

LEELANAU COUNTY BOARD OF COMMISSIONERS

Leelanau County Housing Task Force – Monday, December 7, 2015

Tentative Minutes – Meeting Recorded.

Today's meeting was called to order by Task Force Chairman Ty Wessell at 9:02 a.m. and is being held at the Government Center, 8527 E. Government Center Drive, Suttons Bay, Michigan.

The Pledge of Allegiance to the Flag of the United States of America was led by Chairman Wessell.

<u>Roll Call:</u>	Jim Bardenhagen:	Absent <i>(prior notice)</i>
	Nicki Basch:	Absent <i>(prior notice)</i>
	Kathy Egan:	Present
	Trudy Galla:	Present
	Tim Haring:	Present
	Bob Hawley:	Present
	Kim Pontius:	Present
	Bob Sutherland:	Present
	Barb Von Voigtlander:	Present
	Jean Watkoski:	Absent <i>(prior notice)</i>
	Ty Wessell:	Present

Guests present.

Approval of Agenda – Additions/Deletions:

Chairman Wessell declared the agenda approved.

Consideration of Minutes – November 2, 2015:

MOTION BY HAWLEY TO APPROVE THE MINUTES OF NOVEMBER 2, 2015, AS PRESENTED. SECONDED BY PONTIUS.

Discussion – none.

AYES – 8 (Hawley, Pontius, Sutherland, Von Voigtlander, Wessell, Egan, Galla, Haring)

NO – 0 ABSENT – 3 (Bardenhagen, Basch, Watkoski) MOTION CARRIED.

Michigan State Housing Development Authority (MSHDA), Update on Financial and Technical Assistance through Partnerships for Affordable Housing – MSHDA Executive Director, Kevin Elsenheimer:

Chairman Wessell said Elsenheimer, the new Executive Director of the Michigan State Housing Development Authority (MSHDA), has agreed to speak to the Task Force. Elsenheimer said his staff reviews housing issues around the state. Anytime MSHDA is brought up, he likes to know what is being discussed. Questions had been raised at a recent Leelanau County Housing Task Force meeting as to the direction of MSHDA and if it could be of assistance with the County's housing problems. It made sense for him to come by and meet with the Task Force. Elsenheimer noted he lives in Traverse City, he

was born and raised in this area. His family comes from Provemont – he has a long-standing connection to Leelanau County.

Elsenheimer said he was asked by Governor Rick Snyder about nine months ago to take over at MSHDA. He had been running the Michigan Workers Compensation Agency; he was also previously the Chief Deputy Director of the Licensing and Regulatory Affairs Department. Elsenheimer noted he came into an organization that had been having some issues. MSHDA had been working with a declining balance sheet for a while, which forced it to go out and look for different sources of revenue. It then got into things that really didn't have a lot to do with housing and it got a little off track. His job was to get it back on track and have it focused on the things MSHDA does well.

Elsenheimer continued; MSHDA does two things really well –one, provide loans for low-income people so they can afford their first and perhaps subsequent houses. They have a down payment assistance program that is very robust; you can receive up to \$7,500.00 in down payment assistance to purchase your first home. It is a program growing in popularity; they are also close to doing their second bond in a year, for about \$100 million. They have raised and loaned out over \$200 million this year. The second program they do, which they do really well, is their multi-family housing. They are responsible for certain HUD (Housing and Urban Development) programs. One, a "9 percent program," where they receive Federal funding or help transfer tax credits to developers interested in developing projects around the State. It is a competitive funding process; not everyone gets that particular credit. Those credits are very valuable in the market place. It probably wouldn't be affordable – many of the low-income housing projects you hear about – the multi-family projects around the State – are financed by using these 9 percent tax credits. They issue those tax credits twice a year and they are very competitive. Some people feel they wind up overemphasizing credits in the larger municipalities, but the fact is many of those credits end up in the smaller, more rural areas. The biggest tax credit they issued in the last round went to Marquette for the (Holy Family) orphanage located next to the Jacobetti Center. The orphanage is under reconstruction and it will be a prize in revitalizing that community. They have a focus on rural parts of the State as well.

Elsenheimer said one thing important in qualifying for those credits, is a plan they put together biannually, the QAP (Qualified Allocation Plan). That plan dictates how they will be determining which projects in the 9 percent rounds go forward. They are in the process of developing that plan now, which will identify things like whether or not your community is walkable, if there is sufficient demand – all those things MSHDA will look at to determine if the community qualifies for a 9 percent tax credit grant. Rural communities are being represented. There is competition between ideas. Your issues will be transmitted and considered by his board, which makes the decision to ultimately recommend to the governor, who makes the final decision on how to proceed with the QAP plan.

Elsenheimer said MSHDA has other things they do; one thing they have done traditionally is their Community Development (CDBG) program. They have a strong community development presence in Michigan for the last 25 years. They take their program revenue, money earned from interest on all of the loans, and commit it to lots of different things. Homelessness is one of those issues – which they use about a third of the revenue on. A large portion of that revenue also goes to local community development projects. The projects are diverse, ranging from providing technical assistance grants to help out with a zoning issue in a community; funding for public art projects in the State; to downtown, second floor rehabilitation. They invest Federal and some State dollars to help out on projects for downtowns, such as Suttons Bay, that might have a second-floor, rehab project to get low-income housing into those communities. The Governor has asked them to look at ways to make the program more robust and aligned with what the MEDC (Michigan Economic Development) does. The MEDC also does community development. They have decided to unify those two departments and take his people and those in MEDC in community development and come up with one community development organization. They will be solely responsible for distribution of the CDBG dollars. Those funds will now come from MEDC, not MSHDA. That funding has benefited this area in the past. They expect the change will become effective at the end of the year. That new board will report directly to the head of the TED (Talent and Economic Development) department. Although they will no longer be in the direct community development business, MSHDA will certainly have their “thumb” in the mix.

Task Force Chairman Wessell noted in the Northport project, they had a discussion on walkability scores. He asked Elsenheimer to talk a bit about how walkability is determined, as they didn't think their scores were accurate. Elsenheimer noted there is a process where you can have your score reviewed. He said rural communities typically suffer a bit in terms of walkability, which looks at infrastructure, connections to community resources and it also tends to place a premium on denser population centers. That is why you see walkability scores for Detroit, Grand Rapids, Jackson, etc., with higher numbers. They are looking at addressing that issue in the next QAP process. They would like to take a look at moving the walk score slightly more towards concentrations of connection. If, for example, they have a hospital with a large number of jobs for people who qualify for low-income housing and it is clear the low-income housing in the area will be highly used by the people that would work at that hospital, it seems there should be a credit for that. That is something they are looking to add; it is a tricky balance to strike. The Board and the Governor have made it clear they want to invest those dollars in the areas where it will have the highest impact. The walk score is the best calculation they have come up with to determine where those impacts are. They are hopeful they will get a more diverse opportunity than there is right now. The bottom line is rural communities will certainly face a tougher time with the walkability score than the urban ones will. The era of building and green fields is over; the Board is not interested in that. The belief is a diverse local housing presence is an important part of a community. The developments they are seeing now are multi-family mixed use developments, such as a commercial first floor, a couple of floors of low-income housing and then some market rate housing as well.

The scholarship and experience behind it is strong. They won't only go in that direction. They will certainly look at concentration issues such as a hospital.

Galla asked Elsenheimer to explain what MSHDA can do to help developers in communities with regard to rental units; what assistance is available to help get long-term rental units in place. Elsenheimer responded the rental rehabilitation program, part of the community development division, will be moving over to MEDC. The program will actually provide investment capital, in some cases matching capital, in order to rehabilitate commonly downtown rentals, second-floor rentals are the most common use. Funding is available for those. A title restriction will be in place on the use of those properties for low-income housing, but there is flexibility over time. If it is Federal resources they are using there are some limitations. If it is their dollars they do not have those limitations. In terms of assisting in the construction of low-income housing, they have several programs available.

Elsenheimer said MSHDA doesn't go out and find projects; back in the 1950-'70s when they did that, they wound up with projects that were not sustainable and became "drags" on communities. MSHDA and other state housing agencies around the country are interested in having a developer come in and determine feasibility, bring the project to them, they have several funding streams available, including the 9 percent as well as a 4 percent tax credit program. They are more of a bank than anything else; they help create lending opportunities for low-income housing around the state. If you have a good developer with a good plan, they can come to MSHDA, and they will find a way to help make it work. However, there is a self-selection process. If the plan doesn't work, even with their tax credit dollars, it probably isn't a sustainable plan in the market place. In exchange, they will require some portion of those properties to keep low-income housing in place for a number of years. It is generally a 15-year cycle. Once they have a good property and low-income project, they want to ensure that project is kept up to their standards. They will reserve some of the rent and hold it in Lansing. They will make sure that rent is used to keep the property up. After 15 years, in some cases they will rework the loans to provide additional capital to upgrade the facilities. If you have a project that is viable and makes sense in the low-income marketplace, they will do what they can to keep it. Prices are not going down in this area. They will work very hard to keep low-income housing once it is in place.

Pontius remarked there seems to be a lot of angst when people talk about affordable housing. When was the last Section 8 housing project built in Michigan? Elsenheimer responded not in a very long time. Pontius said, so it isn't something occurring now. Elsenheimer responded government going out and doing the acquisition, the development the work, building, owning and managing the property versus a private entity and doing that – when he sees properties developed by the government versus properties developed by private individuals or private corporations and maintained, generally the qualitative difference is massive. The kinds of projects you are talking about haven't been done since the 1970s. If you look around some of the larger communities in the State where there is new construction and rehabilitation of mostly downtown properties, in many instances, those were projects done with State funding. Some portion of that project includes low-

income housing reservation. The scholarship really supports the concept of mixed use and mixed levels of income to help develop and grow a community. You are right there is a little bit of a stigma with low-income housing. The reality is if you look at much of the high end of the development around the State that has been done, that is low-income housing as well.

Pontius asked Elsenheimer, in moving the CDBG dollars to the MEDC, when you get above the 43rd parallel, we run into a unique situation here. We have seasonal workers we have to house. Will there be any opportunities, with this shift to the MEDC, for employers to talk to them about assistance in developing housing for seasonal workers? Sometimes people are here for six months and then go elsewhere. Is there any opportunity to look at this? Pontius said he knows this is a problem unique to the northern half of the State; does it hit the radar screen in Lansing? It is a critical issue for us. Elsenheimer responded you are right, migrant housing is generally handled by the Department of Agriculture. The seasonal employment issue is real. That is something to talk about going forward. They have not had a lot of discussion internally and it makes a lot of sense for us to look at – it isn't just Traverse City, but in other areas along the coast. Even in the Upper Peninsula. He offered to connect Pontius to people within the MEDC.

Pontius said it is something the Task Force would be interested in knowing. With the County's resort communities, this is a struggle. Every year when workers come up, they cannot find any place to live because all the rental rates are geared towards the summer rental process. It is getting harder for people, especially for businesses that are essential to this region to house workers for that short duration. Elsenheimer said their scoring supports this – they like housing to be as close to the job as practicable. Generally, it will end up in more expensive areas of land, which makes a six- or seven-month rental cycle more difficult.

Von Voigtlander asked Elsenheimer, when you have all your applications in for a typical round of funding, do you have someone that goes out to the sites and looks them over? Elsenheimer responded in almost every case, they have someone conduct a site visit. They give credit for experienced developers; if they have one on a particular project, that project probably has certain qualities they are looking for. There may not be a visit to that site, but at some point in the process, they do site visits. They have had someone visit sites in both Northport and Traverse City. They do believe it is important to visit the properties. For example, some of the buildings in downtown Detroit, they know the buildings well. They have people out every day of the week inspecting properties.

Sutherland questioned structure; when you go to different rural communities, how are they set up structurally? Are there full-time staff working at the county level through nonprofits or directly with the County? How do we create those hours? Elsenheimer responded it varies. It isn't just Leelanau County; it is all over the State. He is seeing more regionalism, and he thinks there is a push at the State level to have a more regional system in place. Elsenheimer said his community development people in MSHDA would prefer having one organization representing several counties rather than each county

having its own organization. However there are counties that have been doing it very successfully, and have found dedicated funding streams. Some counties are doing it through their general fund; some counties have had a long enough experience that they have program revenue from loans coming in and supporting their offices. That is a little more rare, but it does happen. Some counties have a large enough foundation base or developed construction base and can either tap the private sector or foundation sector for funding. Almost every organization generally has to do some type of creative financing or fundraising. He can't think of many county organizations that are funded solely by a general fund. They recognize that, which is why they are pushing people subtly towards regionalization.

Sutherland asked Elsenheimer, if MSHDA will do small, \$20,000.00 short-term grants for technical assistance – HomeStretch has one now – there isn't any three-year MSHDA sustainable grants for a part of the income of an employee that REACH, HomeStretch – no sustainable long-term money. Elsenheimer said it depends on where the money is coming from; their program dollars that they generate from their own portfolio – those dollars are often invested through community development and help fund those technical assistance grants. Those dollars are brought in on a yearly basis. As the market fluctuates, they typically don't grant for more than one year. Should they consider longer-term grants for technical assistance? It is something they can certainly talk about. Sutherland said you can see the challenge; we create the infrastructure, but it needs to be sustainable. It would be great to have one person who is the go-to person. He can agree regionalism is a great way to save. That one person does the "hand-holding" for the 25-year-old who is purchasing their first home through all the steps.

Elsenheimer said they will be more interested in going forward in supporting through technical assistance, individual projects versus supporting a local infrastructure. MSHDA will take the position that those are your responsibilities to figure out how to fund and staff – they will come in and support – if you come to them with a project, and you need "x" or "y" done, you don't have the capital for it, those are the kinds of places MSHDA will fill in best. However, they recognize the issue of creating the infrastructure and not have a funding source to go with it. MSHDA will probably not be all that interested in supporting it. Sutherland asked Elsenheimer, is there a rural county that is doing this well that has a structure and is running it independently? Elsenheimer said he can talk with his people to if there is some best practice out there.

Von Voigtlander remarked it is also difficult to get people to come in and function for only a year. You want to have something you could offer; it's good there is some commitment for longer than a year.

Elsenheimer said as you are thinking about requesting technical assistance or other funding from MSHDA going forward, they place a priority on homeless funding. If they bring in \$20 million on an average, they have to reserve a certain amount of that to keep rating agencies happy. The State has an "AA+" rating – just below AAA, and it comes at a cost. They have to reserve somewhere between \$7 and \$8 million. That only gives

MSHDA \$12 to \$14 million to work with. The first funding goes towards homeless issues, as that is something they are responsible for. They usually match with federal dollars, which typically amounts to about \$7 million. Their actual dollars they can invest in, is usually between \$5 and \$7 million. They will take grant applications, starting around June or July – and will review all those applications and make decisions.

Task Force Chairman Wessell said they have discussed a bit about the MEDC and MSHDA's development readiness process; how important is that? Regions, counties and villages that are development ready, is there a way to assess that and how does that work? Elsenheimer responded you spoke of regionalism. At the Governor's request, they have divided the State up into 10 distinct regions in order to create some kind of regional organizational system through the State. Leelanau County's region includes Manistee County, over to 75 North, with Traverse City being the largest area in that region. They are doing things, like placing people for MEDC services or field representation in each of those areas. They are setting up programs for each of those areas. In this region, they have a program now called "rising tide", where they take State services and go out to local communities. MEDC and MSHDA are telling the investment agency, which used to be the old Workforce Development Agency, to go out and meet with one community at a time; they are attending council or commission meetings and asking, 'What do you need from us? How can we help you? Here are some of the things we do in other places.' For example, you may not have the staff for a fulltime economic development organization. They chose one community, which was Central Lake. The program is going so well, they will increase the funding and expand the program to include a couple different communities in each region going forward. That is something you will hear about in the next year. The Governor is very happy with the program. We know where the communities feel their strengths are, we are being honest with them on how we assess their strengths and weaknesses and we are telling them what we can help them with, and give them ideas they didn't know about.

Task Force Chairman Wessell asked Galla, how does this impact the work the Planning Department has done over the last number of years, with reorganization? Galla responded she has some questions on interest rates which she can ask Elsenheimer later. Galla said since 1993, Leelanau County has had interest rates up to 3%. They were able to take in a considerable amount of money, just on the interest that was repaid on loans. Not having that ability again is having a big impact. Elsenheimer remarked the program revenue is now going to the State, and it has caused a hardship. The decision was made to force communities to look at regionalism and combining opportunities from a regional perspective. It also came about due to situations where some communities had not used the program dollars for housing purposes. They needed to get a handle on that as well. It is a decision the State felt they had to make. Those were originally Federal dollars in many cases, and the MSHDA is audited routinely. There have been cases where money had to be paid back to the Federal government because they were not used wisely.

Presentation – Opportunity Resource Fund and Alternative Lending Opportunities,
Christine Coady Narayanan, President & CEO, OppFund:

Narayanan said the Opportunity Resource Fund (OppFund) has been lending in this region – Benzie, Grand Traverse and Leelanau counties – for nearly all its existence. They are a 30-year-old community development financial institution and are structured like a Revolving Loan Fund. They are not a state agency, but they wouldn't be here without MSHDA. The OppFund was created in 1985. She said Tony Lentych, Executive Director of the Traverse City Housing Commission, thought it would be a good idea for her organization to introduce itself to this Task Force. Narayanan said the OppFund is a 501(c)(3) nonprofit.

Narayanan continued; the OppFund is structured as a revolving loan fund. They borrow money from individuals, corporations, foundations, government and the Federal government, pool those dollars and then lend the funds back out. As a nonprofit, they have a social mission. They do not lend to people who do not need the money. If you qualify for a traditional financial institution loan, you won't qualify for one of their loans. They lend money to three distinct areas – affordable housing development, small businesses and they also offer fixed-rate, 30-year single family mortgage loans. They are unique in that while they run their operations like a financial institution, they do have ratios they need to meet. They are very careful to lend to those who don't qualify for traditional financing. For example, they funded a lot of the work HomeStretch was doing in terms of their multifamily development. They often partner with MSHDA or a financial institution to provide those loans. They have lent over \$35 million over their 30-year history. In that time, they have never lost a dollar of their investors' capital. Lending to people who don't qualify for bank loans isn't only good business it actually helps them get repaid. They work out of three offices, based in Grand Rapids, Detroit and Lansing and cover the entire state including the Upper Peninsula. They have a portfolio of homes in the U.P. What they are particularly interested in doing is helping with the issue of workforce housing, as it is a huge concern. It is something that has been on their radar screen for quite some time. They have actually not found a good nonprofit partner to work with who knows how to develop housing only utilized for seven months out of the year. It is not something that will be generally bankable, but it is a huge issue and something they would like to help with. They also manage loan funds for other organizations. Limited county-level staffing had been discussed earlier. In some instances, they have actually been hired to manage the loan funds to assist in underwriting, provide the loans and do the servicing – all those components. They do that quite well throughout the state.

Narayanan said the small business lending would probably not be applicable to this conversation, but is important. What they can bring to bear here are the real estate loans and single-family mortgages. The single-family mortgages generally do not compete with MSHDA's mortgages, because quite often, OppEd is often under their radar screen for credit scores. They are a "know your customer" lender, not a "credit score" lender. While they look at credit scores, it is not a determining factor. Their loans are all over the board. They can be as low as \$10,000.00; they can go up to \$1.2 million. Their money is often

combined with CDBG (Community Development Block Grant) money or others. OppEd is either the first piece that makes the project go forward or the last piece that gets it completed. They have not been wildly impressed with how the Depot project has been done in Traverse City.

Narayanan continued; prior to that, they have done a lot of multi-family lending in the area. Those three things they would definitely be able to do up here. They are regulated by the State for their single-family mortgage lending. They do have some criteria they will look at. The project needs to make sense; they do not have a scoring system, but they do have a loan committee. When a project comes to them, does it meet their social criteria? Secondly, will it empower the local community? When they talk about workforce housing, they aren't talking about creating a "pocket of poverty," they want projects that are income integrated individuals. That is what they have learned does a better job. They have underwriting criteria and at the heart of everything they do, it has to benefit the local community. The OppFund is a pretty well-kept secret because they don't have a large marketing budget. They would like to do more in this region.

Egan asked Narayanan with respect to workforce housing, are you advocating seasonal workers or... Narayanan responded both. It is apparent to her and others there are a lot of people who work in coastal resort communities that cannot afford to live there. They work here year around. Narayanan said she isn't talking about a slum, but decent affordable housing for those who businesses here work and seasonal housing. They haven't cracked the code on how to make that properly; this isn't the only area of the country with this issue. Pontius asked and Narayanan responded her company's website is www.oppfund.org. It isn't fancy, there are 11 people that cover the entire state. The Vice President of Lending is present today, Tim Strasz. They travel all over the state.

Pontius asked Narayanan, how much of the philanthropic community is a part of the fund mix you have? Have you found the large nonprofits, the big foundations are starting to migrate dollars into trying to solve the housing solution? Narayanan responded it is getting a lot of attention now; but it has always been a big focus. At the heart of what every community does, if you can't provide housing to those who live there, you haven't done a very good job of providing services a community should have. Some of that has been driven by the foreclosure crisis. It has always been a priority for many financial institutions and philanthropic organizations. The more money people in the philanthropic sector put into the affordable housing, the better our communities are.

Elsenheimer concurred, have the foundations been involved, he thinks they have stepped up their game significantly. Not just the community foundations, but also banks. You can make a lot of arguments to why they are involved, but regardless of those reasons, they have seen, particularly in Detroit, significant investment from not only the foundations but also the banks. He thinks it will go a long way towards redeveloping some of those neighborhoods that are seeing some stunning turnarounds from what they have seen over the last several years. Detroit Mayor Mike Duggan has a good plan in place and the investment has followed.

Narayanan agreed, saying they are involved in a couple of very exciting programs that are very unique to Detroit. You can walk into Detroit and think you have entered a third-world country. There is a lot of need to invest in those neighborhoods. There are properties available for \$12,000.00 that have woodwork and leaded glass windows. What is happening here is different; we need to make a case for those philanthropic dollars to come to what is considered a resort area. People look at Leelanau County, they look at the resorts, and at the wineries and think, 'You're not Detroit; you don't need any help.' That's not true; you do have a housing problem here. She doesn't mean that as an insult. Narayanan said while she applauds what is happening in Detroit, we shouldn't let that overshadow the needs in Leelanau County and we should work together to make something happen.

Task Force Chairman Wessell remarked that Lentych was the one to suggest Narayanan's organization get involved. Lentych responded with regard to alternative funding, you have explored what you have done in the past, primarily traditional forms of funding. However, there are many players such as the OppFund out there. Narayanan is someone who has worked in this region many times. When Leelanau County thinks about what it may be able to do in the future, this might make sense in working with the OppFund. Additionally, you may have someone here locally wanting to make an investment that wants to participate and doesn't know how. The PRI program-related investments that foundations do can be managed by someone who has an expertise in certain areas. Real estate development is a unique experience.

Lentych continued, saying Elsenheimer has a couple hundred employees dedicated to this area. That would be an opportunity for the County to explore, someone else out there working like this. Lentych said he plans to talk to them – MSHDA, HUD, the OppFund and others – the Great Lakes Capital Fund – anyone with a particular interest in this region. Narayanan said they work with others like the Great Lakes Capital Fund. If you are looking at solutions, Lentych is right; they pool dollars from other resources. They have the expertise to underwrite affordable housing loans. They find from the philanthropic sector that many large foundations, such as Rotary Charities, want to do something good with that capital; they want to put it towards affordable, workforce or seasonal housing. Lentych is right; they don't have the expertise to do that; her firm does. Narayanan said communities have said to them, they want to create a loan fund for their county, only to be used in their county, for these specific purposes. The OppFund will work with that community to raise the capital for that fund and then manage the fund for that community. They will do the underwriting, the site visits – they will help that community to understand, this is a project that could utilize MSHDA or MEDC funding. Let's borrow money from the foundation and combine it with other funding sources, put it together and lend it. They will then service that loan and take care of it. The OppFund will manage the loan for its entire life span. If there are any "bumps", they will work with the borrower, ultimately a nonprofit or a public housing authority to make sure the loan is repaid and everyone is made "whole." Narayanan said one unique feature with her organization is they publish a circular or prospectus. The OppFund has the ability to accept individual investments into its fund. You can invest as little as \$500.00 and make a huge difference in your

community. They do have some very high net-worth individuals that want to do something good with their money and they invest their capital with them. They could come in, help you create a loan fund specifically for affordable housing, one county or a region, and figure out how to solve that problem. That is how other communities have worked with them.

Galla asked Narayanan, do any of your projects involve mixed use? Narayanan responded many. When they do real estate development loans, it can also be for the mixed use that Elsenheimer had described; they do that a lot. The only commercial developments they won't fund are "sin" businesses, because they do have religious capital in its fund. Discussion ensued.

Task Force Chairman Wessell asked the audience if they have expert questions. Karen Josephus said she is really interested in this organization, what percentage of money comes from government sources or taxes? Narayanan responded they have no government money in their loan fund, other than the grants they received from the U.S. Treasury Department for CDFIs (Community Development Financial Institutions). They have had huge grant infusions from MSHDA in the past, which helped them get started, understanding and recognizing its philanthropic mission. The OppFund has MSHDA's support today in terms of some operating dollars. They are not funded by taxpayer dollars and they are not a taxed entity. Elsenheimer said the dollars they bring in from the Federal government – HUD dollars, HOME (Home Investment Partnership) dollars – those are tax dollars. The kinds of dollars they are talking about investing for technical assistance smaller grants – those are not tax dollars, they were generated by money from MSHDA's portfolio of loans. MSHDA has a large portfolio of non-tax dollar investments they make, but they do pass through a lot of money you would have to consider taxpayer money from the Federal government.

Audience member Cory Flaska asked Narayanan, do you work with private developers? Narayanan affirmed, saying that private developer has to be developing something that will meet the OppFund's mission. If the private developer is working on mixed use affordable housing and has a component that hits the OppFund's mission, and their money is limited to the percentage of the project, then yes. Discussion.

Eric Lind said he senses a frustration with the Depot project. Narayana said it has been stalled a bit; there have been some changes with HomeStretch, and the OppFund has a lot of money tied into that project. They are trying to see it come to a positive conclusion. They anticipated it would be beautiful, affordable housing for people who can't afford to live elsewhere and it was derailed for a number of reasons. Hopefully it will be wonderful when it is done.

Overview of State Housing Conference – Kathy Egan:

Egan said she had recently attended the Michigan Association of Planners Conference. The focus this year was on housing. Many of the workshops and break-out sessions had to deal with housing. One was all about the Redevelopment Ready Communities program

from the MEDC. The panel was representing four communities that have worked their way through the process. Egan said she learned a lot about the process; ways to get results; she took all that information up to Northport, as there is a community group considering going through a redevelopment ready project. There was a session on the “missing middle housing.” When you look at housing from a perspective, with a single-family detached house, there are all types of housing up to a high rise apartment. The missing middle refers to everything in between, including duplexes, townhouses, rowhouses, etc.

Egan continued; the Michigan and Hill Country has a low inventory on that spectrum. The National Realtors Association has written stories on that. Everyone is focusing on creating that inventory, because that is where the demand is. People are actually wanting to live in walkable communities. The demand is there, the supply isn't. There was a lot of focus on that. That session introduced the five winning designs. They also talked about density, different types of units per acre; there was specific information on that. What we have in common with Detroit, is there is a definite buzz – an entrepreneurial energy in the city – people with ideas and dreams go there. The restaurants, bars, galleries – people have ideas and they are going there to see if whether or not they will fly, similar to Traverse City, with the distilleries, wineries, foods, and scale of retail. Where they don't have the natural resources to back it up, the buildings in Detroit are amazing; that is their natural resource. The focusing on density, different types of housing, affordable housing, a lot of talk similar to what is being discussed here with regard to affordable housing and energy costs.

Next Steps and Discussion of Goals:

Task Force Chairman Wessell noted this is the last meeting of Task Force prior to the Organizational Session of the County Board. They have received some questions from the public and from Commissioners on where we are going. Wessell noted Pontius will facilitate a discussion after a small break is taken.

A break was taken at 10:14 a.m.

Back in session at 10:22 a.m.

Chairman Wessell said they had invited Lentych to join the table. Pontius said he had created a diagram on problem solving (on file with the County Clerk's Office). When he was approached to participate in the task force, his understanding was to define if there was a problem, research some of the criteria behind that and do a problem identification analysis. Pontius then provided a diagram that listed the following –

1. Problem Identification – What is the discrepancy between what is expected and what is occurring?
2. Problem Analysis – Why is the problem occurring?
3. Plan Development – What is the goal? What is the intervention plan to address this goal? How will progress be monitored?

4. Plan Implementation – How will implementation integrity be ensured?
5. Plan Evaluation – Is the intervention plan effective?

Pontius said he thinks the Task Force has made a compelling case for the next steps. We have moved beyond the discovery phase, which in his mind was the primary charge of this Task Force. We have done a very good job of getting a lot of subject matter experts in here to talk to us about that; we have had some really good discussion. However, he feels it is time for the plan phase; unfortunately, we are functioning as an ad hoc group; we need to move into this plan phase. For this Task Force to do so would be somewhat facile, because no formal structure exists for us to operate under, nor is there any funding to develop any kind of plan. Pontius said he is recommending we present our findings to the County Board for consideration, perhaps look at maybe letting the Planning Department act as the leading edge of this plan phase going forward. There is a recommendation on page two (on file with the County Clerk's Office) – *“County government cannot solve the affordable housing problem alone. The Housing Task Force recommends that the County must partner with non-profits, local governments, developers, investors, and State/Federal government to address the Housing challenges.”*

Pontius said he is recommending the Task Force present its findings to the County Board, with the hope that Commissioners agree with the findings of this Task Force and decide to move forward with the plan phase of trying to solve this problem. Pontius said he thinks the Task Force needs to be under some sort of formalized structure in order to be able to move forward with this; and some funds will have to be spent to figure out a strategy on how to do this. This cannot be done at the township level; there isn't enough capacity or funds at the township level. We heard this today from Elsenheimer; as we look at a regional solution which transcends even the county level – the idea that we would try to solve this at the township level becomes even more difficult. His recommendation is we try to get the County to look at this, have them acknowledge we have a workforce or affordable housing problem going forward; and then move onto the “Housing Task Force 2.0.” We may reassemble some of the players present, but also add some other people to the group to try and craft a plan on how to approach this, at least at the County level, and how that plays into a regional plan. Pontius said he is very aware of the regional prosperity initiatives Governor Snyder is implementing.

Haring concurred with Pontius. What he would like to hear is what happened after the 2001 Task Force recommendations. Did good things come out of that Task Force? Some positive feedback would be encouraging. Galla responded some of the recommendations were carried out from that Task Force report, such as not just going through MSHDA, but developing a nonprofit organization, which ended up as REACH. There were some other recommendations that were carried out, but not all of them were. It is still on the horizon here. Galla said there were some good results, some good successes. Hawley said they had not identified seasonal housing as a critical component; it had not gotten to that point

yet. They were focused more on single-family housing and working families. At that point, REACH was born and had some success. Discussion ensued. Galla stated there were 16 brand new one units built around the County, and they also moved some homes from the National Park and recycled them into the Sugar Loaf area. There was quite a bit of movement. The declining enrollment in schools was not a major part of the discussion.

Hawley noted REACH was created to solve the issue on how to get the money; REACH was the 501(c)(3) conduit. A lot of time and effort was devoted to it by that 2001 Task Force. Conditions were a little bit different; the schools hadn't started to have that "meltdown." Workforce and seasonal housing was not high on the agenda, but was an issue at the time. Haring asked Hawley, did you have direction from Commissioners, or did you seek out any direction or funding? Hawley responded there was a general consensus on the Board at that time that first, there wouldn't be a commitment of taxpayer dollars for this. They were willing to provide the oversight and the conduit through the Planning Department. The County didn't have any interest in getting into affordable housing. He doesn't think that has changed. This is a Leelanau County issue and obviously a Northern Michigan issue, but is an issue we are going to have to come up with a unique solution that fits our circumstances, because we are unique. Hawley said he cannot think of any other county that has the demographics we have; we have resources most people would only dream of.

Task Force Chairman Wessell said there was some discussion on Pontius' idea and what do we do next. They have prepared a very rough draft (of a report to County Commissioners). They tried to highlight what they have talked about as a Task Force and what their conclusions are. The conclusion is yes, we have a problem, but the next step is how do we solve that?

Egan agreed this group should create a report and present it to the County Board. In a way, we are handing them the problem. They are the leaders and they are in charge. They have to do the leading and if they aren't willing to step up and lead on this issue, which everyone agrees is one of the critical lynch pins, there is nothing anyone else can do to make Leelanau County move into the future. It can't fall on an unfunded nonprofit to solve the County's problem.

Pontius remarked we all are the County; we are all residents of the County. This is our problem. Collectively, it is our problem. The real issue comes when you try to figure out the process, of how you are going to try and solve the problem. You can't do anything without the County's direct involvement. They become that entity which can either make successful or cause to fail any solution you develop to solve the problem. Pontius said it is true we are moving towards regionalization. But when you move towards regionalization, you are talking about a much broader picture. We have a unique set of circumstances. Our real estate market is challenged; there is limited existing housing stock available. The

stock that is available far and away transcends the ability of even someone like a first responder to afford to live here. It was just reported in the *Enterprise*, that the fire chief in Empire Township is asking for a raise from \$8.50/hr. to \$12.00/hr. for highly trained fire and rescue personnel. At \$12.00/hr., you are talking an annual salary of \$24,000.00. What is the median income to be able to live in Leelanau County – double that amount. Even our first responders will not be able to live in a reasonable distance to their base of operation, which is five minutes away. We are not just talking about summer or seasonal workers, we are talking about Sheriff, Fire, EMT – all the people we rely on to clear our roads of snow. You cannot solve the problem unless the County is front and center in support of trying to develop a solution. Whether that cost falls on the County or a mix of public, private and nonprofit sector, which he thinks will be the way it will have to go, we have to have a solution. To map a solution by this group would be superficial.

Task Force Director Wessell said Lentych has been involved with Leelanau County housing and now Traverse City and Grand Traverse County; what would your recommendation be? Lentych responded he doesn't hesitate to talk about this. This region can have it all. We have unique problems, but we also have a unique set of circumstances that would allow us to solve some things other communities would be envious of. He would challenge everyone to continue down that path. Lentych said he has been impressed with the fact you wanted to do this; he is impressed with the people who have served on this. He is equally impressed with the people in opposition to the Task Force. Those people have spent a lot of time after his presentation, he found to be highly credible in their commentary. Lentych said when he used to travel with Narayanan, you never found people against these issues so organized and thoughtful. People want to know if the County puts one dollar into affordable housing, what does the County get back for that dollar? Is it a role for the County? If it is a simple solution of providing a conduit to bring in more resources to the County from the State, Federal private entities, etc., it might be worth it, because you are usually leveraging seven to nine dollars to one. He would encourage the Task Force to find out what REACH accomplished during those 14 years, because he thinks they will see the leveraged dollars on the investment that came in versus what was actually put in by the County might be enlightening. That is a perfect way to start this conversation – you have identified a problem and you have to have some steps to solve that problem. Is the county an appropriate player in those steps? That is where you are right now. That is how you solve it. Make that political statement that this is something the County should operate in; at a minimum, it should get out of the way or support anyone that is going to play that if the County chooses not to do anything. The County has to make that decision. If they say no, that is fine, but they can't block other resources coming into the County. Whether the County has to be an applicant when applying for resources through the State or Federal governments; do they have to have a nonprofit partner – they should say they are not going to invest County resources, but they will provide opportunities whenever possible. So you can get these resources that other counties are getting. Just because you have a political philosophy that may be

different than other counties, that is fine. Make sure you are not cheating yourselves from what is available to everyone else in the state. You are at the cusp of that conversation.

Task Force Chairman Wessell asked everyone to reflect and comment on Pontius' suggestion and Lentych's follow up.

Von Voigtlander said she agreed with everything Egan said. As a former elected official, yes we are citizens and we can influence, by letting our public officials know first, the buck stops with them, they have to make a decision based on the best information they get. It can be frustrating to citizens at times. It is important for elected officials to step up and do their job.

Haring said he supports what Pontius has suggested wholeheartedly. We need to report and get further direction from the Board. Haring said he thinks it is interesting, when we talk about affordable housing, but in Leelanau County, that narrows down to a unique situation with the seasonal issue. With the businesses we currently have, we do not grow any new businesses so meeting their employee needs is going to take a solution that requires partnering. He is excited about that coming out of this as we have narrowed the issue down. Other good things will grow out of that. He would like to see this continue to finding solutions to that problem.

Hawley said he agrees with almost everything everyone has said. Until a majority of Commissioners will at least accept the fact we have a problem, and that it will take a coordinated response, that includes County government in some respect, he doesn't see how we can get organized without that. County government has to accept the fact that we have a problem and that they have a responsibility to participate in the solution. He isn't advocating tax dollars but he is advocating participation.

Sutherland said the draft seems like a good start. He would back up and even open up a conclusions and findings. We need to look back and say, could that have been said before we even convened? The room is for us to be more detailed, specific and stronger in those conclusions and findings, if we are in agreement. Maybe we need to be more specific, stating there is a lack of seasonal workforce housing that leaves jobs in Leelanau County unfilled. There is a lack of rental housing that is leaving families who want to live in Leelanau County unable to live in the County. That way we talk about how it affects employers and the people who hope to live here. There is a lack of nontraditional housing – apartments, duplexes, etc. The conclusions and findings are very important because it sets us up for the recommendations. And there is even a reason for us to take a moment and deliver the conclusions and findings to the County Commission first, let that sit, and then go back after they are delivered, and then come up with our goals and plan. We could do it together, but there is a reason to take our time and write strong conclusions and findings.

Von Voigtlander said in looking at the recommendation, she would guess the County through the work of Galla and Egan that they are partnering with nonprofits and local governments, developers, investors, State and Federal governments already. We need to go beyond that, with more specific recommendations. Because they would say we are already doing that.

Sutherland said we talk about the problem, but we also need to talk about the lack of staff time or personnel in the County tackling the issue. There isn't one hour of time being spent on this. That is an important point. We have no infrastructure, no time, or knowledge to make this happen.

Task Force Chairman Wessell said as a member of the Board, there is a minority on the Commission that supports the County role in the housing problem. He thinks there is acknowledgment we have a housing problem; we certainly do not have consensus on the part of the Commission that this is something Commissioners should be concerned about. The next step is convincing them there is a role for the County Board – not the only role, but a role. We will be spinning our wheels if we continue every month to hear we are not a legitimate group. He does like the recommendation by one member that we need to say this is what we have found and see if there is a will on the part of the County Commission to put together a group and move forward.

Pontius said without the County at the table to work on the plan development, the next step, or planning implementation, will fall flat on its face. For this group to try to develop a plan and come forward with a plan that is an unfunded suggestion would be a horrible waste of everyone's time. Pontius said he feels the County needs to be at the top of this discussion and be an active participant. While he does agree about the taxpayer dollars, that is fine; help us figure out a way to achieve the goal without using tax dollars. There are ways; we have heard that countless times in these conversations. Let's develop a plan and find a way to make it happen. As a citizen of this County, we have to solve this problem. In looking at our aging population, there is a large group that will want to "age in place." That will require occupational therapists for in home visits and those therapists can't live 30 minutes away and be able to come here and do their job. He can see a real estate market in the next 20 years where no one is interested in purchasing the existing housing stock because no businesses or services, like schools or grocery stores will be here because it all dissipated without a workforce strategy implemented.

Task Force Chairman Wessell urged anyone who has other thoughts to call or email him. He will take Sutherland's suggestion and expand the statement of conclusions and findings; he will put Pontius' suggestion as a recommendation and forward it to the Task Force prior to the Board's January Organizational Session. He wants to hear all comments. We won't submit anything the Task Force isn't comfortable with. Consensus.

Haring said the more we can break down to specifics, what is the need, how many employees do we really need, are we short, what is the current number of housing units we have, are the census figures still valid? He has friends in retail and restaurants and they have problems, but how big is the problem? What are the numbers? Are the numbers from 2010 good enough? Does the private sector take care of itself? What do we tell Commissioners?

Hawley remarked there are lots of ways to do that. There are universities and colleges – you can get a tremendous amount of help from the educational system. These are great projects for college juniors or seniors to pursue – you need someone willing to go out and talk to businesses and gatherer data. That is what kids do for projects.

Haring noted the Leelanau Peninsula Economic Foundation received grant money recently to put a survey together. They have submitted questions for that survey. They are working on putting together a list of questions. That is in the works; it isn't cheap.

Galla said years ago when the County did a survey, they used the local school government classes as a test for it, and those government kids took the survey first (to fine tune the questions). It seems to her we are at the most important point - what are the conclusions and recommendations. She would feel more comfortable in bringing it back and have everyone discuss it. She isn't comfortable moving forward without meeting and reaching a consensus regarding the recommendation.

Elsenheimer said he thinks a target market analysis (TMA) of the area had been done. Does the TMA properly identify the seasonal housing issue? Lentych affirmed. Elsenheimer said, so it has been identified. Lentych responded it has been identified by simple analysis and talking to business owners and farm communities. Elsenheimer said so some of the work we are talking about has been done. There is recognition by experts who were hired and completed that analysis and then determined yes, this is an issue. While it certainly makes sense to bring in some other individuals to get some updated data, it looks to him like you have that, about as good as you can get, at least from the State's perspective. Pontius said Networks Northwest has done some pretty comprehensive housing studies. Behind that report, there are reams of data sets. In identifying the problem, we have pretty much identified a problem – we need to work on the solution. Lentych cautioned reports do have shelf lives. We need to check on the shelf life. Pontius noted – the Leelanau study was done within the last 18 months.

Task Force Chairman Wessell said the Woda Group provided a report that the proposed Northport project would be filled within 18 months. Consensus to hold another Task Force meeting on Monday, January 4, 2016, at 9:00 a.m. Wessell thanked Elsenheimer and Narayanan for their comments today.

Task Force Member Comment:

None.

Public Comment:

◆ Sam Getsinger, new resident of Elmwood Township. Getsinger said she appreciates the work the Task Force has done. She is excited to meet people interested in going forward. She has become involved with several groups.

◆ Karan Josephus, 15 year resident of Leelanau County. Josephus said she does not support taxpayer dollars being used for this process; she prefers private sources, not public ones.

◆ Dennis Bushey, Elmwood Township. Bushey read from a prepared statement, and thanked the Task Force for their efforts.

◆ Cory Flaska, Cedar. Flaska asked for simplified tax abatement, and remarked on the difficulty in developing property for housing.

◆ Eric Lind, Suttons Bay. Lind said they need a plan to deal with NIMBYs (Not In My Back Yard) – a problem in every county. Developers need incentive and abatements are a good way to do that.

◆ David McCulloch, Suttons Bay Township. McCulloch suggested parliamentary procedure be used; he also asked that the Task Force recognize Pearl Harbor Day.

Task Force Chairman Wessell thanked everyone for coming.

Meeting adjourned at 11:15 a.m. by Task Force Chairman Wessell.

Laurel S. Evans
Leelanau County Deputy Clerk