

MINUTES

August 27, 2015

Board Meeting

City Hall – Council Chambers

Members Present:

Steven Woods..... President
Lisa Jones..... Vice-President
Jeff Mercer..... Secretary
Angela Coy..... Treasurer
Mike Denney..... Member
John Ditmars..... Member
Kim Minton..... Member

Others Present:

Robert Schafstall..... Legal Counsel
Krista Linke..... Community Development Director
Julie Spate..... Recording Secretary

Call to Order:

Steve Woods called the meeting to order at 8:00 a.m.

Approval of Minutes:

Jeff Mercer made a motion to approve the July 23, 2015 minutes as presented. John Ditmars seconded the motion. The motion carried.

Public Comment:

Rob Shilts announced The WannaBeatles coming to the Artcraft tonight and the Hard Day's Night movie that will be showing Friday and Saturday.

Committee Reports:

- A. Communication Committee:** Steve Woods (Meets as needed): Steve Woods is proud to announce that thanks to the hard work of Rhoni Oliver the website is now live. Now it is just a matter of continuing to populate and maintain it. The communication committee will look at this some more in the future as to the best way of doing this. The next meeting date of the communication committee is yet to be determined.
- B. Finance Committee:** Jeff Mercer and Angela Coy (Meets as needed): Angela Coy reported that Alerding CPA Group was chosen for the audit. Field work was done last week. Ms. Coy was in possession of their engagement letter for Rob Schafstall to review as Ms. Coy needed to get it to Alerding CPA today. They are also doing the 990. Ms. Coy made a motion to approve Alerding CPA Group to execute the past three years of our audit (2012-2014). Mr. Woods reminded that their fee came in under what has been paid previously. Ms. Coy reported that their ongoing fee will be half of what was paid to Larry Nunn and will be accomplished in less than 18 months. Their 990 cost is also less than previously paid. The motion was seconded by Mr. Ditmars. The motion passed. Ms. Coy reminded that we need to officially disengage our prior accountant and she has a letter drafted for this purpose for review by Mr. Schafstall.

C. Abandoned/Tax Certificate Properties: Kim Minton and Mike Denney (Next Meeting TBD): Change in Indiana Code 36-7-14-12.2(a)(25) and (26) Discussion - Kim Minton reported that the code has changed so it could change what is done with the abandoned properties. Rob Schafstall clarified about the City of Franklin's Redevelopment Commission's use of TIF monies. Thirty specific items are listed in the code for what TIF monies can be spent on and some additional areas in other parts of the code as well. Sub-section 25 deals with the RDC's ability to spend TIF monies to allow low to moderate income residents to purchase or lease homes. If the FDC wanted to develop a program that did this, they could seek funding from the RDC. Section 26 says the RDC can make grants or loans to neighborhood development corporations to do that type of program, for low to moderate income residents to purchase their home or it can do rehab on commercial buildings. The FDC can do anything they want, but if the desire is to go to the RDC for funding, these guidelines must be followed. If FDC had an abandoned tax certificate property program, it could be set up in any way, but if relying on RDC for it, the program must be shaped to meet those rules. Mr. Ditmars sought clarification in asking if the rules follow the source of the money. Mr. Schafstall gave an example that the RDC will receive a funding request from the FDC, and the best way for the FDC to submit such a request is to adhere to the guidelines set forth in sections 25 and 26. If the proposed program tracks this language and satisfies the statutory requirements, it should be good. Mr. Ditmars asked about the example of a private investor in the FDC, those funds could be used for any purpose. Mr. Schafstall confirmed and added that subject to their accounting advice they might be entitled to a deduction. Mr. Mercer asked if this was an alteration in statute from the last time the FDC requested funding from the RDC. Mr. Schafstall could not speak specifically to a date history in response to Mr. Mercer's question but confirmed that it is the current rule. Further, others who administer low to moderate income programs, if the demand isn't there, they are allowed to broaden their scope. Ms. Linke asked if this would affect the way of administering the Residential Revolving Loan Fund (RRLF). Mr. Schafstall didn't think it changes anything. It is only that when the RDC is asked for new monies, these are the rules they must abide by. Ms. Jones clarified that to ask for funding from the RDC for the RRLF, it can only be used for low to moderate income families. Mr. Schafstall specified that on the RDC side of a funding request submission made to them, there is a list of very specific ways they can use TIF money. If the FDC can provide services to the community that track any of those code provisions, it is an easier process from a legal standpoint. Mr. Schafstall further explained that within the guidelines there is room for creativity in the funding requests to be presented. Ms. Jones would like a list of the criteria the RDC has to now consider. Mr. Schafstall views this code change as providing new opportunities rather than imposing restrictions and can provide the list. Mistert Jones, Schafstall and Mercer will have a meeting to discuss this and the effect it will have. Ms. Jones confirmed that the blighted homes can still be done, being able to put a little more money in to it but not getting any back to generate operational dollars. However, it could still be sold to an LMI type buyer which could mean it would just temporarily be upside down with respect to what was put in to it. Ms. Minton asked for a definition of LMI. Mr. Schafstall and Rhoni Oliver explained that LMI stands for low to moderate income and it is a census number based on HUD specific census data for Johnson County. Mr. Ditmars expressed his perspective that these changes really drive the FDC back to more of their original purpose. Ms. Jones explained that FDC will now have to figure out another way to generate operational dollars. Mr. Schafstall highlighted that these are the RDC's restrictions. The City Council also has the ability to fund non-profits and does so annually. There are also other donors out there. The FDC's desired program can still be run, it simply may influence who the potential donors are.

D. Loan and Grant Committee: Lisa Jones, Mike Denney & David Bedwell (Next Meeting: August 19th, @ 3:00pm):

1. CFMG: 164 E. Jefferson Street – Dan & Tauria Catlin – Lisa Jones reported that Middle David’s Candles has applied for the maximum grant of \$25,000. Their contractor’s estimate appears considerably higher than Dan’s original application estimate. Ms. Linke is confirming feasibility with Mr. Catlin. If he proceeds, the committee is prepared to make a recommendation to the board to approve this grant request. The cost of the façade only piece of the project is \$50,763.52, so he does qualify for the \$25,000 maximum.

Ms. Jones made a motion made to approve the grant request maximum of \$25,000 if the Catlin’s do move ahead with the project. Second by Mr. Mercer. Passed.

2. CRLF: 197 E. Jefferson Street – Jessen Funeral Home – This project includes new front shutters, column and brick repair and painting on Jefferson Street and Home Avenue facades along with new signage. Total project cost is \$11,280.84. The grant request is for \$5,640.42. The property is eligible for up to \$50,000 because it sits on a corner. They may come back later with requests for some landscaping and restoration of wooden doors.

Ms. Jones made a motion to approve the request for \$5,640.42. Ms. Jones asked if they would need to satisfy this grant before they could come back and ask for more. Ms. Jones and Ms. Linke stated that if they come back before this grant is finalized, it could just be bumped up to include the others before the project is finished. Ms. Coy asked if landscaping is included in a façade grant and Ms. Linke confirmed that it is. Second by Mr. Denney. Passed.

3. CRLF: 55 W. Madison Street – Phil & Deirdre Warrenburg – The original request was for \$200,000 which would require an exception to approve. Both FDC and RDC boards don’t feel this request can be approved but would possibly consider a lesser request at a later date up to the maximum of \$50,000. Where the additional monies would come from would need to be identified first. The committee expressed full support of the project and their desire to see it move forward. Mr. Warrenburg reviewed that two grants had been applied for, one at \$50,000 and one for \$200,000 based on the original EDA documents from the RDC through whom the property was initially purchased. The portion of the estimate over \$260,000 provided by the RDC was deducted. Mr. Warrenburg asked what other data is needed by the FDC to be able to make a decision on the \$50,000 request. Ms. Jones expressed their hesitancy over the unknown of whether a loan would have to be secured in order to provide the additional funding needed or private investors. The committee is happy to meet with Mr. Warrenburg further to discuss debt service and other details of this request. Mr. Warrenburg explained that there are no other loan sources that will consider them until the RDC first lien on the building is removed. There are not any known further opportunities willing to consider for another commercial loan at this point. They are still working with potential private investors. Ms. Jones asked if an SBA loan had been explored. Mr. Warrenburg confirmed he had been working with the Small Business Development Center for two years but they first require a first note of a commercial lender. Mr. Ditmars confirmed that the collateral piece is the primary hurdle with all lending institutions and if that were removed or cared for in some fashion, the project could move forward. Mr. Schafstall said the RDC could agree to subordinate their mortgage from the first position to a second position to allow another lender to come in on top. Ms. Jones asked how Mr. Warrenburg would proceed in order to pursue this. Mr. Schafstall explained Mr. Warrenburg would need to go before the RDC to make this request and confirmed that Mr. Warrenburg should be prepared to present a list of potential committed investors in support of this arrangement. Ms. Jones asked if the \$450,000 total required to raise will finish the project. Mr. Warrenburg explained that the \$450,000 is to open, operate and sustain itself to an income generating stage. As that proceeds there are expansion plans especially in the brewery area.

There is a three-year plan to build out the facility, so this is not the end of it due to always having ongoing developments.

4. CFMG: 97 E. Monroe Street – B2S Labs – The committee is still waiting on paperwork from B2S Labs. They have hired an architect and are securing contractor estimates.
5. CFMG: 55 E. Court Street – Ryan Wadsworth – Only the application has been received to date.
6. CFMG: 102 W. Jefferson Street – Brian L. Pence – The application has been received, but Brian Pence still needs to go through the Design Committee and secure contractor estimates.
7. CFMG: 151 Holiday Place – Trent Petro – The project is underway. Two draw requests have been paid out. Mr. Petro has learned that his awnings are made of structural steel and can't be removed from the building. Since that makes his original awning estimate no longer feasible, Mr. Petro has asked his grant request to be increased to the maximum of \$50,000. Ms. Linke clarified that Mr. Petro might not use all of that as the change is \$16,000 above his original estimate so FDC would pay half at \$8,000. Ms. Linke explained that there was already some leeway in the original \$35,000 request, so it's possible the final grant request could be approximately \$40,000, but it will be simpler to approve up to the maximum of \$50,000 as long as all expenditures meet the grant guidelines. Ms. Coy asked if Mr. Petro provided new estimates. Ms. Linke will request that and assured that she wouldn't pay without submitted contractor estimates.

Ms. Jones made a motion to increase the grant amount to \$50,000. Ms. Coy asked if this is normally done without estimates in hand. Ms. Jones reminded that Ms. Linke confirmed she would get the estimates prior to paying anything. Ms. Coy feels Mr. Petro is circumventing the system by e-mailing this type of request change the day before FDC's scheduled meeting and by such not following FDC protocol. Ms. Jones explained precedent has been set for this in the past and communicated the safeguards in place through Ms. Linke. Ms. Jones reiterated that controls are in place through Ms. Linke. Ms. Coy remains concerned about when Mr. Petro actually first found out about the awning status as compared to when he notified Ms. Linke of the situation and ensuing change in his grant amount request. Ms. Linke can't speak to when Mr. Petro first found out but affirmed that it is fairly typical for projects to encounter unanticipated changes like this. Ms. Coy remains uncomfortable with these types of 11th hour requests and the resulting pressure on the board to push it through to keep the project going when they haven't complied or allowed time for the board to consider the request adequately. Mr. Ditmars concurs with Ms. Coy's concerns, explaining that the Loan & Grant Committee may be able to consider changes like this, but more is potentially needed in coming before the FDC board as a whole. Possibly the approval process needs to be reviewed further going forward. Ms. Linke reviewed the original structure of these approvals, the question becoming should the total eligible amount be approved in the beginning to cover any eventualities or do we consider approved unanticipated increases or expenses as they come up as long as the total is within the approved grant amount. Mr. Ditmars suggested that the Loan & Grant Committee could be empowered to make these kinds of decisions and report back to the FDC as long as everything is within the scope of the program as defined. Ms. Jones continues to feel comfortable with her motion as originally made because of her shared desire to not micro manage the committee and their adherence to program controls already in place. Mr. Ditmars maintains that the exceptions are becoming the rule, so the rule made need to be re-evaluated and changed accordingly. Ms. Jones asked if the board is comfortable with streamlining the process and suggested it could be addressed at a future planning meeting. Mr. Ditmars reluctantly

seconds the motion. Ms. Jones asked how such an issue comes up in the first place (i.e., not enough due diligence, etc.). Ms. Linke explained that property owners rely on contractors, but some things just aren't able to be determined until some sort of work actual begins. Ms. Linke doesn't see an easy answer but just needs to know how to handle this with the applicants when it comes it so the board is comfortable. Ms. Jones called for any further discussion. Motion passed. Ms. Jones affirms this discussion as an example of how the FDC functions well.

Strategic Plan Update: Kim Minton

A draft has been written and dispersed to all board members. Some changes need to be made and specifically with looking to the abandoned tax certificate properties as an avenue for sustaining operations. Some of the highlights of the plan include awareness impact development, reengagement of communications committee and formulation of a programming committee. The hope is to use this as a guide for the next three years with quarterly updates to the board. Ms. Jones asked when a final version could be expected. Ms. Minton replied that it would be soon. This will be used in the presentation to the RDC.

RDC Request for Additional Funding

Ms. Jones explained the plan to present to the RDC the board's findings from the AHP and the FMEA. Mr. Mercer thinks it important to highlight that a number of stakeholders have been engaged as partners with the FDC as it advances. Programs were prioritized and an FMEA analysis was done. A strategic plan was developed, all financials have been pulled, and as a result a strategy for operating dollars for the next three years will be developed. This will enable the plan to present to the RDC next month for programmatic funding. Ms. Linke sought confirmation of the plan to present to the RDC at the September meeting since it is one week prior to the next FDC meeting. Mr. Mercer confirmed that to be the target. Ms. Jones explained that in preparation for the RDC presentation, it is likely other people will be pulled in for feedback and help.

July Financial Report:

- a) Balance Sheet – Ms. Linke reported that FDC had two CD's at Heartland that have been cashed in and deposited in other accounts at the beginning of August. Checking accounts are continuing to work towards consolidation. Some loans in progress were highlighted through the audit process that will be cleaned up for the August report.
- b) Budget vs. Actual – FDC is well within the anticipated budget for the year.
- c) Residential Revolving Loan Fund (RRLF) – Julie Stewart asked to be granted a 60-day deferral at last month's meeting and did miss July's payment, so it's expected that they will miss the August payment as well before resuming. There are two other loans that missed payments. One is being worked through on a bankruptcy and the other is expected to take care of itself by making two months' payment the next time. The August report shows two closed out loans, Scott and Corey Brown and Dustin Royer. These properties actually sold before loans were even sent to Horizon for processing.
- d) Commercial Revolving Loan Fund (CRLF) – One loan is being worked with and trying to remedy as the holder is in poor health. The Pipestone property is still proceeding with estimates and anticipate drawing on that. B2S Labs has submitted a couple of invoices but Mr. Schafstall has advised not paying until we have closed on the property.
- e) Downtown Façade Matching Grant (DFMG) – The Tap Room is finalized. A few others will be finalized next month.
- f) Requests for Proposals (RFP) and Direct Investments (DI) – B2S Labs was added to the July report because it was approved in July, but the check was received August 3.

Director Report:

- a) **CFMG: 97 E. Monroe Street – B2S Labs** – Ms. Linke explained that they are solidifying the interior arrangement before the façade because the way the lobby is laid out will affect door placement on the front façade. This is expected next month and will then go through Design Committee and starting to secure estimates.
- b) **DI 221 Flood Buyout Properties: \$21,780.85 received** – Ms. Jones attended the closing and the income deposited in the operating account.
- c) **Economic Development Fee Proposal** – This is outstanding on behalf of the FDC to the EDC. It was tabled at their August meeting, hopefully an answer will come in September. Ms. Coy inquired as to what this was for. Ms. Linke explained that it was for \$7,500 to buy a property at tax sale. Ms. Coy asked how this came about, not remembering seeing any e-mails come through about it. Mr. Woods apologized for not having communicating that. Ms. Coy asked if the request can be changed from flood buyout to operating funds. Mr. Woods explained that Ms. Linke recommended not asking for the same project monies twice and the FDC has three years of operating expenses in hand. From an economic development standpoint, it was desired to route that money toward something that would develop economics within Franklin more directly. Ms. Coy cited concern about the large audit bill anticipated and the percentage of operating funds it will require to pay that bill and regrets that the board was not notified as to the intention. Mr. Woods assumed responsibility for this oversight and apologized. He thought he had communicated to everyone.

Additional Items:

- Next Regular Board Meeting-September 24th, 2015 at 8:00 a.m.


Adjourn:

No further business came before the Directors. A motion to adjourn the meeting was made by Ms. Jones. Seconded by Mr. Mercer. The motion passed.

Approved this 24th day of September, 2015:

By:  _____

Steven Woods, President

Attest:  _____

Jeffrey Mercer, Secretary