

City Council Proceedings

Regular Meeting/Work Session

December 12, 2005

Pursuant to due call and notice, a regular meeting/work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, December 12, 2005, at 5:30 p.m. in the Council Chambers of City Hall, Mayor Lehmann presiding.

Upon roll call, the following Councilmembers were declared present: Meuers, Erickson, Lehmann, Hellquist, Markeson. Absent: Johnson and Downs.

Staff Present: Minke, Murphy-Schuett, Oakes and Felix

Mayor Lehmann stated that the purpose of the meeting was to discuss the issues as they pertain to the Northview Manor property and the City's ownership of the Manor.

Downs joined the meeting at 5:05 p.m.

Minke introduced Tim Flathers from HRDC who will give the Council a short overview of housing and Tina Doornick from Great Lakes Management which is firm that has managed the facility for the City since its inception.

Housing Report:

Tim Flathers, Headwaters Regional Development Commission, provided an overview of housing stating that in 1990 he worked with the city in developing a housing plan. The housing plan was stimulated largely due to the fact that City Housing Authority was awarded funds from HUD for the development of low rent public housing. The HRA was funded for a project that was different from what the Council at that time wanted and the Council questioned if that was a grant they should accept. The City was looking for some documentation to determine whether or not there was a need for a specific type of housing that HUD had awarded funds for. This presented the City with a nice opportunity to look at a number of different housing issues in the community. As a part of the housing study, it identified the need for several different things - the need for public housing and the strong need to promote homeownership. The homeownership rate was under 50% and still is in that neighborhood today. Trying to do some things affirmatively to promote homeownership became a significant priority. The City also had an issue with the quality of the existing housing stock. The information gathered indicated that 28% of the housing stock was substandard. Flathers stated that he believed that this was the impetus for the City to begin looking at the rental registration process which is in place currently. The results showed an undersupply of housing in a number of different niches. There was a need to promote for development of affordable housing in particular. Mr. Flathers was contacted by a number of seniors as were the Council and staff stating that they were looking for a nice place to live in town but there were no options available. These people stated that they did not qualify to live in the senior apartment buildings that existed in town as virtually every apartment was subsidized either by HUD, by Minnesota Housing Financing Agency or Farmers Home Administration. In addition, people were looking for something with amenities and more specifically attached parking and a building that offered some type of security. The City's desire to take a look to find alternative ways to provide that type of housing grew out of the fact that there were no other options available. Flathers commented that in reviewing the housing study recently released by the County Housing Authority and there is an inventory of existing multi-family housing in the community in this study as well. Most of the apartment complexes are still subsidized with the exceptions of Cottage Park and Vista North townhomes, which are pretty significant developments but serve a different niche than what the City offers with Northview Manor.

Johnson joined the meeting at 5:10 p.m.

Flathers went on to review the demographics stating that the demand for the type of housing like the Manor will increase. He noted that the 75 to 85+ age group is continuing to increase dramatically. If communities had not developed housing for seniors, communities would have lost one of the assets in terms of senior population that we now house.

Erickson asked why the private sector does not see this niche?

Flathers replied that the basic problem for a private developer to build without an incentive. If one includes all of the tax payments that are necessary as part of the debt service, the rent structure gets so high that it outstrips the market for housing and it would be difficult to fill the apartments.

Erickson asked if to maintain housing specifically for seniors is much more expensive than any other type of apartment building?

Flathers responded that it is not more expensive to maintain the Manor. He stated that Cottage Park Townhomes is not strictly market rate as they have a mixture of subsidized units and market rate units.

Lehmann observed that the Council's actions over the past have created some of their own competition which in turn puts pressure on the Manor.

Discussion – Northview Manor:

Lehmann commented that the City's portion for Northview Manor is budgeted for next year and in 2007 will be shifting toward the black. He stated that there is a possibility of being a money maker in the future.

Minke stated that in 2007 there is a debt service payment of almost \$320,000 and in 2006 it is \$207,000 and in 2008 is \$199,000. Minke stated that the bond continues until 2023.

Erickson commented that this is broader than meeting the debt service as the building is aging and will require some substantial dollars to keep it in good working order. The Council needs to ask what it will cost today and into the future. She commented that the Council should ask if the City should be in the rental business.

Johnson commented he would like some way to operate the Manor more efficiently.

Markeson commented that it is a good idea to hang on to the building as in the long run it is a multi-million dollar asset.

Lehmann commented that we maintain the arena which is an asset to the community as well as Northview Manor which is also an asset not only for the community but those that live there. Does the City continue to maintain the Manor as an asset or sever their ties with it.

Downs commented that the options are to sell it and lose money, keep it and lose money or raise rents. Downs stated that seniors in the community have an issue with the City subsidizing the property.

Erickson responded that the City does not have to sell it and lose money. The City knows that the debt is \$3.4 million and the Council has discussed placing it on the market with a minimum bid. She stated that the soft costs on the building are high.

Johnson observed that the underground parking is underutilized. He commented that perhaps there is a possibility of making use of that space in another way to offset the cost.

Bruce Atwater, resident at Northview Manor, stated that if you are going to build something for the government it will cost more. The building is constructed entirely of cement and will require maintenance but this is a building that will last for a long time and has a life expectancy of at least 50 years. Mr. Atwater stated that the Manor is experiencing the highest vacancy rate in its history because of the Council's discussion over the past few months. This is serious. He stated that there is a sense of community at the Manor which is a drawing card for some people. Mr. Atwater stated that there is a light at the end of the tunnel of any subsidy that the City will have to give to the Manor.

Tina Doornick, Great Lakes Management, provided an outline of what Great Lakes Management does for Northview Manor. She oversees ongoing maintenance and stated that appliances are replaced as needed, and furnaces are being repaired instead of replacing. Carpeting and vinyl replacement occur as needed at turnover and as the apartments are updated. Great Lakes Management is trying to extend the life of these items. Randy Chafee works at Northview Manor as the superintendent and makes recommendations to Ms. Doornick for repairs.

Ms. Doornick stated that the sense of community needs to be more than just renting apartments and this cannot be found in general occupancy apartments. It is important to make the residents feel that they are getting a value for what they are paying for.

Discussion continued on using the parking area for another use.

Erickson commented that she has many seniors in her ward and cannot support keeping the building.

Hellquist asked that Eischens provide more information on electricity and heating costs. He wondered if there was a possibility of gaining a break even to the point where this becomes a non-issue. Or does the City stay in the rental game or get out of the rental game. Hellquist stated that the community is important at the Manor and this should be taken into consideration.

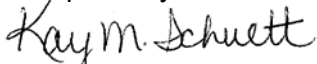
Lehmann stated that the Council should be prepared to make a decision on this item at the next Council meeting.

ADJOURN

There being no further business, motion by Downs, second by Johnson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:15 p.m.

After the meeting, the Council heard a presentation on the proposed regional Event Center by Jim Kobestsky of Schoen Associates Architects. Presentation ended at 6:50 p.m.

Respectfully submitted,



Kay Murphy-Schuett
City Clerk