte, Potterville, East Lansing and Okemos. Council Member Hussain spoke in support of a regional discussion to continue.

Council Member Spitzley asked the applicant to be prepared to speak to what would happen on the site if they do not get the 4% but would have to get 10%, and then asked why they were not looking at other funding since it is historical. Mr. Fleming stated that by taking advantage of tax credits, you do not get the Federal tax incentive, but they will continue to search out options. Council Member Spitzley asked who they proposed for their property management, and was informed they are looking for local involvement, and have a mission driven residence service

program. Regarding the question on if they do not get the 4%, Mr. Fleming stated they will have to look at the financial implications. In this case they are not only getting MSHDA tax credits, but there are other layering. The partners required longer PILOTS because they want to have stability in their financials. Mr. Abood stated in his experience that once MSHDA awards a PILOT, they would not appreciate someone changing.

Council Member Spitzley asked for a mechanism to require the applicants who get PILOTS to maintain the properties, and Council has been told in the past they cannot create or required a development agreement. Mr. Abood stated MSHDA does not like the prevailing wage requirement because then it appears the City has control over their mortgage. The City has done separate agreements but not in an ordinance.

MOTION BY COUNCIL MEMBER GARZA TO SET THE PUBLIC HEARING FOR AUGUST 23, 2021 ON THE PILOT FOR THE APARTMENTS WEST. MOTION CARRIED 3-0.

RESOLUTION – Introduction and Setting Public Hearing; Ordinance to Establish Payment in Lieu of Taxes (PILOT); Walter French

Ms. Kimmel briefly outlined the request from Capital Area Housing Partnerships for a 6% PILOT for 20 years, which will include historical restoration, 76 affordable units; 46 – singlet, 24 - double, 6 -triple and 8 barrier free; 19 units will be reserved for persons of higher need.

Council Member Spitzley stepped to the back of the room at 3:55 p.m. and passed the gavel to Council Member Garza

Ms. Droste noted for the Committee that Council had approved a 4% approval in 2020, however they lost 5 points in the wording on their application so they were not awarded the PILOT. They are back now to ask for a new PILOT with revised language and some changes. She confirmed it was an exact replica from last year, but the finance will be different with gap financing. Mr. Abood stated they had used an approved application from MSHDA as a template, and so now some of that language was removed and they have a separate Davis Bacon for this. Ms. Droste admitted they gone to MSDHA and they are requiring number of revisions.

Council Member Spitzley returned to the meeting at 3:59 p.m. and Council Member Garza passed the gavel.

Council Member Spitzley asked if this application also had changes in the PILOT Ordinance language, along with the Apartments West, similar to what was stated earlier for Porter. Mr. Abood assured the Committee the only changes were with the PILOT Ordinance for the Porter project.

MOTION BY COUNCIL MEMBER HUSSAIN TO SET THE PUBLIC HEARING FOR AUGUST 23, 2021 ON THE PILOT FOR WALTER FRENCH. MOTION CARRIED 3-0.

RESOLUTION – Introduction and Setting Public Hearing; Ordinance to Establish Payment in Lieu of Taxes (PILOT); Cedar Place

Ms. Kimmel detailed the 4% 4 year PILOT application with Jonathon Rose Company, for an existing eight (8) story building with 220 multi-family units. The project will include \$8.5 million renovations to the common area, and the building system mechanical upgrades.

Mr. Frye handed a presentation to the Committee. He then went through the presentation which highlighted their company, their practice of affordable housing across the country and 16 sites in Michigan with a total of 3,500 units, including Cedar Place. The handout noted this building was

from 1970 under affordable housing with restrictive rents. After 2 years in the legal process with the previous owners, Jonathon Rose brought 94 units of affordable housing to Cedar Place, and approximately \$250,000 in improvements by HUD, such as cabinets, countertops and vanities in 59 of the units. Their mission is to create and preserve affordable housing in Michigan. Mr. Frye then explained their request is for a 4% PILOT to get tax credits for coordinated renovation of project. Once complete, it will restrict all units at 60% of AMI and below, without displacing any existing residents. The requested PILOT is based on essential price of renovation, which is part of the MSHDA scoring table. They award points with tax exemptions, and this would show community support. The owners have already invested \$1.5 million investment and the property has many capital needs, and this PILOT is the key hole to secure housing in the City.

Council Member Garza stated he has heard concerns with the residents because the site was an idea of senior housing, but now there are residents from the younger generation there along with residents with mental health issues. He asked if they have considered designate areas for the seniors. Council Member Spitzley added her concerns where LPD on site recently.

Mr. Frye acknowledged the Committee and stated he was looking forward to presenting to the full Council at the public hearing, and he will bring his property management to answer questions. When HUD is involved, separating spaces is an issues, but have vouchers from several sources; homeless, veterans, survivors of domestic to name a few. With the extent of the renovation, they intend to create a resident service coordinator. Mr. Frye continued to provide details on the company, the management company of Rose Community Management, who also manages all their 16 properties in Michigan.

Council Member Hussain asked for a site visit. Mr. Frye acknowledged there has been staffing turnovers in the last 3-4 months, so they are hopeful their management team has a plan to handle any issues the Council has.

MOTION BY COUNCIL MEMBER GARZA TO SET THE PUBLIC HEARING FOR AUGUST 23, 2021 ON THE PILOT FOR CEDAR PLACE. MOTION CARRIED 3-0.

Other

No other topics.

Adjourn

Adjourned at 4:18 p.m.

Submitted by Sherrie Boak

Recording Secretary, Lansing City Council

Approved by the Committee August 23, 2021