

CITY OF VERONA
MINUTES
COMMUNITY DEVELOPMENT AUTHORITY (“CDA”)
May 18, 2020

1. **Call to order:** Errin Welty called the meeting to order at 6 pm.
2. **Roll call:** Luke Diaz, Adam Frey, Katie Kohl, Brett Polglaze, Stephen Rudolph and Errin Welty were present. Also in attendance: City Administrator Adam Sayre; Community Development Specialist Katherine Holt; and City Clerk Ellen Clark. Dia Caulkins was absent.
3. **Minutes:** Motion by Diaz, seconded by Kohl, to approve the minutes from the December 19, 2019 CDA meeting. Motion carried 6-0.
4. **Discussion and Possible Action: Sugar Creek Elementary School and New Century Charter School property RFP interviews.**

Holt explained that the RFPs were due at the end of March, but were extended until April 27, 2020 due to the pandemic. The City received six (6) applications, which were posted to the City’s website. Staff reviewed and scored these applications. Staff arranged for the CDA to interview four (4) of the six (6) applications. Table 1 and site plans were included in the packet for these four (4) applicants. The CDA will interview and evaluate the four (4) selected developers this evening and may select a proposal to go before the Common Council for action in June or July.

The applicants are requested to give a 10 to 15 minute presentation allowing for the remaining time to answer questions from the CDA members and Staff. We have allocated 30 minutes per applicant to discuss their project. The CDA may have discussions regarding the applicants at the end of all of the interviews with potential actions that are listed in the Staff memo, which will be discussed again at the end of the interviews. Although this is a public meeting, the public is allowed to watch and listen to the meeting, but are unable to ask questions directly to the applicant. However, the selected candidate would have to go through the development review process as their project proceeds, which has public hearings.

a. **Gorman and Company**

Ted Matkom, Gorman and Company, stated the company believes in providing one point of contact to its customers. Plan 1 leaves the infrastructure of the school in place. This plan includes an affordable housing component targeted toward families at the 50%-60% median income level, which would be financed by WHEDA Affordable Housing Tax credits and the Dane County Affordable Housing Tax Fund. Gorman would be competing for a 9% tax credit, which would be applied to the property every year for ten years. The credits subsidize the cost of construction, leaving a much smaller cost to the owner, and allowing the owner to charge lower rents. The plan also includes market

rate housing. The school building would be used as a community space, with plenty of green space and walkability. Plan 2 includes a TID in the amount of approximately \$2.5 million to cover the cost of removing the school and extending Church Street to Marietta Street. More market rate townhomes would be located in the center of the lot, with walking paths and green space included to promote a neighborhood feel.

Diaz asked how quickly Staff could compile a list of possible uses for the school building. Sayre replied it may take a couple of weeks.

Diaz asked Matkom if Gorman and Company would be willing to complete this project in phases.

Matkom replied the subsidized housing should be done as Phase 1, in order to take advantage of Dane County's lucrative Affordable Housing Tax Fund. The market rate housing would then come after. Workforce housing for people in the 80%-120% median income range is also a possibility.

Welty asked if Gorman would have any stake in the school building, and who would manage the New Century School building and green spaces.

Matkom replied Gorman could help the City market the school at a later date, or if there are no uses for the building, it could be taken down, and townhomes erected on that site. Gorman would manage the New Century School and the green space, unless the City has a specific use for the space on its own.

Kohl asked if there are specific plans for the green space.

Matkom replied space could be reserved, yet would be open to the public, and would be managed by Gorman.

b. Northpointe/Avante

Sean O'Brien presented the Northpointe/Avante application.

Cal Schultz, Andy Dumke, and Chris Armstrong were in attendance to answer any questions.

The proposed housing options are self-supporting, so there will be no need for financial assistance from the City for that portion of the project. Energy efficiency and sustainability are important to Northpointe and Avante. Their plan includes a large central park, with market rate housing along Verona Avenue, and affordable housing along the southwest portion of the site. They have also contacted The Klassik and Old National Bank on the north side of Verona Avenue, to bring that side of the street into the project, as well. The project will be built in phases, beginning on Verona Avenue. The affordable housing will be targeted to households at the 50%-80% median income level, and would not require financial assistance from the City. They are competing for 4% Housing Tax Credits for this project, as they are more likely to be funded than the 9% credits. In addition, the Northpointe/Avante development team is offering \$1 million to the City to acquire the property. They are requesting a pay-go TIF or other resources to help with some of the public improvements. They also suggest extending TID 9 to this

project, which would generate approximately \$17 million in tax revenue over the remaining life of TID 9.

Welty asked if the TIF 9 projections include The Klassik and Old National Bank.

O'Brien replied those properties are not included in the projections.

Kohl appreciates the senior housing portion of the project, as affordable senior housing is badly needed in Verona. She asked how the park space will be managed.

O'Brien replied they plan to donate the park to the City when completed.

Diaz replied it would be viable for a portion of the apartments along Verona Avenue to be mixed use.

O'Brien replied The Klassik and Old National Bank properties are good spaces for mixed use buildings.

Armstrong replied that is something that could be assessed, though there is already a lot of retail on Verona Avenue.

Rudolph asked about the disparity in the density of the four projects, and what the City's ordinances states regarding project density.

Sayre replied the ordinance limits multi-family dwelling units to twelve units per acre. This project is approximately twelve acres, so up to 144 units could go here. Typically, when there is a mixed use project, exemptions to density, parking, and other requirements can be granted as part of the planned unit development process.

Welty asked for examples of some projects with densities over that amount, and how they compare to the projects being presented tonight.

Sayre replied that he would report those findings at the end of the meeting.

c. McKenzie Apartment Company

John McKenzie presented the McKenzie Apartment Company application.

This project includes 226 market rate apartments, 92 affordable housing units, a swimming pool, greenspace, park, and repurposed New Century School.

To finance the project, McKenzie will invest \$9.5 million in cash, \$36 million in conventional financing, and is requesting a \$2 million TIF.

Stonehouse Apartments will develop the affordable housing portion of the project.

McKenzie would like to see the New Century School used as a trades training center for youth.

Kohl asked if there is any thought of putting in 3-bedroom market rate apartments.

McKenzie replied that is something that can be discussed. They will follow the market.

Welty is concerned that the large parking lot area on Verona Avenue may become a bit of a dead zone.

McKenzie replied there should be activity in the area year-round.

Kohl asked what kind of plans are there for the mixed-use area of the project.

McKenzie replied he has not seen mixed-use work very well. He would prefer to create a separate commercial space, if needed.

Regarding density, McKenzie stated it creates economic value, more property taxes, and environmental efficiency.

Diaz asked if the swimming pool would be managed by the City.

McKenzie replied all of the amenities would be turned over to the City.

Diaz asked Sayre for a proposed budget for managing a swimming pool.

Sayre replied those numbers are available from a study that was done a couple years ago.

d. Steve Brown Apartments

Matt Maier, The Alexander Company, presented the Steve Brown Apartments application. Dan Seeley and Scott Watson, Steve Brown Apartments, were also available to answer questions.

The project includes restoring and renovating the New Century School. The property proposed for mixed use at the corner of Verona Avenue and Marietta Street is already owned by Steve Brown Apartments. Market rate and affordable workforce housing is included. There is no senior housing included in this project. 104 residential units will be targeted to households at 50%-70% of median income. A one-bedroom unit in the affordable portion of the project will rent for approximately \$975, versus a one-bedroom unit at market rate for \$1,300 or more. They plan to compete for the 4% Affordable Housing Tax Credits for this project. The total investment estimated for this project is approximately \$54 million, including approximately \$45 million in private debt and equity. They are proposing that public infrastructure and amenity costs, as well as gap funding for the affordable housing portion of the project, be paid for with City funds, including TIF. Other gap funds can include subordinate loans through WHEDA and Dane County.

Diaz asked how much flexibility there is on the TIF request.

Seeley replied this is an ambitious project, and must be a partnership. TIF costs can be flexible, depending on the scope of the project.

Meier stated they did not assume that other sources of funding will be approved. There are other opportunities for gap funding for the affordable housing portion of the project.

Watson stated of the total gap, more than half is City infrastructure, and most of the balance relates to the affordable housing portion. The increment generated from the project will take care of the majority of the gap.

Sayre asked what the intention will be if tax credits are not awarded.

Meier replied tax credits are essential to affordable housing. If they are not awarded, the level of affordability may have to be raised to 80%-120% of median income to make up the difference, along with some TIF support. He feels good about being awarded the credits with this project.

In response to Welty's question regarding density of other projects in the City, Sayre stated the density in dwelling units per acre (du/ac) for following projects in Verona:

- Lincoln Street Apartments – 25.7 du/ac
- Siena Ridge – 18.36 du/ac
- Scenic Ridge – slightly under 12 du/ac
- Sugar Creek Commons – 40.7 du/ac with higher density due to W. Verona Ave.
- Murray Glenn – 26.3 du/ac
- Gorman and Company – 17.6 du/ac
- McKenzie Apartments – 26.5 du/ac
- Northpointe/Avante – 23.6 du/ac
- Steve Brown Apartments – 19.6 du/ac

Sayre stated that the form and design of the buildings can be more important than the number of units.

Sayre asked if the group would like to take action on the proposals at this meeting, or take some time to think about it. The CDA will make a recommendation to the Common Council for their approval.

Diaz stated for him, the two most important things about this project is getting commercial development on Verona Avenue, and adding community space.

Welty stated she is in favor of walkable commercial development along Verona Avenue, and appreciates the diversity of housing. She would like to see this be more than just another City park.

The consensus of the CDA was to schedule another meeting the week of June 2nd for reviewing the projects.

Polglaze suggested coming into the next meeting with an individual ranking for each project.

5. **Adjournment:** Motion by Diaz, seconded by Kohl, to adjourn at 8:20 pm. Motion carried 6-0.