



City Council Chamber
735 Eighth Street South
Naples, Florida 33940

City Council Special Meeting - November 23, 1993 - 3:30 p.m.

Mayor Muenzer called the meeting to order and presided.

ROLL CALL

ITEM 1

Present: Paul W. Muenzer, Mayor
Fred L. Sullivan, Vice Mayor

Council Members:
R. Joseph Herms
Alan R. Korest
Ronald M. Pennington
Peter H. Van Arsdale (Arrived at 4:45 p.m.)

Absent: Kim Anderson, Council Member

Also Present:
Dr. Richard L. Woodruff, City Manager
Missy McKim, Community Development Director
Ed Dering
Attorney Kim Kobza
Tara A. Norman, Deputy City Clerk
Marilyn McCord, Deputy City Clerk
Eric Staats, Naples Daily News
Other interested citizens and visitors

ITEM 2

ITEMS TO BE ADDED TO THE AGENDA

There were no items added to the agenda.

ITEM 3

AUTHORIZATION RELATED TO THE DEVELOPMENT OF JASMINE CAY AFFORDABLE HOUSING SITE NORTH OF NAPLES DAILY NEWS; SALES CONTRACT AND WAIVER OF WATER AND SEWER HOOKUP ASSESSMENTS.

City Manager Woodruff distributed a memorandum to Council (Attachment #1) which reviewed the background of the affordable housing site north of the Naples Daily News. Dr. Woodruff informed Council that the predominant problem associated with a sales price larger than \$191,000.00 is the fact that the rental rates per unit would then become higher than the rates necessary to be eligible for SAIL and FHA funding. Because of that and other factors, the only feasible options are as follows:

OPTION 1 : Lease of Land

- ☐ Lease period - 50 years.
- ☐ At the end of 50 years, land and improvements revert to the City.
- ☐ Option for extension beyond 50 years possible.
- ☐ City waives all impact fees.
- ☐ Developer pays all system development fees.
- ☐ Annual lease - \$10,000.00 per year.

OPTION 2 : Direct Sale of Property

- ☐ Sales price - \$140,000.00
- ☐ Terms - full payment, two years from date of signing
- ☐ City waives all impact fees.
- ☐ Developer pays \$60,000.00 of system development fees for water/sewer with Community Development Block Grant Funds paying balance.
- ☐ Impact fees waived by the County would increase sales price of the property by the amount waived by the County.

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The City Manager recommended that Council select one of the above options and proceed to authorize final contract negotiations on this property. He explained that both options assume no waiver of impact fees by the County.

NOTE: Deputy City Clerk Tara Norman acted as recording secretary for this meeting until 5:00 p.m. Deputy City Clerk Marilyn McCord acted in that capacity from 5:00 p.m. until adjournment.

Public Input:

Pamela Mac'Kie

Attorney Mac'Kie informed Council that she had a client who was interested in working with the City, however, his property was not within the City limits but was within the two mile limit. She requested that Council encourage staff to use the funds from the sale of this property to pay impact fees for affordable housing within the two mile radius. Attorney Mac'Kie ended by saying, "I want you to know there are developers out there interested in that option."

Council Member Herms suggested that \$10,000.00 per year to lease the property was not sufficient. He stated that his preference in this matter was to sell the property, reinvest the funds over the next four years in order to maximize the number of units the City can receive credit for without going back to the ad valorem taxpayers for additional funds. Mr. Herms commented that compared to the North Road affordable housing project, the Jasmine Cay project would realize a much greater profit for the developers. He said that he could not justify selling this property to Robb, Dering & Associates if that firm would realize so much profit.

Council Member Pennington said that in his opinion Council had collectively chosen what they believed to be the best project. He reminded everyone that controls exist on the amount of profit which can be made by a developer.

In response to Council's questions, Dr. Woodruff said, "We had an opportunity to meet with Mr. Pennick of the DCA (Department of Community Affairs) this last Friday. We basically asked him the question, 'If we don't have 377 units by the critical date of 1998, what happens?' And generally his comment was 'The world doesn't stop,' but what they do is look at how much of an effort have we put out to get there. If we have put out a lot of effort and we're still at zero units, they aren't going to look very kindly on that, was the impression I got. On the other hand, if our goal is 377 and we have shown a consistent pattern of trying and accomplishing, and let's say for discussion

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purposes we're at the 310 level - we can actually show them 310 out there - is the world going to stop? Are they going to fine us? The answer that he gave us was 'No, but we're going to evaluate what have you actually tried to do and what have you actually accomplished?' Now the other thing which was very good news, based upon 1990 information, that we can certainly apply and try to recalculate, because we believe today that our 377 number is based upon a flawed formula. Now, as he (Mr. Pennick) said, we always have the ability to try to change the program. That doesn't mean they they'll agree to it, but as long as we can logically show that 377 was the wrong number, that the old formula was flawed and here is the new formula and how we think about it, then theoretically it is possible for us to get a number lower than 377. We talked specifically about the Hospital, and what he said about the Hospital was that if we can show that from a date in the past, for example, if we adopted that plan in 1988, and that in 1989 for example the Hospital bought 40 more units and we can show that before that they were at fair market rent and after the Hospital bought them they are subsidized, if we can document that, then we can count those units. We did have him clarify for us that we have a little more flexibility here than we had before." Dr. Woodruff reminded Council that funding sources for future impact fees will include \$193,000.00 from the Coastland Mall expansion, assuming everything planned is built.

MOTION: To **APPROVE** Option One as stated in the November 23rd memorandum to Council from City Manager Woodruff. Modify Option One to include an option of an extension of 25 years. Impact fees waived by the County be increase the sales price of the property by the amount waived by the County. If impact fees waived by the County would increase, those impact fees will be returned to the City for future application to affordable housing.

Anderson			A
Herms		N	
Korest		Y	
Pennington	M	Y	
Sullivan	S	Y	
VanArsdale		Y	
Muenzer		N	
(4-2)			
M=Motion S=Second			
Y=Yes N=No A=Absent			

Mr. Dering verified that the percentage of profit made by the developer is limited by the State. Should the developer incur less than projected costs, the balance of the funds are recaptured by the State Housing Agency. Mr. Dering and Council Member Herms discussed the tax credit aspect of the development.

Council Member Herms stated that he would support a land lease at a higher rate, noting, "This land will become more and more valuable. This is not a reasonable return for the taxpayer. I don't think we understand the impact and the amount of profit that is in this project. I have a very distinct feeling there's \$900,000.00 to \$1,000,000.00 profit in this deal, and this thing is just way out of control as far as return to the developer in this project, and very little back to the taxpayers." Mr. Herms continued, "We've got another gentleman who was very interested in doing a very good

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quality project here, and that option, I think, should have been explored before we continued on with this one." Mr. Herms voted "No."

Council Member Korest said, "We've got a proposition here that allows us to move forward and for the first time provide some housing to people that doesn't presently exist. I think if this were such a good deal from the developer's standpoint we'd be bombarded with people that wanted to do these deals, but they are not the kind of projects that most people want to do. They're extremely convoluted and if the developer makes some money on this, I hope he does because he's got some other places where he's not making money, so if he makes money on some, he's not going to make it on all. My hope is that project will be successful and be a model for the future development of this part of the community." Mr. Korest voted in the affirmative.

Council Member Pennington also voted "Yes."

Vice Mayor Sullivan prefaced his vote by stating, "We've been working a long time. We said that when we provided affordable housing we wanted to provide quality affordable housing, which could eventually become a model for other cities and other projects to emulate. I think with this project we're doing that. I fail to agree that we're not getting a fair return from the land. The City owned land on which George Washington Carver complex is located. They leased that out for \$1.00 a year, and they did that not because they wanted to make a profit. They did it because they believed that all the citizens of this community are entitled to live decently. So they did that to further that dream for those people, and I think that's what we're doing here. We're not asking anybody to rent a cracker box and live in it. We're providing something of quality and something that will be in the long run a benefit to the City, and so I think it's money well spent, and I think that this is a project of quality, and this is the way we ought to go." Mr. Sullivan voted in the affirmative.

Council Member Van Arsdale said, "I concur with some of the statements of Mr. Korest. We didn't have a lot of choice and we may be able to get a little bit more money out of the property, but part of what we're walking away from is simply subsidizing the project to make it affordable. If we weren't subsidizing it would be market rate, it wouldn't be affordable. I think the developer is making a good profit; I think that's why he's doing it. I think it's a reasonable profit; I don't think it's excessive, and certainly if it was there would be a lot of people doing it. I think we need to get the thing going. It's important that we move ahead. The payback is not much. The dollars we're going to get for the project, it's going to be from the project and the impact it has on the neighborhood and the community. I think it will be much more positive than what we get in money. It's a step in the right direction. We need to keep striving to meet our goals." Mr. Van Arsdale voted "Yes."

Mayor Muenzer commented that he had vacillated in his opinion. He noted, "I've cooled my enthusiasm for the lease agreement because I see the money being so small that I don't see a chance to do anything with it on a yearly return. Part of the hope that I've had is that in the realization of

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this property sale or however we worked out, there would be some funds left to be able to try and modify some of those River Park apartments, converting some of the two bedrooms to three. That desperately has to be done, and I was hoping that we would generate enough funds to be able to let us work with them there, because we have to do it for the quality of life for some of the kids there. Some of those older people will be moving out of their units into this particular development; that will give the opportunity to create the changes to create the three bedrooms apartments, so I was hopeful we could do it. The lease arrangement just isn't going to give us the funds to work with it." Mayor Muenzer reminded everyone that last spring Council had hoped for an estimated \$300,000.00 purchase price. He continued, "I wish we were getting the \$300,000.00 but we aren't. I wish we were getting the \$140,00.00, but we aren't. Because with that \$300,000.00 or with that \$140,000.00 I could do the rest of my hope and that was the modifications. That's my real problem - the lease just is not going to give the funds that I was hoping that we could get to go ahead and make those changes. If the lease return had been greater I could support the lease arrangement." Mayor Muenzer voted in the negative.

The motion carried 4-2.

CORRESPONDENCE AND COMMUNICATIONS

None.

ADJOURN: 5:40 p.m.

PAUL W. MUENZER, MAYOR

Janet Cason
City Clerk

Tara A. Norman
Deputy City Clerk



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Marilyn McCord
Deputy City Clerk

These minutes of the Naples City Council were approved
on December 15, 1993.

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Convened 3:30 p.m. / Adjourned 5:40 p.m.

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