

**REGULAR MEETING OF THE COMMON COUNCIL
FEBRUARY 17, 2009
111 EAST JEFFERSON STREET
GOSHEN, INDIANA**

The Common Council of the City of Goshen, Indiana, met in the Council Chambers for a regular session on February 17, 2009 at 7:00 P.M. Presiding Officer was Mayor Kauffman with members of the Council present as follows:

PRESENT: COUNCILMAN LANTZ, RIEGSECKER, STUMP, STUTSMAN, THOMAS
COUNCILWOMAN GAUTSCHE, ROBINSON

ABSENT: NONE

PRIVILEGE OF FLOOR

No items presented under privilege of the floor.

CHANGES TO AGENDA

Mayor Kauffman suggested item # 3 be moved to item # 1 on the agenda. There was no objection from the Council.

APPROVAL OF MINUTES

Councilman Lantz moved to accept the Minutes of the Council meeting of February 3, 2009 as presented. Motion seconded by Councilman Thomas.

Councilwoman Gautsche moved to add the following paragraph to page 5 of the minutes under Resolution Number 2009-03 before the vote of the Council:

Councilwoman Gautsche added the additional jobs promised in the granting of the phase-ins is not the decision facing the Council this evening. The vote tonight is the waiving of failure to timely file compliances with the Statement of Benefits. The discussion of whether promised jobs have materialized will be a later discussion of the Council.

Motion seconded by Councilman Thomas and motion passed unanimously.

RESOLUTION NUMBER 2009-04

Council President Stump introduced Resolution Number 2009-04 entitled "APPROVING AND AUTHORIZING THE EXECUTION OF THE AMENDMENT OF INTERLOCAL AGREEMENT FOR ANIMAL SHELTER MANAGEMENT AND ANIMAL CONTROL SERVICES BETWEEN THE COUNTY OF ELKHART AND THE CITY OF GOSHEN."

Council President Stump asked the Clerk-Treasurer to read the Resolution by title only and moved its passage by roll call vote. Motion seconded by Councilman Riegsecker.

Anne Reel, Director of the Humane Society, stated today is day 6 for her as the director and she is aware the Council is not receiving formal reports from the shelter. She is also aware the

reports were prepared by the previous director but they have not been able to gain access to the reports. The shelter is currently creating and updating their database and the Council will in time receive the reports. She cannot give the Council the data as of yet but the animal control officers are answering 10 to 20 calls a day which will increase when spring arrives. Ms. Reel stated the shelter is willing to work with the City.

Councilman Thomas stated the Council's dilemma is, in order to do due diligence with the dollars they are entrusted to spend, the Council wants to know the percentage of calls the humane society has made to Goshen before approving a new agreement.

Ms. Reel stated she understands the Council's concerns but she will make a difference in the management of the humane society in the next two months. Ms. Reel further stated she has 35 years of non profit management.

Dr. Rick Nelson, Board Member with a veterinarian office in Dunlap, stated the Board understands the concerns of the Council and Ms. Reel has been brought on board to provide some organization to the shelter including data collecting. Dr. Nelson stated the facility is old but clean and operational and they have been advised by several contractors not to sink a lot of money into the building as it will never be adequate.

Mayor Kauffman questioned since the current location of the humane society is close to the Michigan line does the Board believe animals are dropped off in the night drop from Michigan residents and does the humane society receive any financial assistance from Michigan.

Dr. Nelson replied they do not receive any financial assistance from Michigan and the new facility will be built on C.R. 17 in a more central location and the decision will be made whether or not to have a night drop as most shelters do not.

Mayor Kauffman stated there had been discussions of building the facility on County property where the detention center is located and inmate labor would be used to assist in the operations.

Dr. Nelson stated the location would not be as central and the Sheriff was not even lukewarm to the idea. Further the facilities that are able to function in this manner have received huge grants as the inmates still would need to be monitored.

By 7-0 unanimous vote of the Council, Resolution Number 2009-04 was passed.

The Council roll call vote was as follows:

AYES: GAUTSCHE: LANTZ: RIEGSECKER: ROBINSON: STUMP: STUTSMAN:
THOMAS

NAYS: NONE

ORDINANCE NUMBER 4526

Council President Stump introduced Ordinance Number 4526 entitled “AMEND ORDINANCES 4201 AND 4339 TO REDEFINE A QUORUM FOR THE GOSHEN COMMUNITY RELATIONS COMMISSION.”

Council President Stump asked the Clerk-Treasurer to read the Ordinance by title only for second and final reading and moved its passage by roll call vote. Motion seconded by Councilman Thomas.

Councilman Lantz stated the Commission discussed the Ordinance and were in agreement to request the Council pass the Ordinance.

Mayor Kauffman stated the Commission did ask for an amendment to the Ordinance regarding that after five members are present or a simple majority of members should that number be less than nine. Councilman Lantz explained the Commission did operate for some time with seven members.

Councilman Thomas moved to amend the Ordinance to add the wording ‘or a simple majority of appointed members should there be less than nine’ to the end of the 5th paragraph of the Ordinance. Motion seconded by Councilman Riegsecker.

City Attorney Larry Barks stated his recommendation would be to not amend the Ordinance by adding the language and further leaving the Ordinance as it is or entering a different number into the Ordinance would be a better solution.

Councilman Thomas withdrew his motion and Councilman Riegsecker withdrew the second.

The Council roll call vote was as follows:

AYES: GAUTSCHE: LANTZ: RIEGSECKER: ROBINSON: STUMP: STUTSMAN:
THOMAS

NAYS: NONE

(ORDINANCE NUMBER 4526 DULY PASSED AND ADOPTED THIS 17TH DAY OF FEBRUARY 2009.)

ORDINANCE NUMBER 4530

Council President Stump introduced Ordinance Number 4530 entitled “ADDITIONAL APPROPRIATION ORDINANCE.”

Council President Stump asked the Clerk-Treasurer to read the Ordinance by title only for its first reading and moved its passage. Motion seconded by Councilman Stutsman.

After being questioned by Councilwoman Gautsche, Community Development Director Mark Brinson explained the funds in the additional appropriation request for the District Capital Fund

are remaining bond proceeds and the request for the Non-Reverting Fund is income from rental properties.

By a 7-0 unanimous vote of the Council the motion passed.

(ORDINANCE 4530 DULY PASSED ON FIRST READING ONLY THIS 17TH DAY OF FEBRUARY 2009.)

RESOLUTION NUMBER 2009-05

Council President Stump introduced Resolution Number 2009-05 entitled “A RESOLUTION OF THE GOSHEN COMMON COUNCIL TO LOAN FUNDS TO LACASA TO BE USED AS LOCAL MATCHING FUNDS FOR THE ACQUISITION OF VACANT HOUSES AS PART OF THE NEIGHBORHOOD STABILIZATION PROGRAM (NSP).”

Council President Stump asked the Clerk-Treasurer to read the Resolution by title only and moved its passage by roll call vote. Motion seconded by Councilman Stutsman.

Mayor Kauffman stated the following:

- Goshen is the smallest entitlement city in Indiana for CDBG funds;
- Healthy neighborhoods are the basic building blocks to a healthy community;
- A lot of houses are being sold in neighboring communities for very low dollar amounts;
- Goshen has not seen this yet with part of the reason being Goshen was one of the first Cities in Indiana to have a Rental Registration Ordinance, which does not require the rentals to be pretty but does require them to be safe, followed several years later by the Neighborhood Preservation Ordinance which does look at the appearance of the structure;
- Not all of Goshen’s neighborhoods are perfect but they would be worse if Goshen had not taken the steps it has;
- Some cities have automatically received these types of grants and the remaining funds for this kind of work in Indiana will be very competitive. The communities that are awarded the grant money will have competitive applications and if the application shows Goshen trying to do something for ourselves the City stands a better chance of receiving the funds than if Goshen didn’t take some risk and put some local funds into the projects;
- Goshen has a growing number of vacant and foreclosed properties and the risk to the City is small to compete for the funds;
- He does not know of any other entity that can leverage funds like LaCasa can. They have a wonderful reputation in Indianapolis. Having LaCasa as a partner in the application enhances the possibility of receiving the funds significantly. Also LaCasa can roll the money in ways to continue projects through the life of the grant that other entities cannot do.

Community Development Director Mark Brinson stated the following:

- Home foreclosures are up nationally 57% from one year ago;
- In the next four years 8 million homes are projected to be foreclosed on nationally;
- After researching the Elkhart County Sheriff's sale records, it is estimated that 1100 homes were foreclosed on last year in Elkhart County;
- Property values are lower in neighborhoods with foreclosed homes and vacant homes destabilize the neighborhoods;
- Last fall Congress decided to set aside 4 billion dollars to provide emergency assistance to communities to acquire and redevelop homes and properties. As of today an additional 2 billion was added to the number nationally;
- 13 communities in Indiana were in such bad shape that they automatically received the grant money including Elkhart and South Bend;
- The City met with State Officials today who stated that they are expecting 143 applications and will be awarding funding to only 20. Further they are looking for organizational capacity, how ready the City is to take action with the funding and the City's ability to leverage other funding;
- The application structures a partnership with LaCasa as they can acquire the properties and manage the renovation work and place home buyers in the homes. LaCasa has a good track record and they are respected statewide;
- The NSP funds cannot be used to purchase vacant and uninhabitable housing only foreclosed properties, therefore the loan pool to LaCasa will allow them to buy the properties and the City to use the NSP money to fund the renovation work. The request is to loan LaCasa up to \$800,000 from the Major Moves Fund at 1% interest for an 18 month term;
- A side benefit if the City receives the grant is it will bring a substantial amount of money to the community to rehabilitate properties which in turn will provide work for local contractors.

Larry Gautsche, LaCasa President, presented a slide show and stated the following:

- LaCasa staff is currently working with the next wave of foreclosure clients and is fortunate enough to be the only organization in Indiana to receive a federal grant to address the foreclosure counseling issue;
- One of the requirements of the grant is to restrict to a target area to focus a large amount of funds in a small area to make a significant impact. 56 homes in the target area have been identified as in foreclosure now;
- Since NSP funds cannot be used to purchase vacant or uninhabitable properties, the goal is to use as much NSP funds as possible and kick start by having 10 to 12 vacant properties that can have work started on the day after receiving the grant allocation;
- It is a competitive application and if Goshen has money invested it shows the State the City is serious and interested;
- Property values in neighborhoods lower with vacant and foreclosed properties;
- All of the NSP funds have to be obligated by August of 2010. To accomplish this it is helpful to have money to purchase 10 to 12 properties that can be started on immediately after receiving the funds;

- Buying foreclosed properties from banks can be a long and complicated process and if the City has to wait until it receives the grant money it will take much longer to use the funds and complete the projects;
- Regarding the City's risk the recommended interest rate in the Resolution is the same as what the City is currently receiving and the significant side benefit is if successful Goshen will have 3.6 million dollars working in the local economy with local contractors and making improvements in neighborhoods. The community could use its own stimulus package;
- The projects include using all of the NSP funds in Goshen by 2013;
- LaCasa has a good reputation with IHCDA, last year LaCasa partnered with IHCDA in over 15 million dollars of projects completed and LaCasa has 25 years of successful grant management with IHCDA. LaCasa has a history of rehabbing about thirty houses a year. The biggest issue if successful with the grant will be selling the homes. LaCasa is involved with the neighborhood associations in the target area and will ask them to help sell their neighborhood and the homes. LaCasa currently has 150 families with savings accounts for home ownership, offer home buyer education classes and partner with eight local financial institutions to offer the best mortgage product out there now. LaCasa is taking a major share of the risk also;
- The NSP funds give flexibility so the homes can be sold to a single person that makes \$58,800 a year or a family of four that makes \$74,000 a year. Use of the NSP funds require the houses be purchased at 85% of the appraised value so it has been decided to use the same standard and it should not be difficult to sell the homes at the 85% of appraised value cost.

Councilman Riegsecker questioned how LaCasa is at a big risk if the City loans the money, the houses don't sell and LaCasa cannot pay the City back.

Mr. Gautsche stated the acquisition of the property will be less than half of the total investment and if LaCasa had to turn the money quickly the house could be sold for a low dollar amount; the City would receive its money back but all of the NSP funds would be lost and there would not be any money left to roll into the next property.

Councilman Thomas questioned if Habitat was also a partner in the project and stated concerns regarding the type of housing Habitat would place in the neighborhoods.

Mr. Gautsche stated they have identified some housing that needs to be torn down. NSP funds would be used to purchase the house, tear it down and Habitat would then rebuild with the understanding that they would match neighborhood housing.

Councilwoman Robinson and Councilman Lantz both stated they have received negative calls regarding the loan and Councilwoman Robinson questioned if LaCasa had any other options than the loan from the City.

Mr. Gautsche stated they are pretty creative but the grant application is the City's and he thinks the State would like to see the City take some ownership for the grant.

Councilman Stutsman stated he was nervous about the decision earlier but after talking with Larry Gautsche today and watching the presentation he feels it is an opportunity the City should be careful not to miss. Further Councilman Stutsman stated with the economy the way it is and the housing foreclosures he can agree to the interest rate in the Resolution but he feels the City should not get in the habit of loaning money out to groups outside the City at a lower rate than we do to the departments of the City.

Matt Lind, 407 N. 1st St, representing the Dickerson Landing Neighborhood, spoke in support of the Resolution stating it is an opportunity to upgrade neighborhoods. 10 to 15% of the houses in the neighborhood are vacant and he has seen some significant changes with the economy. Mr. Lynd further stated a project like this has positive effects in home values in the neighborhoods and it gives to the future and will benefit the community for years to come.

Gary Martin, 214 Queen St, representing the North Side Neighborhood, spoke in support of the Resolution stating there are an estimated 35 homes vacant in the neighborhood currently. LaCasa is very knowledgeable in preventing deteriorating neighborhoods. The absence of people depresses a neighborhood economically and emotionally. Mr. Martin further stated vacant homes attract crime and stray animals and the rehabilitation of the homes will increase the values of the properties in the neighborhood.

Greg Faubion, 11665 N. Venetian Drive, Syracuse, spoke in support of the Resolution stating he owns a small business in Goshen and they are surviving right now due to projects from LaCasa. The grant will create a lot of jobs for a lot of local contractors and the supplement is needed as there is not much new housing construction. Mr. Faubion further stated LaCasa has always been very professional and take a lot of pride in what they do.

Bob Schrameyer, 901 Player Drive, stated the project is honorable and LaCasa does a great job but the City is not in the banking business. He is concerned what happens if the refurbished houses do not sell; are they going to still be sitting empty. Mr. Schrameyer stated he understands jobs would be created locally for the time being but he does not agree with the City loaning money to private businesses.

Dave Daughtery, Goshen Chamber of Commerce President, stated he is on the LaCasa Board and enjoys it because of the work they do. Neighborhoods are critical to the community and LaCasa is a tremendous asset to the community. Mr. Daughtery encouraged the Council to support the Resolution and he feels the return on the investment will be far greater than the \$800,000 and 1% interest.

Doug Nisley, 1929 W. Lincoln, questioned if the houses would be purchased before the grant is awarded. Mayor Kauffman stated the loan will not be issued without the City being awarded the grant. Mr. Nisley stated the houses that LaCasa purchases will be off of the tax roll until they are sold.

Mayor Kauffman stated he doesn't necessarily disagree that the City should not be in the banking business however in a situation like this the City needs to step up and show the State that we are helping ourselves. The interesting situation is that the City needs a partner like

LaCasa more than LaCasa needs the City as LaCasa could take all of their resources elsewhere. Because of Elkhart's situation, the City is buying the houses and giving them to LaCasa.

The Council discussed the following:

- Councilman Lantz stated LaCasa has proven to be an excellent corporation and he is encouraged by the comments made by neighborhood residents;
- Councilman Riegsecker questioned if LaCasa has 150 homebuyers ready to purchase homes, which Larry Gautsche responded that they are working with 150 people that are saving now and holding back due to unknown layoffs;
- Councilman Riegsecker questioned if the City would still apply for the grant whether LaCasa receives the loan or not. Mayor Kauffman stated the City would still apply but due to the competitiveness of the grant the chance for Goshen to receive it would be slim to none;
- Councilman Stump questioned when the 18 month term of the loan would start and does the City use the balance in the Major Moves Fund to cover cash balances before receiving property taxes. The anticipated date for the award of the grant is in May therefore the term of the loan would be up 18 months from May of '09. Mayor Kauffman stated yes the balance in the Major Moves Fund has been used to cover cash balances but hopefully the City does not again experience property taxes not being distributed by June 30 and December 30 of each year;
- Councilwoman Robinson stated she is conflicted as she knows the neighborhood associations have worked hard and she sympathizes with them but also understands the concerns of loaning the money;
- Councilman Stutsman stated he also had concerns of loaning out the money but he is looking at the loan as an 18 month investment of City funds rather than a loan;
- Councilwoman Gautsche stated she does not have a conflict of interest as the decision will not benefit her financially with income or net worth and she encourages the Council to support the Resolution as the City could receive federal money to benefit local ordinary people in the community;
- Councilman Thomas stated he received cash balances from the Clerk-Treasurer today and was comforted by the numbers received, the amount of the loan as it originated at \$1,000,000 and the 18 month term of the loan. LaCasa is a jewel for the community but he is also concerned if the houses do not sell then LaCasa is putting themselves on the line because the City is going to need the money back.
- Council President Stump stated he is not comfortable approving the loan.

By 5-2 vote of the Council, Resolution Number 2009-05 was passed.

The Council roll call vote was as follows:

AYES: GAUTSCHE: LANTZ: ROBINSON: STUTSMAN: THOMAS

NAYS: RIEGSECKER: STUMP

Councilman Thomas moved to adjourn. Motion seconded by Councilwoman Gautsche and the meeting adjourned at 9:00 P.M.

APPROVED: _____
Mayor, Allan Kauffman
Goshen, Indiana

ATTEST: _____
Tina M. Bontrager
City Clerk-Treasurer