

**ECONOMIC DEVELOPMENT COMMISSION
COUNCIL ROOM, CITY HALL
MONDAY, MARCH 27, 2023
3:00 P.M.**

The Commission on Economic Development was called to order by Mayor Poeschel. On roll call: Dewey Poeschel, Dan Clough, Barb Petkovsek, Jana Marden, John Gaier and Julie Simek present. Carrie Morrell absent.

Also present: Lynda Lisenby, Gary Weirauch, Donald Quicker, Director of Public Works Luke Friemoth and City Clerk-Treasurer Rex R. Roehl.

The minutes of the previous meeting were declared approved.

Mayor Poeschel stated we are here to talk about the Lisenby Properties, LLC project financing. The Lisenbys are running behind and in order to finish the property properly they need some assistance. Poeschel asked Donald Quicker to lay things out.

Donald Quicker stated that he has a vested interest in seeing the Lisenby Properties project completed as he has a 50% ownership in Sav-Rite Building Center, which is a major supplier of building materials. His interest here is to help the City. The old hospital is the size of three football fields. The Lisenbys have taken it over and are rehabbing it into quality apartments. They have invested 3.2 million of their own funds, while borrowing another 9 million. This over 12-million-dollar project should have been completed. But due to circumstances beyond theirs or anyone else's control, the costs have climbed by over 4 million dollars mainly because of two factors-the highest inflation in over 40 years and construction costs increased by 25 to 30 percent. (The entire roof needed replacement at a cost of a 1 ¼ million dollars-a million over what was anticipated.) Add to this a tremendous increase in the cost of borrowing money-prime going from 3.25% in March to 8% currently-making these two factors unmanageable.

Quicker stated a solution is for the City of Neillsville to borrow three million from a local bank and then loan it to the Lisenbys at a rate equal to what the City can get plus 1%. Citizen's State Bank has indicated a rate of 4 ½% to the City. The extra 1% would generate income for the City.

Quicker stated that the Lisenbys request is for a three-year loan, with no repayment penalties then Lisenbys would refinance the entire package. The first twelve months would only pay interest, the next two years would pay principal and interest amortized over 25 years, with a balloon payment at the end of the third year. The City would have a second mortgage to the original bank's first mortgage.

Gary Weirauch stated that the City should go out for bids. Most banks have seen a major outflow of funds. They are lending to the City of Neillsville not the Lisenbys, you might get a better rate.

Clough stated it is a great project, how safe is the City's money with a second mortgage.

Weirauch asked how rentable is it, he has not seen an appraisal or market survey. In a second position if things go sour, the City would have to take over the first position to take over the project. Will this community support 100 rental units.

Lynda Lisenby stated they have 38 units done, 2 are still available for rent and another 15 units will be ready soon. The increased cost of materials and having to wait four months for electrical meter banks caused loss of rental income and additional expenses. We are in no way stepping away from this project, it is our livelihood. They have two more projects in Alabama. It cost \$750,000 just for the asbestos removal and covering. We want to keep our contractors, if they leave for other jobs, it is hard to get them to come back. Westwood Kitchen has done all the cabinetry. Steel studs were used instead of wood studs.

Weirauch stated that Lisenbys were really caught in the storm, prices went through the roof, you can't stop the project halfway through.

Mayor Poeschel stated that it is a matter of funding.

Petkovsek asked if we had to advertise in the paper.

Roehl stated that in the past we have not, local banks were contacted directly.

Weirauch stated that it doesn't take long to make a rate decision, the banks could fax it back to you.

Lynda Lisenby stated that they have spent 10 weeks working on different options, not knowing a City loan was an option. We want to take care of current contractors and materials ordered. The hold up is the electrical.

Weirauch stated it will take longer to get the paperwork done between the City and Lisenbys than it will to bid and do the loan with the City and a bank.

Petkovsek asked what if something were to happen with the second mortgage. Lisenbys have other properties which could be used as collateral to fill the gap. Would they consider using their other properties.

Lynda Lisenby stated the Neillsville property is appraised at \$18.8 million, the Selma, Alabama property at \$4.6 million and Thomasville property at \$1.8 million. We have had a relationship with Partner's Bank from the beginning but we are up against their lending limit. Initially \$8 million was borrowed and then an addition \$1 million later at a high interest rate.

Lynda Lisenby stated that the building has substantial value, you won't tear it down, another developer could come in and take it over. It will hold its value, especially with a new roof.

John Gaier asked if they have a waiting list.

Lynda Lisenby replied not currently but 50% of our showings end up renting a unit.

Julie Simek stated that there is a lot of positive responses, but they have not seen any locals list their homes to move in. People from out of the area are moving in. We do need housing in this area.

John Gaier stated elementary enrollment has went up.

Jana Marden asked if the renters are moving here because of their jobs.

Lynda Lisenby stated that several families want their parents to sell and move in, but the parents haven't decided yet; a lot of renters are moving out of their parents' home for their first time; we have seen several from other towns and States move for their jobs; a few from Marshfield to be closer to their job; and three who are working from home.

Weirauch stated that the Selma property is work \$3 million could it be used or sold.

Lynda Lisenby stated that they prefer to keep the Selma property, but are willing to second mortgage it.

Weirauch stated that the City would have to work with a Title Company on the details for that State (are they a Deed of Trust or Mortgage State), attach a personal guarantee, it is all doable.

John Gaier suggested going out for bid and if the Lisenby's are willing to use their Alabama properties as collateral.

Petkovsek stated the Lisenby Apartments are an asset to the City, she has seen local contractors constructing the project and she is pleased they are part of the neighborhood.

Motion Petkovsek, second Clough, to recommend to the Common Council to proceed with going out for bids for a \$3 million, 3 year loan with semiannual payments with a final balloon payment, interest only for the first year (6th month and 12th month) and interest and principal for the rest, the balance amortized over 25 years, no prepayment penalty; then the City will do an Economic Development loan to Mark and Lynda Lisenby for \$3 million at an interest rate of 1% over the bank loan rate received, with semiannual payments, no prepayment penalty with a collateral requirement of \$3 million from the Selma and Thomasville properties and personal guarantee from the Lisenbys. All Aye.

Motion Gaier, second Marden, to adjourn. All Aye.

Duane G. Poeschel, Mayor,
Economic Development Commission Chair

Rex R. Roehl, City Clerk-Treasurer