

Affordable Housing Committee

Monday, January 8, 2024 2:00 p.m.
Eagle River City Hall, Council Chambers

Meeting Minutes

1. Call to Order. The meeting was called to order at 2:00 p.m.
2. Roll call. The following members, constituting a quorum, were recorded present: Tammi Boers, Alex Forer, Scott Foster, Robin Ginner, John Hletko, Jim Holperin, Karen Margelofsky, Rachel Martin, Jim Mulleady, Jeremy Oberlander, Kevin Penkert, Joe Schwartz, Holly Tomlanovich. Guest: Barry McLeane.
3. Approval of December, 2023 meeting minutes. Motion by Foster, second by Oberlander, to accept the minutes as submitted. Approved unanimously.
4. a. Holtz Company J-1 Visa Housing Proposal. Holperin said Holtz CEO Dan Bullock would be joining the meeting by ZOOM at 2:15p.m. and encouraged members to ask him any questions they may have. Ginner asked about the value of the "builder's incentive" which is being requested. Holperin said Holtz is requesting: 1. land at no cost; 2. a 100% property tax abatement for 10 years; (At a project cost estimated to be \$8 million and a City tax rate of \$17 per thousand dollars of assessed value, this equals a tax break of \$1.36 million over 10 years.) 3. Sufficient nearby parking.

Penkert said that both the project costs and estimated rents seem high for the type of building that is being proposed. Holperin offered the reminder that Holtz specializes in satisfying J-1 Visa program requirements and is offering a "package" of a new building and post-construction building management to J-1 standards.

Dan Bullock joined the meeting at 2:15p.m. and Holperin asked whether Holtz might be amenable to "condo-ing" some apartment units to subsidize construction costs or, similarly, entering long-term rental agreements with local employers to assure occupancy and cash flow. Bullock said Holtz is focused on being a part of the community and that a wide variety of "community partnerships" are possible.

Hletko asked whether Holtz had done any commercial-to-residential building retrofits or would consider that. Bullock said the company hadn't done any projects of that nature and would have to look at specifics, but said their specialty is new construction to J-1 standards, so probably not.

Holperin asked whether a low interest loan could substitute for a "builder's incentive". Bullock responded that a long-term low interest loan would be great. Foster asked whether any of the Holtz developments so far included a mix of tenants. Bullock said all of its buildings now are either all J-1 or college dorms, but said their management style can be customized to fit mixed use.

Holperin asked why a single story structure, rather than the standard 3-story model, was proposed for Eagle River. Bullock said the company loved the courtyard feature, and wanted more separation between J-1 and "other" tenants. Penkert asked whether Holtz might consider "investment or management partners" Bullock said that's a possibility and said the company wants to build relationships in the community.

Mulleady commented that a rental rent of \$1,600/month may simply be out of reach for typical tenants in Eagle River's economy. Bullock responded that, with the right mix of incentives, that figure could drop somewhat. Margelofsky noted that certain grant opportunities, if successful, could offset some costs like building design, permitting, certain infrastructure, etc. Bullock said grants could be part of the mix if the grant requirements fit project specifications.

There were no more questions from Committee members, and so Bullock left the meeting at 2:30p.m.

McLeane asked whether the J-1 part of the proposed building would simply sit vacant for much of the year? Holperin said the seasonality of J-1 occupancy is a fact of life for most tourism communities and is factored into project and rental costs. If seasonal occupancy fluctuations can be offset (with welding school students in the off-season, for example) perhaps rental rates could drop.

Hletko repeated the earlier observation that \$1,600/month rent for a single person could easily constitute 40% of take-home pay and be "unaffordable". Foster said a local builder could likely do corporate-only units for less, but Holtz's specialty is J-1 and ongoing management to suit that program. Ginner said a prominent local apartment owner used to be 100% full with a waiting list. Now there are vacancies here and there, so the rental market may be evolving. Rents are \$1,035/month for a 1 bedroom and \$1,100 to \$1,200 for a two bedroom in buildings (it is assumed) constructed when interest rates and building costs were lower.

Margelofsky said the Revitalization program will be applying for a "Thrive Rural" grant. If successful, that program should help Eagle River focus on housing, labor and day care issues and provide connections to additional grant/loan programs. In the meantime, the Housing Committee will continue to prospect for suitable grant/loan opportunities, but with nothing obvious on the horizon.

b. Report from Northland Pines School District. Foster reported that the Board at its December 18th meeting reacted fairly decisively to the idea that they consider donating a 2-acre parcel of school property for dorm/apartment construction. The current Board does not want to preclude options for school district use of the land in the future. They also had safety concerns. It was unstated, but most are also familiar with the District's previous experience selling the land for a proposed student dormitory.

c. Update from the Revitalization program's Labor Subcommittee. Margelofsky said overall reaction to a recent business labor survey was disappointing since only 33 responses were received. None from resorts or camps. The majority of businesses which did respond indicated no history of employing J-1 students and no interest in doing so. Several respondents indicated they had no need for additional employees at this time. The quality of job applicants was a concern for many respondents.

Hletko said the pandemic interrupted the J-1 program for over two years and most employers have learned to live without it, instead cutting hours of operation, reducing capacity, or making some other accommodations. Holperin noted the J-1 program has also tightened some compliance requirements, among them housing. Mulleady observed that some businesses seem to prefer operating only a few days a week, or at reduced hours, which may be reflected in the survey results. All agreed that, while there is still a severe labor shortage, without housing options the J-1 program is unlikely to rebound to pre-pandemic levels.

d. Update on new housing developments. Ginner said she would be meeting this week with a developer interested in building apartments near the intersection of Hwys 45 and 70. However, this is not a new prospect and the builder is seeking incentives of \$1.5 million, which is currently a non-starter with the City.

e. Next meeting agenda items. Foster noted the Committee has focused almost exclusively on rental options. He recommended exploring programs and/or incentives for the acquisition of new or existing affordable single family homes.

Holperin said that, without a specific grant or loan program to apply for at this time, and without a specific "Plan B" strategy to pursue, he would wait to receive agenda suggestions from members and would schedule a next meeting when topics become apparent or when opportunities for action become available.

5. The meeting was adjourned at 3:10p.m.