

**CITY COUNCIL WORK SESSION  
CITY OF WATERTOWN  
October 9, 2012  
7:00 p.m.**

**Mayor Jeffrey E. Graham Presiding**

**Present:** Council Member Roxanne M. Burns  
Council Member Joseph M. Butler, Jr.  
Council Member Teresa R. Macaluso  
Council Member Jeffrey M. Smith  
Mayor Graham

**Also Present:** Sharon Addison, City Manager

**City staff present:** Elliott Nelson, Ken Mix, Gene Hayes, Brian Phelps Erin Gardner and Celia Cook

**DISCUSSIONS**

**Creekwood Phase II Property Tax Exemption** - Linda Goodman, Executive Director of Norstar Development USA and James W. Wright, CEO of the Development Authority of the North Country

Mayor Graham introduced Ms. Goodman and Mr. Wright thanking them for attending tonight's meeting in order to provide additional information and answer further questions from Council.

Mr. Wright provided Council with a handout (on file in the City Clerk's Office) outlining "talking points" of the project to address why the Development Authority of the North Country (DANC) is willing to serve as a housing development fund company. He stated that DANC has been involved in the affordable housing business for 25 years because housing has been an issue with the development of Fort Drum. He stressed that the City of Watertown has an affordable housing shortage, pointing out that all three existing Norstar projects have waiting lists as well as the Watertown Housing Authority which has increased over the past year from 150 to 250. He noted that the community has yet to meet the Fort Drum goals from 2006 when the 3<sup>rd</sup> BCT was added and that the existing vacancy rate is at or below 2% within a 30 minute radius of Fort Drum. In addition, he said that the army has consistently stated that housing has been the pacing agent for the installation both in terms of expansion and retention.

In regards to Creekwood, Mr. Wright reminded Council that the PILOT was intended to be on the entire project but due to nationwide economic difficulties the financing could not be secured for the entire project so it was broken into two phases. He also reminded Council that the property was annexed into the City which then added it to the City tax roll.

Referring to questions asked about the market value units, Mr. Wright stated that all of these projects carry a component of market rate housing to enable the developer to meet the subsidies of the affordable rents. He pointed out to Council that in ten years the property will pay full taxes. He highlighted what population growth means to the community and that the project has been designated as a Regional Priority Project for state funding.

Ms. Goodman told Council that in all the cities where affordable housing is developed some type of tax exemption is very common and noted that the proposal for Watertown gives back significantly more tax payments to the City than what most affordable projects do. She stated that they needed to figure out how to carry debt on this project and then have an escalating tax bill which typically does not happen. She pointed out that the market rate units help to support the expenses and debt service that need to be paid. She added that many municipalities help with other funds, such as HOME funds, so that there is actually no hard debt or mortgage on the property but due to the cost of the building, this project could not do that. She gave Council a handout (on file in the City Clerk's office) showing the preliminary budget of their underwriting at this point. She explained that outside investors always require that the market rent be set at the market advantage and then she reviewed the income levels for the affordable housing units. She further explained that those rents are controlled by the state and cannot be raised until 2014 even though expenses may go up. She reviewed the significant expense lines in the operating budget as well as the debt service payment items.

Council Member Butler noted that there is currently a waiting list for housing and asked what vacancy rate is built into the income statement.

Ms. Goodman replied that the state requires 5% but their investors will probably use 5% - 8% because outside investors are very nervous about Watertown and the effects of Fort Drum. During deployments, she said they have dips due to turnovers.

Council Member Butler inquired about the management fee of 6% and asked if that is paid back to Norstar.

Ms. Goodman explained that property management manages all of their projects in the Watertown area using local employees. In addition, she said that the fee of 6% is low and that most projects like this will have a fee of 8% - 12%. She indicated that with projects like this there is a significant amount of compliance because state agencies and the IRS come in to review tenant files to ensure they adhere to the income restrictions. Therefore, she said, the paperwork is an enormous burden which justifies the higher management fee.

In response to Council Member Butler's inquiry, Ms. Goodman explained that the real estate tax expense represents the current taxes on the land plus an additional \$10,000 as payment towards the City taxes from the market rate units. She indicated that when the second phase is built they will continue to pay the taxes for the unimproved land for the first seven years. Upon completion of the project, they will give the cost certification done by a CPA to the City Assessor in order to calculate an assessed value which will then be used to calculate the tax for the eighth year.

Council Member Butler asked as the entity making this decision on behalf of the other taxing jurisdictions, is the City obligated to disburse the additional \$10,000 between the county and school.

Mayor Graham advised that the taxes of \$4,300 should be distributed as they are now and suggested the City Attorney assist in the distribution of the additional \$10,000. He added that this additional amount was to address the unique expenses that are incurred by the City in regards to police and fire which was pointed out by Council Member Macaluso.

Council Member Butler asked how the \$10,000 was calculated.

Council Member Macaluso stated that it was her request and is 25% of the City's portion of tax to account for the 25% market rate units.

Council Member Butler asked for the estimated total of tax exemptions to include sales tax, mortgage tax and property tax.

Ms. Goodman said she does not have that figure right now but noted that sales tax exemptions are very standard in affordable housing projects.

Mayor Graham pointed out that the project must have incurred additional expenses because the Town of Pamela passed weight restrictions for the primary access road.

Ms. Goodman clarified that they needed to build an access road because they were unable to use Plaza Drive. She said this was an unknown cost that will continue into Phase 2. She stated that the estimated cost was \$180,000 just for the road but there were additional engineering costs.

Mr. Wright added that they do appreciate the assistance of the City and through the efforts of the City Code staff and Engineering Office, they were able to fashion a compromise with the state because these changes require their approval.

Council Member Burns stated that Council Member Butler and Council Member Smith raised valid questions and appreciates the answers they were given this evening. Referring to Mr. Wright's "talking points", she highlighted the following three items that she felt Council needs to take into account: Watertown has an affordable housing shortage, Watertown Housing Authority's waiting list has increased in the past year and Fort Drum is a neighbor that the City wants to keep. She stated that is why she will support the request in front of Council tonight and noted that this project will make our community more attractive in retaining Fort Drum. She added that the people qualifying for this type of housing need to be in Watertown to be closer to services.

Mayor Graham said that he will support it as well but would like Attorney Slye to look at it first in regards to the additional \$10,000.

In regards to garbage pickup, Ms. Goodman pointed out that the project was modeled after the City's trash pickup service which totaled \$40,000 and noted that a private hauler would be \$23,000.

Mayor Graham suggested that the trash rates need to be looked at.

Council Member Macaluso stated that she originally suggested the \$10,000 because it would account for 25% of the taxes and added that because the land was added to the City of Watertown, there are additional taxes being paid. She advised that she will support this.

Ms. Goodman answered further questions from Council Member Butler regarding future loan payments explaining that escalations in their rents will assist in payments once the tax exemption is completed.

Council Member Smith thanked them for taking into consideration their concerns and adding the \$10,000 figure. He added that he wished the school districts could be worked out.

Mayor Graham asked that a resolution be drawn for the next meeting.

### **Woolworth Building**

Ms. Addison told Council that she had a request by the developer to speak to Council on October 15<sup>th</sup> to address parking issues so that they can submit a grant application by October 25<sup>th</sup>.

Council concurred to have staff find out more information because Council will not be able to make a decision without more information.

### **Parks and Recreation Concession and Parking Fees** - Erin Gardner, Superintendent of Parks & Recreation and Celia Cook, Program Manager

Ms. Gardner stated that all fees are collected ahead of time so there is not a problem with tracking someone down for payment. She explained that the only exception is with the 10% of concession sales because the figure is not calculated until after the day of the event.

From Council's perspective, Mayor Graham stated that he did not know that there was still a 10% fee for food sales and assumed that had gone away with the 10% fee of alcohol sales. Since the parking fee cannot be administered effectively and it causes traffic jams, he asked if she is trying to do away with it while looking for alternative compensation.

Ms. Gardner agreed and presented Council with a handout showing the City's costs for all the concerts that took place this past summer. In addition, she supplied Council with a report of the amount collected from 10% of concession sales.

Mayor Graham commented that he is surprised at the electric setup costs and thought these were billed to the individual holding the event.

Council Member Burns agreed with Mayor Graham.

Ms. Gardner advised that some is included in the setup fees but these are above and beyond what the normal scope of work is in setting up the electric.

Mayor Graham suggested that when an electrician is needed to set up beyond something that is rudimentary, the event holder should hire a contractor to do the work. He noted that renting the facility becomes subsidizing basically a commercial event. He mentioned that this can be rationalized because there is a counter benefit to the public in terms of culture. He wished that there be ultimate transparency in the future so that the public knows the costs. He stated that if there are going to be fees then any additional costs should be billed at a cost plus basis so that the real costs are billed out. He also stated that the cost for parade expenses or concert expenses should be included in the budget as a line item because Council constantly has these fights and it cannot win the public relations battle.

Council Member Smith stated that these costs are inflated to include FEMA rates for equipment.

Ms. Gardner clarified that the cost from the Parks and Recreation Department only include salary and overtime. She said that the Electric Department uses CarteGraph which she thinks includes the FEMA rates.

Council Member Burns mentioned that in the past Superintendent Hayes has stated that his cost calculations include the cost of staff, use of equipment and wear and tear of equipment which is contradictory because the City already purchased the equipment.

Ms. Addison indicated that most of the electric work was done at an overtime rate because the City is not going to sacrifice the normal City work in order to setup for the concert. She advised that is an efficiency that could be addressed by increasing the strength of the electrician staff.

Mayor Graham asked if when someone rents the facility and generates a \$9,000 electrical bill to make it ready for what is a commercial venture, then why not bill for it.

Council Member Smith commented that it could be considered as a donation to the community.

Discussion focused on whether some events such as the parades and concerts should be analyzed for cost and put in the budget as line items. It was pointed out that this was done for parades when Council was determining whether to use Washington Street verses Public Square as the parade route but the cost might have been inflated. It was argued that some of these events should be subsidized because they benefit the public but there needs to be consistency. However, there will always be unintended consequences to any of the fees and Council cannot satisfy everyone.

In regards to the fees in the ordinance, Council Member Smith stated that concession sales need to be defined to address events like the Italian Festival which showcases Italian food and the

wording of “City reserves the right” to charge for parking implies that the City can pick and choose who gets charged.

Council Member Butler asked who makes the decision of whether to charge for parking.

Ms. Gardner recommended that the parking fees only be charged for concerts and performances that require additional staff to park cars on the fields to ensure the fields are taken care of because there may be practices or games on them the next day. She also indicated the parking fees would not be charged for events that only use the main parking lots or parking along the streets. She mentioned that the fees would lessen the amount coming out of the Parks and Recreation budget to account for the additional staff. To answer Council Member Smith’s question regarding the definition of concession sales, she said she looked this definition up and it refers to food that is for sale.

Council discussed the situations such as the Fair, Italian Fest and small football leagues that would be affected by this and the possible consequences. The differences between for-profit and not-for-profit as well as smaller events were disputed and requests that require the public to spend money for work that is above and beyond the normal scope.

Council Member Macaluso quickly calculated an estimate of what it costs the City to hold these events and pointed out that not everyone in the City wants to go to these events but the City is using tax payer’s money for them.

Council Member Smith noted that revenue is created for the City from these events in terms of Bed Tax and Sales Tax. He stated that he feels it is a good form of arts, entertainment and quality of life for the City and is worth the investment.

Mayor Graham commented that many things can be argued but in the end, Council needs to decide if it wants to charge fees to help offset the administrative costs. He does not want to keep having these discussions every time someone is outraged because they do not want to pay the fee and he wants to get something in place to avoid the accounting problem that happened in the past.

Ms. Addison advised that the parking was to expedite the movement of cars and the concession fee was to create consistency and to prevent tracking the vendors for payment as well as provide an accounting mechanism. She reminded Council that she is not trying to break even but only to cover a fraction of the cost.

Council Member Burns credited staff and the City Manager for their suggestions for creating some standards and equality and noted that Council is not going to be able to cover every possible situation. She agreed with Council Member Smith in that the concerts bring a quality of life to the community but said the role of government is not to prop up or compete with the businesses in the area. She said that if the City can recoup some of its costs then it should because not everyone is interested in attending these concerts.

Council Member Smith reiterated that he does not like the wording in the ordinance.

Ms. Addison suggested how to change the wording.

Council Member Butler mentioned that the users need to be educated on these costs.

Ms. Gardner indicated that she met with DPAO to review costs and they were surprised at the total.

Council Member Macaluso commented that she does not think that anyone knew how much these concerts cost the City.

Ms. Cook stated that her research showed that it is common practice to roll the cost of parking into the ticket price.

Council Member Smith mentioned the arena's policy of not allowing outside food and wondered how birthday parties are handled.

Ms. Gardner advised that birthday cakes can be brought in and noted that the concession hours are posted so if a birthday party is scheduled when the concession stand is closed, she will notify the renter and make arrangements for them.

The meeting ended at 8:52 p.m.

*Ann M. Saunders*  
City Clerk