

## ARPA Committee Meeting Minutes

September 20, 2022

### Hospitality Suite

In Attendance: Bill Wade (Chair), Ben Herman (Vice Chair), Linda Taylor, Estrella Ruiz, William Findlay, Raul De Villegas Decker, Cindy Enos-Martinez, Diane Schwenke, Laurel Cole, Gary Schroen

City Council Representatives in Attendance: Abe Herman, Dennis Simpson, Randall Reitz

City Staff: Jodi Welch, Finance Director; Tamra Allen, Community Development Director; Johnny McFarland, Asst. to the City Manager; Andrea Brush, Best and Brightest Fellow; Ashley McGowen, Controller

The Chair started the meeting by indicating at the September 13 meeting there were still some unanswered questions on a few of the nine recommendations presented by the subcommittees. He also indicated there is no requirement that the committee make final recommendations today, but if everyone is comfortable with the applications the committee may.

### Behavioral Health

The working group reintroduced their top three recommendations for discussion.

***Altitude Pediatrics*** – One concern with this application was its status as a for-profit organization. It was brought up that this was discussed at the previous meeting with some concerns around whether the ARPA committee should give a leg up to for profits over nonprofits. One committee member argued that Altitude is not asking for a significant investment, rather investment to meet the needs of the underserved population. It is the task of the ARPA committee to give everyone a fair ranking on their application and this organization has demonstrated they are serving an underserved group. It was also suggested that while there is agreement that the status of the organization should not deter the committee, they should be aware of how it could be perceived in the community.

One committee member felt uncomfortable giving funding to a for-profit. The Vice Chair suggested that he felt capacity to perform was key in this decision making and if someone has a proposal and can provide services efficiently, it should be considered. It was also noted that we had not mentioned anything in the LOI process about restrictions to non-profit vs for-profit organizations. Plus, the blending of medical and behavioral health was particularly interesting with this proposal on top of the fact that they serve 50% Medicaid.

A question was raised with regard to the self-sustaining nature of the proposal after 3 years. The question was whether there's any expectation that Altitude's service to Medicaid care would decline over time. A response to this was that there could be a slight shift but would more likely a shift toward more Medicaid.

A question was also raised with regard to an evaluation process. If Council were to approve this funding, would there be any additional oversight for this project? Staff took this and asserted the process would be very similar to the established processes for CDBG funding.

Another committee member also suggested that the committee had decided it wanted to focus on shovel-ready projects over conceptual projects. The Chair mentioned that this is true, but it is also worth knowing when there is a longer timeline on a project like this.

***Counseling and Education Center*** – The subcommittee felt this project was worthy of funding but one member doesn't think they should necessarily fund everything outlined in the proposed budget. Marketing, advertising, insurance payments etc. are examples. The suggestion was to look more at infrastructure like the remodel, down payment, and maybe mortgage for a total of \$651,000.

It was raised that if the committee removes operational funding they may not have the staffing to continue the project. The response is that the applicant recognizes they need other funding sources in the proposal, that fundraising would just need to be done sooner. One response was that it is difficult to balance this for nonprofits because it's hard to find funders that will fund, say, operational, if there's no capital funding and vice versa. One committee member brought up that the applicant's minimum request is \$655,000 so the committee would not be underfunding the project.

There was a question raised to Council liaisons: Are you comfortable with the committee giving a range of funding? Reitz: would prefer a number. Herman: fine either way. Simpson: what concerns me is CECs plan to build a significant building and they're not disclosing the size of the building or how they're covering continue debt service. I would want to know if they can afford the project.

It was mentioned that it's important to remember that none of these projects are guaranteed and there may be other issues that come up. City Council can review and investigate the feasibility of projects moving forward.

School District 51 – Several members noted that if there was a place to drop some funding to get to the \$9 million in funding, this would be the project recommended. It was suggested that while they are potentially losing state funding to run this program, they do have staffing and other resources in place. Additionally, other state funding may become available in the near future, particularly with the state's focus on school funding. Two members agreed that if the committee doesn't fund the project, someone else likely would.

A point of clarification was made that the subcommittee is recommending the projects, but funding level may be up for further discussion.

## **Housing**

The housing subcommittee is still recommending their original three proposals, the land bank for \$3 million, the Housing Authority for \$1.8 million, and Housing Resources for \$1 million. They then asked for questions.

***Land Bank*** – a member suggested they heard there was discussion on a cannabis tax for housing? No, a portion of the regularly charged sales tax on cannabis projects (.5%) had been considered as a funding source but the special cannabis tax must be dedicated to the PROS plan.

A question was raised regarding other potential funding sources such as the 1% lodging tax and short-term rental tax of 8%. Total expected revenues are about \$1 million with specific definitions of what "affordable" means. 60% for rental, 80% for owned. Land bank could be an option for this funding but there is no set plan from Council.

The committee also discussed that the ballot issues not only have to pass but the city would need to wait for the revenue to generate which would take time. So, ARPA funding would allow Council to begin work on their Housing priority.

*Housing Resources Down payment Assistance* – A question was raised regarding the long-term feasibility of this project. Typically, the normal homebuyer puts a down payment and the lender finances, but if the property value goes down, how does funding remain viable? There was discussion on this from several committee members. They recognize there is some risk to the funding if home values go down. Some committee members felt this was unlikely in the community, others argued housing prices have fallen several times in the past. The subcommittee did point out that the applicant anticipates this as a rare instance but expects to remain viable.

Another issue brought up is that the funding initially only serves 40 households. However, it was pointed out that that's just the starting point and in the long term there should be growth to serve higher numbers of homeowners.

A member asked what the repayment term is, this was not found in the ARPA application.

A member suggested this project is another one that feels conceptual, but it is a good idea if the committee as a whole feels it is truly viable over time. An interesting part of this project is that the applicant is leveraging their funding 13:1 which is pretty significant. Someone brought up that along with this, the general per-unit cost for affordable housing in multi-family is upward of \$260K.

*Housing Authority* – a member asked what the total purchase prices for this project? The HA CEO was in the audience and answered that the total cost is approximately \$30 million. Another member asked what the probability of this project actually going through is. The HA CEO responded that it would be feasible but could also be subject to outside pressures like if the Fed moves interest rates up 75 percentage points which would make the project difficult to underwrite. Not all financing is committed but every party has expressed interest in participating.

Another member asked when the project is going to market. The HA CEO answered it is what's known as a pocket listing and not listed on any MLS. If the HA cannot secure funding, it will go to the MLS. If the contract doesn't close the funds requested would stay with the City to be reallocated. Could be 6-8 months before this is a certainty. On the question of project risk a member suggested the HA has a strong track record and if the deal falls through Council could allocate elsewhere.

## **Homelessness**

The subcommittee's recommendations have not changed.

Mother Teresa Place for \$1 million – there was no discussion on this project.

HomewardBound \$2.3 – \$2.9 million – Questions the committee had at the last meeting have been responded to by HomewardBound. On the question of whether it could be scaled down, the answer is yes – to about 70 units or so. Would effectively reduce the project by less than 1/3, for a budget request of \$2.2 million. There were questions about the site as well. The applicant did clarify that the project is dependent on 9.8 acres of city-owned land, and would not be seeking an alternative site as has been suggested in earlier responses. There have been informal discussions with the City but nothing formalized and not before Council as a whole. The subcommittee is split on this project given the

uncertainties present and the amount of the budget request, but other do feel the project is worthy. It was suggested, similar to other projects, that if the project ultimately couldn't be completed, the funding would still go back to Council for reallocation.

One committee member argued the biggest question is whether the project has been promised land by the City. Understanding that this has not been promised a member argued the reality is land is not committed for the project and that's a major consideration. Particularly because there is more to it than the land purchase as there is zoning, utilities and transportation access that needs to be considered. One member did note that HomewardBound does have their own transportation. A member asked, given this is a phased development, what happens if other partners don't come through to finish the project?

Another consideration is that this might turn out to be an extraordinary project for the applicant but nothing precludes them from coming back to the City in the future to offset project costs. ARPA funding is not the only viable path.

Another question was asked regarding the necessity of funding for operations. The applicant has said they cannot complete the project without the requested staffing/other operational expenses for the first year.

It was again suggested that given HomewardBound's track record, they do believe the applicant can pull this project off.

A broader question was directed to the Council liaisons for direction: Could the committee propose funding above the available amount of \$9 million? Reitz: there's no desire to cover additional funding outside of ARPA this year. Herman: this is not a question any one councilmember can answer. It was generally recommended that the committee work to stay within the budget of \$9 million in project recommendations. There was continued discussion on funding availability vs the funding that was requested across all 9 projects. It was suggested that votes for a project may come down to whether there is an adequate amount of funding. One member brought up that with HomewardBound included among other projects, they far exceed their \$9 million threshold.

It was recommended that the Committee move forward with formalizing a vote on these projects. It was clarified that a vote for or against the project was specific to whether it should move forward as a recommendation, not a vote on the level of funding the project should receive.

#### Mental/Behavioral Health

1. CEC: 10-0 passed
2. Altitude Pediatrics: 8-2 passed
3. D51: 2-8 failed

#### Housing

1. Land Bank: 9-1 passed
2. Housing Resources: 7-3 passed
3. Housing Authority: 10-0 passed

#### Homelessness

1. Mother Teresa: 8-2 passed

2. HomewardBound: 5-5 split
3. Mutual Aid: 5-5 split

Six projects moved forward, one project failed and two were split; failing by not receiving a majority vote.

A member tallied the total funding: \$8.626 million in funding for the six projects. A member suggested adding another \$400k to the land bank project to get to \$9 million. A member agreed, but also added that they feel the committee could be missing an opportunity with the HomewardBound project and despite its cost, would like to hear from a representative directly. There was some disagreement, given that they would effectively be going backward on the votes that had just been taken and they'd exceed available funding with the other projects that have passed.

Another question for Council liaisons: If recommendations are, say, 10.6 million, what would Council do with that? Is it helpful? Councilmembers again stated that they could not answer for City Council as a whole.

Another member brought up is that funding HomewardBound effectively means cutting another project that was just approved. They are not willing to do this.

The Chair recommended the only way to do this is with a vote: motion to have project representatives for HomewardBound come in to discuss the project and seconded. Subsequently, It was clarified that the expectation then is there would be a second vote on each project individually afterward.

Vote: 5-5 split, failing to gain a majority, the motion fails.

To conclude, the ARPA Committee is formally recommending 6 projects to the City Council. There will need to be continued communication with ARPA members via email to discuss a final report and what Council expects as a deliverable to them, once that has been clarified.

It was brought up there was no vote on adding the Land Bank funding of an additional \$400k. The Chair made a motion and a vote was held. It passed 8-2.

**Adjourn**