CITY OF MERRILL

REDEVELOPMENT AUTHORITY

AGENDA ● WEDNESDAY JULY 8, 2020

Regular Meeting | **City Hall Council Chambers** | **8:00 AM**

I. Call to order

II. Consider approval of RDA meeting minutes from June 17th

1. 2020-06-17 RDA Minutes

III. Public Comment

IV. Presentation by H & A Advisors, LLC and discussion of potential workforce housing endowment program

1. Workforce Housing Endowment Program

V. Review and discuss proposed covenants (RDA Commissioner Kusserow)

I. Proposed Covenants - Residential Owners

VI. Potential proposal request for residential development on former Kientz parcel (Tax Increment District No. 11)

VII. Review FreMarq Innovations quarterly employee count information for 2020 (Tax Increment District No. 7)

1. FreMarq Count

VIII. Next RDA meeting

IX. Adjournment

City of Merrill
Meeting of Redevelopment Authority (RDA)

Wednesday, June 17th, 2020 at 8:00 a.m.
City Hall Common Council Chambers

RDA Present: Clyde Nelson, Derek Woellner, Tony Kusserow, Steve Sabatke, Sheila Polak, Lori Anderson-Malm, and Val Mindak

Others: City Clerk Bill Heideman, Alderperson Rick Blake, City Administrator Dave Johnson, City Attorney Tom Hayden, Finance Director Kathy Unertl (via phone), City Building Inspector/Zoning Administrator Darin Pagel, Ken Maule and Bill Bialecki from Lincoln County Economic Development Corp. (LCEDC)

Call to Order: Chair Nelson called the meeting to order at 8:00 a.m.

Consider approval of RDA meeting minutes from June 3rd, 2020:

Motion (Mindak/Kusserow) to approve the meeting minutes from June 3rd. Carried.

Public Comment: None

Next RDA meeting: Scheduled for Wednesday, July 8th at 8:00 a.m.

Closed Session:

Chair Nelson read the following: The RDA may convene in closed session per Wis. Stats. Sec. 19.85(1)(e) – deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session to consider:

a. Consider approval of closed session RDA meeting minutes from June 3rd, 2020

b. Consider potential negotiation terms for cash development incentive(s) to facilitate manufacturing relocation into vacant building located in Tax Increment District (TID) No. 8

Motion (Sabatke/Kusserow) to move into closed session. Carried 7-0 on roll call vote at 8:02 a.m.

Motion (Polak/Mindak) to approve the closed session meeting minutes from June 3rd. Carried.

City Administrator Johnson reported on the potential property purchase from Merrill Area Development Corp. (MADC) and the TID cash development incentive requests from the current Merrill manufacturer. RDA Commissioner Sabatke asked about "but for" TID? Ken Maule from Lincoln County Economic Development Corp. emphasized other potential relocation opportunities and desire of the Merrill manufacture to consolidate two operations into larger manufacturing facility.

Closed Session (Continued):

There was extensive RDA Commissioner discussion regarding the importance of retaining jobs in City of Merrill, as well as improving the appearance of now vacant manufacturing building. Past TID cash development incentive forgivable loans for SuperSeal (now Sierra Pacific) and FreqMarq Innovations were highlighted.

RDA Commissioners provided negotiation direction to City staff regarding potential TID No. 8 cash development incentive(s).

Adjournment: (Mindak/Kusserow) to adjourn at 9:05 a.m. Carried.

Minutes prepared by RDA Secretary Kathy Unertl

A Workforce Housing Endowment Program

Proprietary Draft Concept

Presentation to Merrill & Tomahawk WI Communities
July 8 2020

Conceived by:

H&A Advisors, LLC

The Need

- Economic Development requires "Workforce Availability."
- Workforce Housing is key to attracting and keeping a Workforce.
- Many workers still seek the "American Dream" - HOME OWNERSHIP which builds future equity and financial stability.
- BUT, there is an "AFFORDABILITY GAP" between Workforce Housing Cost and Workforce Income.
- Communities are seeking solutions but do not want to burden taxpayers.

Presentation Overview

- H&A Has developed and vetted a locally controlled "Rent to Own" Workforce Housing Endowment Program to address this GAP.
- The Community:
  - Determines the Program focus-New Construction and/or Rehabilitation
  - Provides initial equity and may support RDA loan.
- The Redevelopment Development Authority (RDA or CDA)
  - Executes the Program by acquiring/constructing/rehabbing units.
  - Scenes renter tenants and manages the units until sold to renter.
- Renters purchase their unit from RDA in 4-8 years when sufficient equity is accumulated.
- Renter repays the Endowment Program all upfront costs.

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Lincoln County/Merrill & Tomahawk

- Under supply of housing options.
- Many citizen's rent and few qualify for 30 year fixed mortgage.
- Desire to increase the percentage of housing options by both upgrading existing housing and constructing new housing units.
- A funding mechanism/program to help make developments affordable and profitable for developers will be required.
- New home buyers looking for larger lots, 2 car garage, one story and about 1,200 SQ FT.
- Merrill TID 3 could provide up to $750,000 for a housing program in 2027 but no other TIF monies likely possible until then

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The Workforce Housing Endowment Offers: A Sustainable, Community Directed Plan

- ✓ Directed by the Governing Body and tailored to your specific needs and goals using RDA/CDA, Developer and Management Company.
- ✓ Based on Initial Support from Key Community Partners – Employers, Private Foundations, Community Foundations.
- ✓ Is Sustainable into the future by creating a locally controlled "revolving" fund with the original and subsequent investments paid back for future funding of subsequent affordable housing units- "Not One and Done."
- ✓ Provides a path to home ownership for participants- "Rent to Own."
- ✓ Tailored Risk Tolerance Discussion to "Limit Exposure of Taxpayers."

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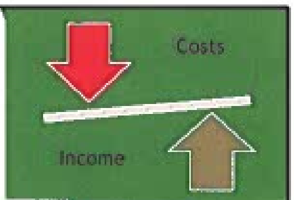
Why Create an Endowment Program? -- The Numbers don't Add Up !



- Labor, Materials and land are each increasing faster than wage growth.
- Workforce employees, defined as having an annual income at 80%-120% of Area Gross Income (AGI) or moderate income, feel the pinch the most.
- To sustain a family, the cost of housing should generally not exceed 30%-35%- of AGI.
- There is often a **Gap** between what workforce employees can afford and their cost for housing.
- Their Employer may offer competitive wages based upon industry standards but their income is too low to bridge the "Gap".

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Attachment: Workforce Housing Endowment Program (5120 : Workforce Housing Endowment Program)

Fundamentals of Endowment Program

- This Program utilizes a "Rent to Own" approach that leverages participation by Tenant, Partner and RDA.
- Tenant makes a $5,000 contribution of Equity toward purchase of unit.
- RDA & / or Employer/Foundation provides balance of equity needed to yield a net mortgage amount that will not exceed 30-35% of Tenants Gross Income for Housing.
- Sources of CDA share of Equity could come from:
  - 1 Year TIF Extension
  - Surplus TIF Revenues (in qualifying districts.)
  - Employer, Public or Private Foundation Contribution
  - Municipal Cash Contribution

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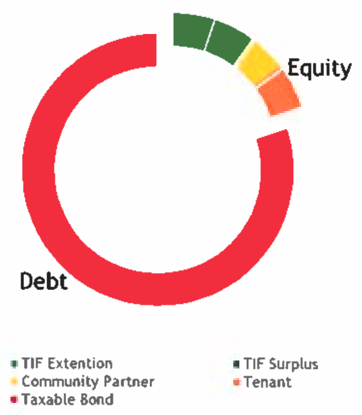
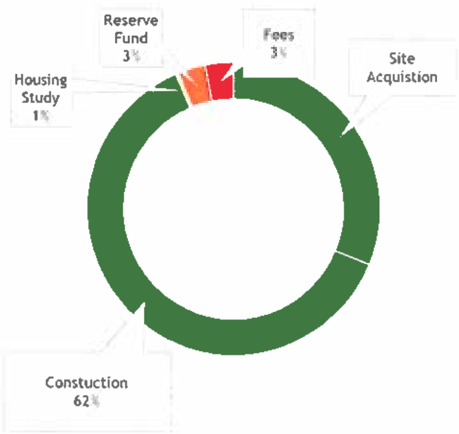
Possible Project Sources/Uses in Program

Sources of Funds



Uses of Funds



Equity Sources & Proportions will vary based on Project Type and Community.
Use of Funds based on Estimated Costs.

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Fundamentals of Endowment Program (Cont.)

- RDA Secures financing to Improve or Build new units.

  Acquires, may Build or Renovate & Owns property until Sold to Participants.

- RDA Contracts with professional management company to educate, screen tenants, collect rents and manage units, if needed.

- Tenants Pay monthly rent in amount sufficient to pay bond or note payments and PILOT until designated buy out point. (target 4-8 Years).

- At point of resale, original equity from RDA plus portion of appreciation is retained by RDA and repaid to endowment program.... Balance is kept by tenant and used for equity for purchase of unit.

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Endowment Program Time Line

Feasibility & Execution | Rent | Own

Year 1-2 | Years 2-8 | Final Year (4-8) determined by Appreciation & Income

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Rent to Own Plan Assumptions for Lincoln County

Initial Metrics at Start Up	
Workforce Income @ 80% of MFI (3 Persons)	$54,400
% Allocated for Housing	30%
Income Available for Housing	$16,320
10 Unit Townhouse Cost / Unit *	$165,000
Tenant Equity	$5,000
CDA Equity	$12,000
Net Mortgage	$148,000
Initial Cost of CDA Mortgage	2.9%

* Conventional Financing Requires Equity of $39,060 or FHA down payment of $6,835 with a payment of $946 / mo

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Unit Ownership Purchase Projection in Year 5

Metrics in Projected Year of Sale to Tenant	
Cost of Mortgage at Tenant Purchase	4.0%
Annual Property Appreciation (years 1-5)	1.0%
Annual Wage & Cost Inflation (years 1-5)	2.0%
Value / Unit after 5 Years with Appreciation	$175,151
Less Repayment of Equity to RDA	($12,000)
Less Balance owed on Original Loan	($129,172)
Residual Equity	$33,978
Accumulated Surplus	$4,856
Less 20% Equity for Conventional Mortgage for Tenant/Owner	($35,030)
Remaining Cash to RDA	$3,804

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Attachment: Workforce Housing Endowment Program (5120 : Workforce Housing Endowment Program)

Monthly Housing Cost Summary / Unit

	Year 1	Year 5 after Sale
Tenant Income	$4,942	$5,005
30% for Housing	$1,360	$1,502
Less Condo fee, PILOT, Mgmt Fee, Utilities, Insurance *	($670)	($826)
Net Available for Mortgage / Debt Pmt	$690	$675
Actual Mortgage / Debt Pmt	$621	$675
Balance for Purchase Reduction	$69	$0

* During first 5 years property is Tax Exempt but PILOT is paid to City for City Share of Tax. After sale to Tenant in Yr 5, Property is fully taxable and PILOT converts to full Tax payment. No monthly Management Fee is paid after sale.

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Workforce Housing Endowment Program Benefits

City / Village Benefits	
10 unit Workforce Housing Project Value at Sale	$2,073,150
Repayment of RDA Equity to Endowment Fund	$230,000
Repayment of Residual Equity to Endowment Fund	$10,820

Tenant / Homeowner Benefits	
Home Value	$175,151
Homeowner Equity	$35,030
Housing Cost as a % of Income	30.0%

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Attachment: Workforce Housing Endowment Program (5120 : Workforce Housing Endowment Program)

Project Requirements (80% of AIG)

10-Unit Townhouse Housing

	Tenant Cash	Community Cash	RDA Debt	OWN
❑	$50,000	$120,000	$1,540,000	Year 5

10 Single Family Rehab

	Tenant Cash	Community Cash	RDA Debt	OWN
❑	$50,000	$100,000	$1,420,000	Year 4

* TOWNHOUSE ASSUMES $126,800/UNIT FOR CONSTRUCTION

** REHAB ASSUMES $75,000 ACQ & $35,000 IMPROVEMENTS

*** NO LAND COST FOR EITHER OPTION

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Keys to Success

- ❑ Support of Partner(s) seeking to attract and retain good employees:
  Such as Major Private Employer, Hospital, School District
- ❑ Program designed reflective of community desires, facts and circumstances.
- ❑ Reputable Developer and Management Company
- ❑ Careful Screening & Education of Program Tenants with a Desire to Own.

Next Step- Retain H&A to conduct a Workforce Housing Endowment Program feasibility study.

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Thanks to Individuals Consulted during Vetting of Concept.

- Mike Mooney, Chairman MLG Capital
- Richard Lincoln, Consultant
- Alan Marcuvitz, Attorney, Von Briesen
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- Suzanne Zwaska, US Bank, Milwaukee
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- Nick Place, Chief Lending Officer Bridgewater Bank, St. Paul
- Chris Samuel, Ramsey Co. MN. Auditor
- Tim Casey, Center for Growth Waukesha Co
- Joe Lynch, Admin. Inver Grove Heights, MN
- Karl Batalden, Com Dev Dir, Woodbury, MN
- Janelle Schmitz, Asst CDD, Woodbury, MN
- John Stibal, Com Dev. Director, West Allis, WI
- Patrick Schloss, CD Manager West Allis, WI
- Steven Kuehl, WI State Dir. Chicago Federal Reserve
- Scott Yauck, President, Cobalt Development
- Brian Doudna, Exec. Dir., WEDA

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Redevelopment Authority Covenants

1) City of Merrill New Development Covenants: Develop a consistent standard for all new construction (Covenants).
2) Create a small group to develop covenants and present standard to RDA and City of Merrill
3) RDA and City of Merrill decide/vote what this standard should be.

Covenants, Conditions & Restrictions

Covenants, conditions, and restrictions (also called "CC&Rs") are used by many "common interest" developments, including condominiums and co-ops, to regulate the use, appearance, and maintenance of property. CC&Rs, most commonly drafted and enforced through homeowners' associations (HOAs), often restrict what homeowners can do on their property. For example, some CC&Rs do not allow homeowners to hang their laundry out to dry, set lawn maintenance standards, or prohibit home additions or major changes. This section provides practical and legal information on CC&Rs to help you understand what you can and cannot do with a given property.

Learn About Covenants, Conditions & Restrictions

- CC&R Basics

  A covenant is a rule governing the use of real property. This article offers an overview of the legal effects of covenants, when covenants are used, the difference between covenants and zoning laws, and more.

- Purpose of CC&Rs

  Property owners use covenants to restrict the use of land for a number of different reasons. Learn about what covenants can regulate, the types of covenants, the differences between covenants and laws, and more.

- Types of CC&Rs: Builders' Restrictions

  A guide to the different forms of covenants, conditions, and restrictions. Find out how builders' restrictions are created, how the restrictions can affect home buyers, and much more in this article.

- Creation and Termination of CC&Rs

  An overview of how covenants, conditions, and restrictions are created and terminated. Learn about covenants running with the land, termination by expiration, and how to terminate a covenant early.

- CC&R Enforcement and Remedies

  Most covenants include procedures for handling violations of a restriction or requesting an exemption of variance from the restriction. This article explains how variances, association hearings, and court actions work.

- Voluntary Neighborhood Covenants

  Building developers often create covenants, conditions, and restrictions for the "common interest" communities they build. This article explains voluntary neighborhood conditions, how they're enforced, and more.

Housing Covenants

Types Of Restrictive Covenants

Let's examine some of the most common types of restrictive covenants you might see when you shop for a home.

Limitations On Property Usage

The most common type of restrictive covenants are limitations on what you can do with your property. These restrictions are set in place to keep homes in the development looking uniform. This uniformity can help maintain property values. Expect to see limitations on how you can use your property as well as what types of design choices are unacceptable.

Required Maintenance

In addition to rules on what you can't do with your home, your restrictive covenants can also include things you need to do. Maintenance standards may dictate rules like how often you need to mow your lawn, repaint your home or fix a fence. Depending on your HOA and your agreement, the cost of maintenance might come out of your HOA fees.

What Is The Purpose Of Restrictive Covenants?

Restrictive covenants can offer benefits to homeowners. Restrictive covenants enforce a standard of uniformity across a development. These covenants stop your neighbors from letting their homes fall into decay and lowering your property values. Restrictive covenants also give buyers peace of mind when they purchase a home. This can make your home easier to sell later on.
However, the use of restrictive covenants can be both a benefit and a drawback for homeowners.

Benefits Of Covenants

Let's take a look at some of the biggest benefits of restrictive covenants.

- **Your neighborhood will maintain its look:** Restrictive covenants can keep the look and feel of a neighborhood uniform. For example, your neighbor can't decide to buy goats or chickens or leave trash on their lawn.
- **More value protection:** Restrictive covenants help retain your home's value. They can also ease some of the worries potential buyers may have about your home and allow you to sell it with less hassle later on.
- **Dispute mediation:** CC&R documents clearly lay out what types of behavior are acceptable and unacceptable in your community. For example, if your neighbors decide to throw a wild party at 2 a.m., your HOA will mediate the dispute for you.

Things To Consider Before Being Under A Covenant

Living in a covenant-controlled community isn't for everyone. We'll look at some of the drawbacks you need to consider before you buy a home in a community with restrictions.

- **You have limited control over your property:** Most homeowners don't like people telling them what they can and can't do on their own property. However, when you move into a covenant-controlled community, you must follow the rules or you'll face penalties.
- **A CC&R is a binding legal document:** Think you'll just press your luck and ignore the rules you don't agree with? A CC&R is a legal contract that affords your HOA multiple avenues they can use to correct your violations. An HOA may come onto your property without permission to see if you're violating a rule and issue you a fine for any discrepancies they find.
- **You end up paying for rule enforcement:** HOAs get their funding from monthly fees levied on everyone who lives in the community. Your HOA fees can range from a hundred dollars to several thousand dollars a month depending on where you live.

Examples Of Restrictive Covenants

Still not sure what kind of rules you might see when you buy a home with a set of restrictive covenants? Let's take a look at some of the most common restrictions you might see in your CC&R.

Limitations On Home Color

A restriction included in almost every CC&R, HOAs are very picky about paint color. Most paint limitations specify a list of acceptable home colors and ban all others. Assume your design choices will only be between neutral shades if you're looking at a home with a covenant on paint colors.

Rent And Lease Restrictions
You'll have to check your CC&R first if you want to rent out your home. Many HOAs severely limit your ability to rent or lease out your home. You may only be able to rent out your home for a few months of the year or you may not be able to rent your home out at all.

Restrictions On Business Usage
Your CC&R may include a covenant that prohibits you from operating a business out of your home. This covenant can quickly create a big problem if you're self-employed. While most HOAs won't care if you turn your spare bedroom into a home office, anything that causes an increase in traffic for your neighbors may set off red flags.

Limitations On Permissible Pets
Some HOAs place limitations on the types of pets you can have on your property. Your CC&R can also put limits on the size of your pets. For example, your HOA could tell you that you can only own a small or medium-sized dog. Your HOA can also put restrictions on the breed of dog you may own. Many covenants ban breeds of dog that some people believe to be more aggressive, like pit bulls and German Shepherds.

The CC&R may also place strict limits on commercial breeding. You might be able to have a pet but you usually can't breed or sell animals from your residential property under most covenants. Most covenants also ban rearing livestock or owning farm animals as pets.

Requirements For Exterior Maintenance
Your CC&R will likely lay out what type of maintenance you need to perform on your property. You may need to mow your lawn every so often, remove holiday lights after a certain date or only place your trash outside on trash day. The HOA will make sure the exterior of your property is up to code if you live in a development that provides exterior maintenance.

Restrictions On Exterior Constructions
CC&Rs may include restrictions on modifications and buildings you make on your property. You may not be able to build a shed, fence or detached garage without first getting the design approved from the HOA. Some CC&Rs ban additional construction altogether.

Summary

You may need to navigate a list of restrictive covenants if you buy a home in a development with a homeowners association (HOA). Restrictive covenants are limitations on how you can use your property. Restrictive covenants include (but aren't limited to) what you can do on your property, how you manage your lawn and even what color you can paint your home. Covenants may also dictate how you take care of and maintain your property's exterior.

Some homeowners like restrictive covenants because they help maintain the uniformity and property values of a particular development. Others dislike the power HOAs have over their property. Be sure to ask about covenants before you sign on a home loan. If you violate the covenants you agreed to when you move in, your HOA can fine or sue you to correct the issues.

City of Merrill - TID No. 7

1101 N. Mill St.

Fremarq Innovations, Inc. - Employee Count

Date	# of Employees	
08/16/19	51	Letter certifying
09/12/19	42	IRS Form 941*
12/12/19	54	IRS Form 941*
03/12/20		
06/12/20		
09/12/20		
12/12/20		
03/12/21		
06/12/21		
09/12/21		
12/12/21		

*Finance Director Kathy Unertl review of Non-Public information