



CITY OF MUNCIE REDEVELOPMENT COMMISSION

Regular Meeting Minutes

The City of Muncie Redevelopment Commission (MRC) met on Thursday, February 17, at 9:00AM in the City Hall Auditorium, First Floor, 300 N. High, Muncie, Indiana 47305.

- I. **Call to order:** President Jeff Howe called the meeting to order at 9:02AM.
- II. **Roll call:** Commissioners Jeff Howe, Secretary Lorraine Tomlin, Brandon Murphy, and Shareen Wagley were present.
School Board Representative Jim Lowe was also present.
Vice-President Isaac Miller was absent.
- III. **Agenda:** Murphy motioned to approve; Tomlin seconded. Howe, Tomlin, Murphy, and Wagley voted aye; agenda approved.
- IV. **Approval of minutes from last meeting:** Wagley motioned to approve the minutes; Murphy seconded. Howe, Tomlin, Murphy, and Wagley voted aye; minutes approved.
- V. **Claims:** City Controller Craig Wright reported \$70,000 was transferred 759 to the general fund. There was a \$15,000 claim for the Muncie Land Bank as a part of an agreement through 2023 at \$15,000 a year; that was installment three. There was a claim to the Innovation Connector from the certified tech park TIF for \$30,965. Other claims were general utilities.
Wagley asked him to explain the \$70,000.
Wright stated it came 759, the Silver Birch fund. The money was used last year so they decided to transfer it over.
Wagley asked if that was a TIF, having to do with the apartment building.
Mayor Dan Ridenour stated it wasn't necessarily in a TIF but a PILOT program. They make a payment each year in lieu of taxes. Those funds have been deposited for several years and they wanted to move it over to the MRC general fund so they can pay regular expenses.
Wagley clarified that this stayed with the MRC.
Mayor Ridenour responded yes, transferring from one checking account to another. They've not spent it in the last couple years so it continues to build as they make payments. This is what the State Board of Accounts (SBOA) recommended, instead of a paper transfer, doing it in a public forum.
Wright stated the SBOA wanted a check so it would be a clean transfer, adding he meant the MRC's general fund, not the City's general fund.
Howe stated the other sizeable claim was to American United for appraisals for Community Development.
Wright added it was for 12 properties.
Murphy motioned to approve the claims; Tomlin second. Howe, Tomlin, Murphy, and Wagley voted aye; claims approved.

VI. City of Muncie Update

– Projects in Process

- **Storer Estates:** Mayor Ridenour reported this went out to bid. There were three interested parties that responded and a bid was accepted. Work should start when the weather clears, anticipated in April. There is earthwork and a lot of additional work with the Sanitary District in sewers and streets, not necessarily at Storer Estates, but the neighborhood in general. A dry retention pond will be dug that will have walking paths on it. There can be several feet of water that will move into the system in hours. The retention pond will retain that water and help with the flooding issue. The dirt from the dry retention pond, about four feet down with a slight slope, will help build up those bottom 10 lots to help get them out of the flood zone. Then they will work with FEMA to get those taken out of the flood zone, so initially, those won't be sold, or might not, but could if somebody wanted them. If someone built a house there the lenders would require flood insurance. That was estimated to be a six-month process, and that was pre-COVID. There will be 34 lots total, a park area on the eastern edge of the entrance, a lot of walking paths, and still a lot of green space. There's a committee that's involved in helping figure out how to do this. Mayor Ridenour asked for all the lots to be sold through realtors so they can go through the MLS and count toward appraisals; private transactions can't count toward appraisals. This process would make pricing would be more accurate, they need to go through the MLS. A typical realtor commission would be 6% or 7%, which is included in the budget and is taken out of expenses. As homes get built, he will encourage realtors to also be a part of the MLS so those appraised values will also be a part of future appraised values. Because of Muncie's very old housing stock, the appraised values don't always match what it costs to build a new house. So, if you are able to use the construction price of a new house for the appraised values, and be a part of the MLS system when it's built, the appraisals are then able to include that in the value. He encourages doing all that through realtors and not try and save a few dollars. He doesn't want to show any particular real estate firm favored status. He asked the East Central realtor association to be the listing agent so the numbers would count toward the appraised values. They indicated that after checking with their legal they weren't necessarily able to do that, so it was recommended that they pick an agency. Rather than picking an agency, they would like the MRC to consider this plan. He went through the largest agencies that are located here—RE/MAX, Coldwell Banker, Viking Realty, FC Tucker, Star Realty, Berkshire Hathaway, Real Living, Taflinger, and Next Home—and found out how many agents they had by looking online, all using the same standard. RE/MAX, for example, has 44 agents. He didn't look at dollar-volume sold. The total number of agents is 129. He took the percentage by firm divided by 129 and multiplied that by the total lots. Based on that, 12 would be listed with RE/MAX, eight by Coldwell Banker, and so forth. Each agency would get at least one, some had four. Each company would pick the listing agent or agents. The MRC would then make agreements with each agent. The seller typically pays the listing agent. So, if the listing price is \$20,000, the 6% commission of \$1200 would

come from the seller, and that's typically split between the agent of the buyer and the seller. The MRC would pay the fee. He always encourages buyers to go with a realtor because the seller typically pays the commission, so first-time homebuyers should have representation for themselves. The buyer selects their own realtor. His intent is to not have one agency that does it all but to spread it around. If this isn't how it's done, it's important to use a listing agent because these values are important to the message they're trying to send. There aren't developers in town who will build these subdivisions, just builders. That's one of the reasons the MRC is building this one, to show there's a market for this in the community. This will help, but only if a realtor is used.

Murphy stated early on in the process, it was anticipated that some homebuilders might be the buyers of some of the lots and asked if that was no longer true.

Mayor Ridenour responded they could, but would have to use a realtor to buy the lot. They would have to contract with a realtor.

Murphy reported the committee met in January, reviewed the two appraisals, had a concern they weren't apples-to-apples. One broke down each lot individually and gave a lot price, and the other took the whole property and divided it by the number of lots. But, each lot is not identical and may have different value. He asked if the Mayor thought it was a good idea to have those updated to address that discrepancy. He also stated, with the way property values have changed in the past year, the information we have may already be dated. That is his request and asked the Mayor's opinion.

Mayor Ridenour responded the appraisals have already been done and paid for, but new appraisals would not be out of line. He understands what Murphy is saying because one was a total divided by 34 and the other was individual. He thinks individual prices are more appropriate because there could be a corner lot that some people want and others don't. There are also some that are along the walking path so they have different values.

Howe stated the other appraisals shows those lots do vary by a lot. Any anyone that has done any real estate transaction knows, its location, location, location. He thinks it makes sense to price the lots by having two appraisals that look alike, from a method standpoint.

Mayor Ridenour asked if they'd like for him to reach out to the appraiser that did the total price and ask that that get broken down into individual.

Murphy responded that would be his suggestion. He's not as concerned about the inflationary issue but is about the apples-to-apples. He wants lot prices that are broken down that way.

Murphy motioned such.

Mayor Ridenour stated he could do that, adding they were both local appraisers.

Howe asked if they go through and look at those appraisals, there's a fairly decent chance they will, because of the code-of-conduct they have, they will update their information, therefore that appraisal make take into

consideration a different market than it was a year ago, and if so, the other appraisal will be obsolete in comparison.

Mayor Ridenour responded that is possible, and if the board would choose, he can do two new appraisals to get current information, or he can ask the appraiser that did the total to use the comps they already had to determine what each individual lot is.

Howe asked Murphy to amend his motion to have those appraisals updated so they are current to make sure this is as accurate as it can be to have current and timely land values on those before they are sold.

Murphy responded that was fine with him.

Howe asked how it would work if a builder builds a home as a spec, maybe going through a realtor to buy the lot, but not necessarily on the sale of the home. If he buys a lot and builds a house, how does the MLS know what the cost is to construct the home; all they know is the cost to buy the lot, or is the goal just to get a lot value.

Mayor Ridenour responded he would love to get to the construction value, but for those lots that get purchased by builders, it's not as likely that those builders will be doing so in a way that it shows up as a comparable, and that's what the appraisers have indicated has always been a problem.

Howe stated from a nonbuilder there will be construction inspections that will then be taken into consideration on the appraisal because the appraiser would do an appraisal on the lot then another appraisal on the home if it's financed along the way.

Mayor Ridenour responded they may not be able to get this to work with the builders because most of them are not members with the MLS and there's an additional expense involved and sometimes that becomes a deal killer. If it costs \$300,000 to build, but the market only bears \$260,000, what happens is the appraiser can only use \$260,000 because that's what other three-bedroom, two-bath, three-car garage homes are selling for and that's it. That \$40,000 has to be made up between the builder and the person who has hired the builder, and often people go ahead and pay it. Being very involved in the mortgage lending industry, about half the time the people say they're not going to build because they don't have that \$40,000 difference or can't work it out with the builder. Sometimes they'll adjust the plan and buy a little less, but it doesn't really impact the appraisal, so they don't get some of the upgrades. The appraisal looks at the number and size of bedrooms and bathrooms, but maybe not the quality or some of the upgrades that occur. It increases the cost to build but not necessarily the price. In markets that have a lot of new construction, it's not a problem because there's a lot more activity. Muncie struggles in certain price ranges. What he's found is that in the \$150,000-\$225,000 range there was never an appraisal problem, but that was three years ago. Over \$225,000, especially into the \$400,000s, it became an issue. We're not going to be able to require the builder to use a realtor, and without the realtor, it doesn't show up as a comparable for the appraiser. We're not the only community that struggles with that. We try and come up with solutions. He had a meeting at his previous

employer where they brought in the appraisers and realtors and tried to iron out getting these listed and they made some good progress, but it's a real challenge in communities that haven't had a lot of new construction, because new construction is going to be more than what it may appraise for once it gets to a certain level, typically \$300,000 and above because we just don't have that much of a market.

Murphy motioned to have two new appraisals with updated information; Tomlin seconded. Howe, Tomlin, Murphy, and Wagley voted aye; appraisals ordered.

Mayor Ridenour clarified that both should be updated and he should request to have individual lot prices so we don't have this divide.

Murphy replied yes.

Mayor Ridenour added hopefully the earthwork will begin moving soon, within a couple months.

Howe asked how long that would take, weather-dependent. Would properties be marketed by mid-summer?

Mayor Ridenour responded yes, with an outside chance that we could do something in May or June.

Counsel Ben Freeman clarified that that includes the streets and infrastructure being put in as well.

Mayor Ridenour responded yes.

- **YMCA:** Mayor Ridenour reported he talked with Murphy recently about this and thought it would be wise to figure out how to acquire the current Y building because of its relationship to Canan Commons, to downtown, and to the hotel. He struggles with the discrepancy between the two appraisals. He wants approval to get another appraisal to confirm value so we can look at it again.

Murphy motioned to approve; Wagley seconded. Howe, Tomlin, Murphy, and Wagley voted aye; appraisal ordered.

Mayor Ridenour this wouldn't require us to buy anything, just allow him to spend the money to get a commercial appraisal.

Howe asked Freeman how it worked when there was a third appraisal, if the average of the three would be taken, or if it was the average of the two closest together.

Freeman responded the statute contemplates two appraisals but doesn't say anything about three. He would need to look into it a little bit, but speculates the options would either be to average the three or take the two higher. He thinks the intent is to not allow the city or in this case the MRC to overspend, but as long as they are three certified real estate appraisals and you are using the two most relevant or recent or throwing out an outlier that would probably be okay.

Howe added we will need to take a real close look at those appraisals to determine what the most relevant ones are.

Freeman responded that's what he would anticipate but will look into the specifics with a third.

Murphy stated he agreed generally that these requirements were designed to protect the government from overspending, and there's nothing preventing us from offering under the average of the appraisals.

- **Current and Future Opportunities:** Mayor Ridenour stated we received a State LIHTC grant, between the MRC, Mayor's EDIT funds, Community Development, and a future tax abatement by the City Council. We have been approved for another workforce housing group—City View II. We already have City View I which has come through here and has received approvals, and starts construction in March. City Group II is the same owners, Miller-Valentine out of Cincinnati, Ohio. These will be 37 more new housing units that this developer will be building on scattered lots throughout the city. These are all owned by MRC. They will be going off of MRC's ownership and responsibility and onto the tax rolls and become new houses. Most of the homes in the first development that starts in March were in the neighborhood around Willard south of downtown. There were around 24 MRC properties in that and they bought some others as well. Add that to the 37 and that will be taking 61 properties off the responsibility of the MRC and putting them on the tax rolls and creating new housing options for some of our southside residents in particular. This does go into the eastside and further west and further south. There are nine homes south of Memorial that will be built. There are 10 that will be in the Thomas Park-Avondale neighborhood, and there are several in Blaine-Southeast along Burlington, one on Jackson, and one on Main Street, a couple corridors coming into town. These are all lots that we own. What he's most proud about is showing the MRC going full cycle, because the MRC determines either through code enforcement or through our Building Commissioner's office properties that are either dilapidated or not being maintained and we take steps to get those properties into our hands. We tore down either 249 or 251 properties. We tore down all of those properties and these are some of those lots. These 37 are lots that have gone through all of the process except for this final step of getting a developer to come in and build the new homes. They will not only be back on the tax rolls but provides a younger housing stock, a newer housing stock, which helps us with our aging housing stock in neighborhoods that are ripe for new investment. He's really proud that the MRC in collaboration with Community Development and the Building Commissioners office, with funding from the Council because they need to pipe in some funds with tax abatement and also substantial funds from the State of Indiana we're developing some of these neighborhoods with new housing stocks and that's just great. These are smaller homes, one or one-and-a-half story, maybe some two-story homes. They will fit well into the neighborhoods they're going into. Most are three-bedroom and are designed for families and we're really excited to have this new housing stock coming into the city, taking them off the MRC to maintain them, and getting them back on the tax roll.

Howe asked if they will have tax abatements.

Mayor Ridenour responded yes.

Howe asked if they were 10-year tax abatements.

Mayor Ridenour responded yes. The scattered sites is what we as a city have been trying to accomplish. He's talked to the Council individually so he doesn't anticipate any problems. It has not come to the Council yet, but all these properties have been brought to the Economic Development Commission which

has to make them into a target area so they can be eligible for tax abatements and that part has been done. There will be something on this agenda coming up in March for City Council to start that process. This second group is supposed to close in May. The first one probably should have started this past fall but due to the construction costs there were some concerns. If you look at the budget you'll see I pulled that out. There are no longer concerns about the financials, and construction costs because they're kind of doing these projects together which gives them some of the economies of scale that they need to make it work. The State is also putting in additional funds to make this and other projects all across the state continue, because construction costs have gone up substantially and it was a challenge not only for Miller-Valentine but for many different developers across the state. The State wants this development. We have already put out a press release, but at this point, not all outlets have publicized it, some have. He wanted to make sure that the MRC's efforts are helping 37 new single-family homes be built in neighborhoods that could greatly use that investment.

Mayor Ridenour reported on the budget. We still anticipate participating in the other \$25,000 with Habitat for their new location. We paid the first \$25,000 in 2022, the second installment is in the budget for 2023. Demolition costs for Riverfront Phase II is still in there. And the relocation of the utilities is something that will be coming up shortly but that's still in there. This East Central Indiana region did receive READI grant, \$15 million. The City will get part of that for various projects and there still is an anticipated expense. They've awarded the money to East Central Indiana, but it's not been determined which projects will be approved. If ours is approved, that will come out as well. Financially, we're in a pretty good spot with all the funds. That \$665,000 is anticipated for the most part because it involves selling the lots. The top part are funds we have that are restricted to those particular areas. The \$1.6 million is the general fund for the consolidated TIF. Very little changes from last month. We've got a couple very large projects coming. For Phase II, he met with the developers—the same developers that did Phase I which is the White River Lofts. At some point in April we'll start demolition work as tenants move out in March; they have to be out by the end of March. Phase II has been adjusted a little bit. They wanted us to build a parking garage. We will do a parking lot, but the parking garage was just an expense he felt we didn't want to do. They are reconfiguring their building to put all the parking they need for the 64 apartments inside the building. The first floor was going to be maybe 15,000 square feet of retail, but it's now going to be less than that. They're still going to put a restaurant, but the rest will be first-floor parking. There might be some second-floor parking and it could go up another floor, that's a possibility. He should have revised information next month. That is ready to move forward. We're going to pay as much cash as we can, but he may come to you next month with a potential debt issue, probably a private placement rather than bonds because he wants it more short-term. He's trying to figure out how to do it in a five- or 10-year. We're really close to being able to pay cash, but there's some other projects involved that he knows are coming and it may be looking to bunch a couple of those together to minimize legal fees for the bond attorneys and minimize the consulting fees for the financial advisors. We did have a meeting that Murphy was able to attend where we were able to discuss with some Council members—enough that it was less than a quorum; there were four there—we went through some of the potential things that we might try and bundle into one small borrowing instrument.

Howe asked if they're moving parking inside the building if that eliminated the need for a parking lot at this time.

Mayor Ridenour replied we'll still need the parking lot. The Phase II portion will have a public portion out at the point. Nobody can get underneath it; there is a huge sewer pipe under there. It was \$3.4 million to move it, so he said we would leave it. So, we will put a public space up there, intended for food trucks and seating. There is another public space over by the Lofts. We anticipate having events or at the very least some outdoor concerts, so we feel the parking lot is important, just didn't see a need for a parking garage and the expense, after we looked at it, is not something we should be doing.

Murphy stated based on Monday's meeting there were some figures that were discussed and wanted to be clear that the utility relocation outlined here in the budget is just a part of the total cost.

Mayor Ridenour replied he intended to pay cash for the utility relocation. We could borrow if we wanted, but we've got the cash, so he intended to pay cash, so that is not in the number. That's really probably just going to cover what will be the public space which is going to be somewhere between \$700,000 and \$1 million to do it right and that is definitely an entry point. When you come across that bridge, we want people to say wow this is Muncie and we have a shot to do it. That's what the number was representing. He doesn't know if he has to get the MRC's permission but to do the parking lot, there's some engineering that needs to be done, so if it's within his scope and timeframe to get it done the City Engineer will get it done, but wants permission to put bid it out for engineering. He doesn't know what that cost will be but before construction, he wants to have it reviewed. The City Engineer always reviews engineering work but his schedule is tight and there are a very large number of other projects already and 63 streets being done this year and doesn't want there to be a huge delay in getting that parking lot done, so if he can't get that done in a reasonable time he wants permission to get that done.

Murphy motioned to allow expenditures for engineering on the parking lot; Tomlin seconded. Howe, Tomlin, Murphy, and Wagley voted aye; expenditures approved.

Mayor Ridenour stated there are a number of things going on but, in the essence of time, he wants to try and only talk about MRC things. There are a lot of people wanting to move to Muncie. We have 77 applicants for the remote-worker program. Twenty have been vetted down and we're in conversations with several of them. He had a conversation last night with a gentleman who wants to do it so we're sending him the paperwork. He's been through the vetting process. There are people who are living on the coasts in expensive communities with high costs who are looking for a different life, a life we have in Muncie. He's really excited about what he's seen, and it just started, and there are now videos in place. This also make housing that much more important because everybody he's talked with so far wants to buy; he has talked to five. They're not looking to rent, at least not those he's talked with so far.

- VII. **New Business:** Howe reported Residential Program Administrator Zane Bishop indicated before the meeting there was no new business and asked if there were any questions for him; no questions were heard.
- VIII. **Commissioner Member Comments:** No comments were heard.

- IX. **Public Comment:** No comments were heard.
- X. **Adjournment:** Howe stated we will meet again in the same location on the 17th of March. Hearing no objection, he adjourned the meeting at 9:51AM.

Minutes recorded by Zane Bishop.

Jonas Tomlin, Lorraine Tomlin, March 17, 2023
(Signed, Printed, Title, Date)