



GOSHEN COMMON COUNCIL & REDEVELOPMENT COMMISSION

Minutes of the February 2, 2024 Work Session on Housing Issues

Convened in the Schrock Pavilion, Shanklin Park, 111 West Plymouth Avenue, Goshen, Indiana

Present: Mayor Gina Leichty

Common Council:

Linda Gerber (At-Large)

Phil Lederach (District 5)

Doug Nisley (District 2)

Megan Peel (District 4)

Donald Riegsecker (District 1)

Matt Schrock (District 3)

Council President Brett Weddell (At-Large)

Redevelopment Commission:

Brianne Brenneman

Brian Garber

Jonathan Graber

Bradd Weddell (School Liaison)

Brett Weddell

Colin Yoder

City of Goshen staff present included:

Deputy Mayor Mark Brinson

City Redevelopment Director Becky Hutsell

City Director of Public Works & Utilities Dustin Sailor

City Fire Chief Dan Sink

City Attorney Bodie Stegelmann

1) Welcome and introduction by Mayor Leichty

Mayor Leichty convened the work session at 10:35 a.m. She offered a welcome and provided a brief overview.

2) Introduction of City Council & Redevelopment Commission

Members of the Common Council and Redevelopment Commission introduced themselves.

Councilors: Linda Gerber; Phil Lederach, Doug Nisley, Megan Peel, Don Riegsecker, Matt Schrock & Brett Weddell.

Commissioners: Brianne Brenneman; Brian Garber, Jonathan Graber, Bradd Weddell and Colin Yoder.

Mayor Leichty also introduced **City Redevelopment Director Becky Hutsell**, who she said suggested holding this work session. The Mayor said today's presenters would provide perspectives on how to address a pressing need in many communities – how to increase housing.

3. Background of Goshen housing issues by City Redevelopment Director Becky Hutsell

Hutsell said that before the work session, she sent out information she would now review. She then provided an overview of issues using a 21-slide PowerPoint presentation titled "City Council Work Session; Residential Project Updates and Discussion," and dated Feb. 2, 2024 (EXHIBIT #1)

a. 2022 Housing Study

Hutsell said the Redevelopment Commission hired American Structurepoint of Indianapolis to conduct a Housing Market Analysis in October 2022. Its 40-page study included a Goshen market rate housing demand analysis.



Hutsell provided the following highlights of the study:

- As of 2022, the City needed 4,537 new housing units to fill the City's demand by 2030;
- Of that total, there was a demand for 2,466 new rental units by 2030;
- There was a "pent-up" need for 1,042 units based on high-occupancy rates of existing apartments and the lack of units priced at "achievable costs" for households earning between \$35,000 and \$74,999 annually;
- There was an additional demand for 910 units for employees of Goshen businesses that have to commute 10 miles or farther;
- There was an additional demand of 514 rental units over eight years due to increased population and employee projects through 2030.

In terms of Market Rate Owner-Occupied Housing, the study concluded:

- There was a demand for an additional 2,076 housing units within the City of Goshen by 2030;
- Of those units, 1,299 units stemmed from an observed "pent-up" demand of Goshen residents and employers in 2022;
- And of those units, 985 were based on the internal resident market and 314 for employees of Goshen businesses who have to commute 10 miles or further for employment;
- The report also estimated a demand for 772 new owner-occupied units based on projected population and employment increased by 2030.

Regarding pricing, availability and demand, the study determined:

- The price of rentals ranged from \$1,250 to \$1,900 a month (rental range needed to fill unmet demand based on U.S. Bureau of Labor Statistics wage date);
- The unit absorption rate per year was 208 rental units and 247 owner-occupied units. which is far more than Goshen has ever provided;
- Of the 30,047 individuals employed by Goshen businesses in 2019, 23,704 did not live in the City, according to the Census Bureau's "On the Map" Tool, which means Goshen's population will continue to grow;

Hutsell said there was additional data in the study and that it was provided in the work session packet.

b. History of using TIF (Tax Increment Financing) for housing projects

Hutsell also provided the following history of the use of Tax Increment Financing for housing in Goshen:

2005 – Traditional TIF Districts Established – TIF Revenue generated from any growth or improvements in turn was utilized for public infrastructure projects, property acquisition and other traditional redevelopment uses. Revenue within each district was generated from all commercial and industrial growth for properties within the district.

2021 – Goshen's First Project Specific TIF – East College Avenue Industrial Development. A City-issued bond was purchased by the developer. 100% of the TIF revenue generated was to be utilized to repay the developer for the public infrastructure costs. The developer assumed all risk for the bond repayment.

2022 – First two project-specific TIF's were established for residential (apartment) developments. – Copperleaf Cove and Ariel Cycleworks. Eligible expenses included "infrastructure" costs, including private infrastructure. Same repayment model, except differences regarding percentage of repayment and repayment term.

2023 – First residential TIF created – Cherry Creek Development. Due to legislation changes, within this district even single-family property taxes are captured as TIF revenue. The TIF life set at a maximum of 20 years. The project was granted 100% TIF reimbursement to cover public infrastructure costs.



c. In-progress & completed housing projects

Hutsell said one major housing project was completed and two more were underway.

Copperleaf Cove Apartments:

- 60 apartments;
- Located at the northeast corner of Indiana Avenue & Plymouth Avenue;
- Market Rate pricing; completed Fall 2023;
- \$13,000,000 investment;
- 75% TIF reimbursement for 20 years.

Ariel Cycleworks Apartments:

- 135 Apartments and a small coffee shop space;
- Located at the northwest corner of 10th Street & Plymouth Avenue (former Western Rubber site);
- Aiming to provide "workforce" housing (80-120% Average Median Income);
- To begin construction summer 2024;
- \$30,000,000 investment;
- 100% TIF reimbursement for 25 years.

Cherry Creek Development:

- 1,200+ housing units, including single-family and condos;
- 10+ year build-out timeline;
- Construction to begin summer 2024;
- \$100,000,000 investment;
- 100% TIF reimbursement for 20 years; bond to cover only public infrastructure.

d. Potential READI 2.0 (Regional Economic Acceleration & Development Initiative) funding

To accelerate the state's economic growth, the state launched the Regional Economic Development Initiative (READI). The state is now launching READI 2.0, to stimulate continued economic development in three focus areas: Quality of Life, Quality of Place and Quality of Opportunity.

Hutsell said the READI 2.0 funding will provide:

- Up to \$75 million is available for our region and \$500 million to be awarded throughout Indiana;
- "Quality of Place" is a goal;
- Housing availability and affordability listed as a high priority.

READI 2.0 application process:

- Regions' State applications due - Feb. 16, 2024;
- Regional awards to be made in April/May 2024;
- Applications open for project in our region summer 2024;
- Project awards to be made late Fall 2024;
- The City will be asking developers if there are projects that might qualify for READI 2.0 funding.

4. Panel discussion – Discussion of current challenges faced for new housing development projects

Becky Hutsell invited comments from six housing experts doing business in Goshen.



a. Brad Hunsberger, Vice President for Real Estate Development for Lacasa, Inc. of Goshen

Hunsberger said the City has provided a lot of funding to increase market rate housing and that is great and needed, but there also is a need for more affordable housing. He said increasing the amount of affordable housing would increase the stability of the housing market because not everyone can afford market rate housing. He said lower wage workers need affordable housing.

Hunsberger also reminded attendees of the 2008 economic downturn. He said he hopes it doesn't happen again but noted that economic downturns are cyclical and tend to happen every 10 or 12 years. He added that Lacasa needs government support to create affordable housing.

b. Jon Anderson, the President of AP Development, LLC of Brownsburg

Anderson, whose company is developing the Aerial Cycleworks apartment complex, said the housing market has changed dramatically since he began his development company 14 years ago – or even three years ago. He said in February 2021, he closed a deal in South Carolina with a Housing and Urban Development interest rate of 2.9%. Last year, the rate rose to 7.25%, and this year it's more than 8% for the same type of project. Besides rising interest rates, **Anderson** said developers have also faced higher construction costs and supply chain issues, although both appear to be easing.

Anderson said all of his projects are public-private partnerships; He said the 100% TIF for the Aerial Cycleworks project was necessary for the apartments to be developed. He also expressed the hope that READI 2.0 will help spur more housing development.

c. Chris Chabenne, a developer and real estate broker for Kosene & Kosene of Zionsville

Chabenne also discussed the detrimental impact of interest rate and construction cost increases. He said developers used to be able to create housing projects without any government assistance, but those days are gone.

d. Michael Kosene, a developer and real estate broker for Kosene & Kosene of Zionsville

Kosene said higher interest rates and construction have created "a perfect storm" and that developers won't be able to create more housing without government support. More specifically, he said new housing would be nearly impossible without Tax Increment Financing and other subsidies.

e. Mike Blosser, the Senior Vice President of Commercial Services for Interra Credit Union, Goshen

Blosser said the higher interest rates over the past two years have made it more difficult for lenders to help develop housing. He said higher interest rates also push up the cost of completed housing, leading to higher rents and mortgage payments.

Blosser said there is hope that interest rates will start to decline by the summer and that could encourage more housing development.

f. Doug VonGuten, the President of Ancon Construction, Goshen

VonGuten, whose company developed the Copperleaf Cove Apartments, said multi-family building is a smaller part of his business but also has been affected by rising prices. He said the Copperleaf Cove Apartments project was delayed for two years and over that period, costs rose by 10% or about \$1 million.



VanGunten said construction costs increased during the COVID-19 pandemic, but have started to decline, although he said he doubted they will fall to pre-pandemic levels. He said the costs of some materials remain high and some are in short supply. He also said labor costs have risen and it's a struggle to hire workers. Despite the difficulties, **VanGunten** said Elkhart County is a good market and he welcomed the involvement of government in increasing the housing supply.

5) Q&A session facilitated by Mayor Leichty

Mayor Leichty noted that Councilors and Commissioners had heard some shocking statistics from the panelists today but said the City of Goshen is dedicated to promoting sustainable housing growth and creatively and effectively meeting challenges.

Mayor Leichty invited comments and questions from Councilors and Commissioners, They were offered by Councilors Gerber, Lederach, Nisley, Weddell and Commissioners Brenneman, Graber and Weddell.

Responding to questions and comments from Councilors and Commissioners, panelists discussed the impact of high interest rates, rising construction costs, mortgage and rental rates and profit margins and what government can do in partnership with developers to create more housing. Among the remarks:

- New housing, even offered at market rates, increases the supply of affordable housing in Goshen.
- There are varying definitions of "affordable" housing.
- New housing is being proposed at a 13-acre site at Greene Road and Plymouth Avenue.
- It's imperative that more high-quality rentals are developed in Goshen.
- Developing new housing is much more difficult than in the past and the profit margins are smaller.
- Because of rising interest and construction costs, it may be impossible to develop more affordable rentals.
- A growing number of people are paying 50% or more of their monthly income for housing. Many communities, including Lake and Marion counties, have a higher rent burden. Still, rental costs in Goshen are rising and the City is on a path to having a housing affordability problem.
- Goshen has good leadership and good policies and is following best practices to develop more housing.
- Goshen Community Schools can accommodate more students because of investments in facilities to increase the capacity for more students.
- Some units at the Aerial Cycleworks apartments will be set aside for teachers, which will be helpful because many of Goshen's teachers cannot afford housing in the City and must commute daily for their jobs.

6) Draft Tax Increment Financing (TIF) Policy discussion

Mayor Leichty invited **City Redevelopment Director Hutsell** to offer comments about the City's draft Tax Increment Financing (TIF) Funding Assistance Policy.

By way of background, when a TIF district is created, property owners within the district continue to pay the same property tax rates as those outside the district. However, tax collections, over and above the "base value" are placed into a special fund that is used to pay for project costs, including infrastructure.

After all costs incurred by the creation of the TIF district are recouped by the additional tax increment created, the district is terminated and the additional property taxes created are released to be shared by all taxing entities.



The use of TIF varies from project to project and district to district, but all involve government partnerships with private developers to spur economic development.

Hutsell said the City is committed to increasing housing and was grateful to everyone who participated in the work session today.

Hutsell outlined the draft TIF policy, which was developed two years ago by City staff and Council members. She discussed the policy goals and the varying characteristics of TIF districts. She also discussed the policy's "but for" requirement – that to qualify, a developer's must prove his/her project would not occur "but for" TIF assistance.

Hutsell also mentioned the goals of the TIF draft policy:

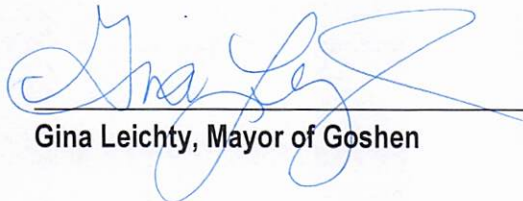
- Establishes a set of criteria to be used to evaluate new projects;
- Documents submission requirements for applicants;
- Provides flexibility to allow for each project to be evaluated on its own merits;
- Details eligible activities for use of TIF funds; and
- Ensures that TIF is only utilized if the "but for" test is met.

7) Adjournment

Mayor Leichty thanked participants and attendees and adjourned the work session at 11:52 a.m.

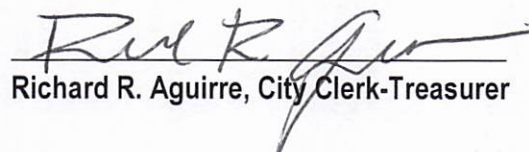
EXHIBIT #1: PowerPoint slides, presented at the Feb. 2, 2024 work session by City Redevelopment Director Becky Hutsell. The PowerPoint had 21 slides and was titled "City Council Work Session; Residential Project Updates & Discussion."

APPROVED:

A blue ink signature of Gina Leichty, Mayor of Goshen, written over a horizontal line.

Gina Leichty, Mayor of Goshen

ATTEST:

A blue ink signature of Richard R. Aguirre, City Clerk-Treasurer, written over a horizontal line.

Richard R. Aguirre, City Clerk-Treasurer

EXHIBIT #1



CITY COUNCIL WORK SESSION
RESIDENTIAL PROJECT UPDATES & DISCUSSION
February 2, 2024

**WELCOME &
INTRODUCTIONS,
MAYOR LEICHTY**





2022 HOUSING STUDY FINDINGS

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4,537 HOUSING UNITS

TOTAL AMOUNT NEEDED TO FILL THE CITY'S
DEMAND BY 2030

2,466 RENTAL UNITS

- 1,042 – Pent Up Need
- 910 - Current Commuters of 10+ Miles
- 514 - Population and Employment Growth by 2030

2,076 OWNER-OCCUPIED UNITS

- 1,299 – Pent Up Need
 - 985 – Internal Market
 - 314 – Commuters of 10+ Miles
- 777 – Population and Employment Growth by 2030

**2022
HOUSING
STUDY
FINDINGS**
(continued)

\$1,250-\$1,900/MONTH RENT RANGE

- Rental range needed to fill unmet demand based upon Bureau Of Labor Statistics (BLS) wage data

UNIT ABSORPTION PER YEAR

- 208 – Rental Units
- 247 – Owner-occupied Units

Of the 30,047 individuals employed by Goshen businesses in 2019, 23,704 did not live in the city.

- Census Bureau's "On The Map" Tool

HISTORY OF USING TIF FOR HOUSING

2005

Traditional TIF Districts Established – TIF Revenue generated from any growth or improvements in turn utilized for public infrastructure projects, property acquisition, and other traditional redevelopment uses. Revenue within each district generated from all commercial and industrial growth for properties within the district.

2021

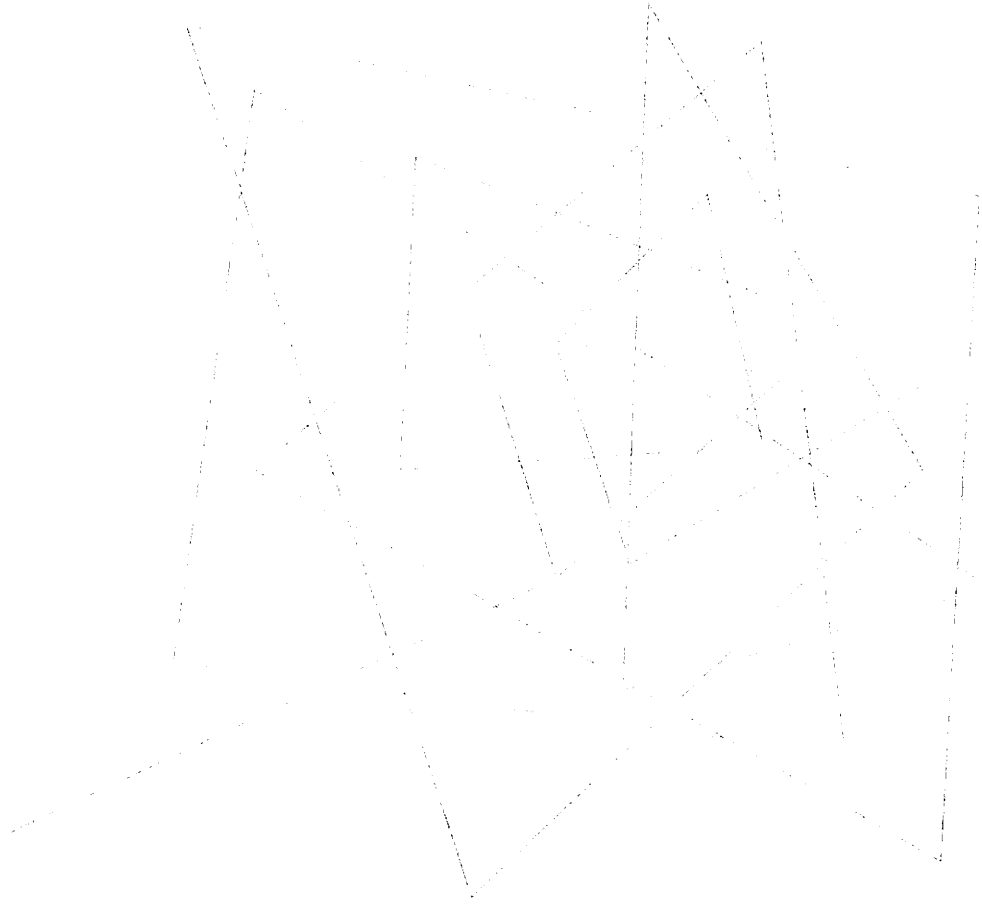
Goshen's First Project Specific TIF – East College Avenue Industrial Development. City-issued bond purchased by the developer. 100% of the TIF revenue generated to be utilized to repay the developer for the public infrastructure costs. Developer assumed all risk for bond repayment.

2022

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2023

First residential TIF created – Cherry Creek Development. Due to legislation changes, within this district even single-family property taxes are captured as TIF revenue. TIF life set at a maximum of 20 years. Project granted 100% TIF reimbursement to cover public infrastructure costs.



IN-PROGRESS & COMPLETED PROJECTS

COPPERLEAF COVE APARTMENTS



- 60 Apartments
- Located at the NE corner of Indiana & Plymouth
- Market Rate Pricing
- Completed Fall 2023
- \$13,000,000 Investment



75% TIF Reimbursement for 20 years

ARIEL CYCLEWORKS APARTMENTS



- 135 Apartments / Small Coffee Shop Space
- Located at the NW corner of 10th & Plymouth
- Aiming to provide “workforce” housing (80-120% AMI)
- To begin construction Summer 2024
- \$30,000,000 Investment



100% TIF Reimbursement for 25 years

CHERRY CREEK DEVELOPMENT

- 1,200+ Housing Units, including single-family and condos
- 10+ year build-out timeline
- Construction Summer 2024
- \$100,000,000 Investment
- 100% TIF Reimbursement for 20 Years – Bond to cover only public infrastructure





POTENTIAL READI 2.0 FUNDING

READI 2.0 FUNDING

UP TO \$75,000 AVAILABLE FOR OUR REGION

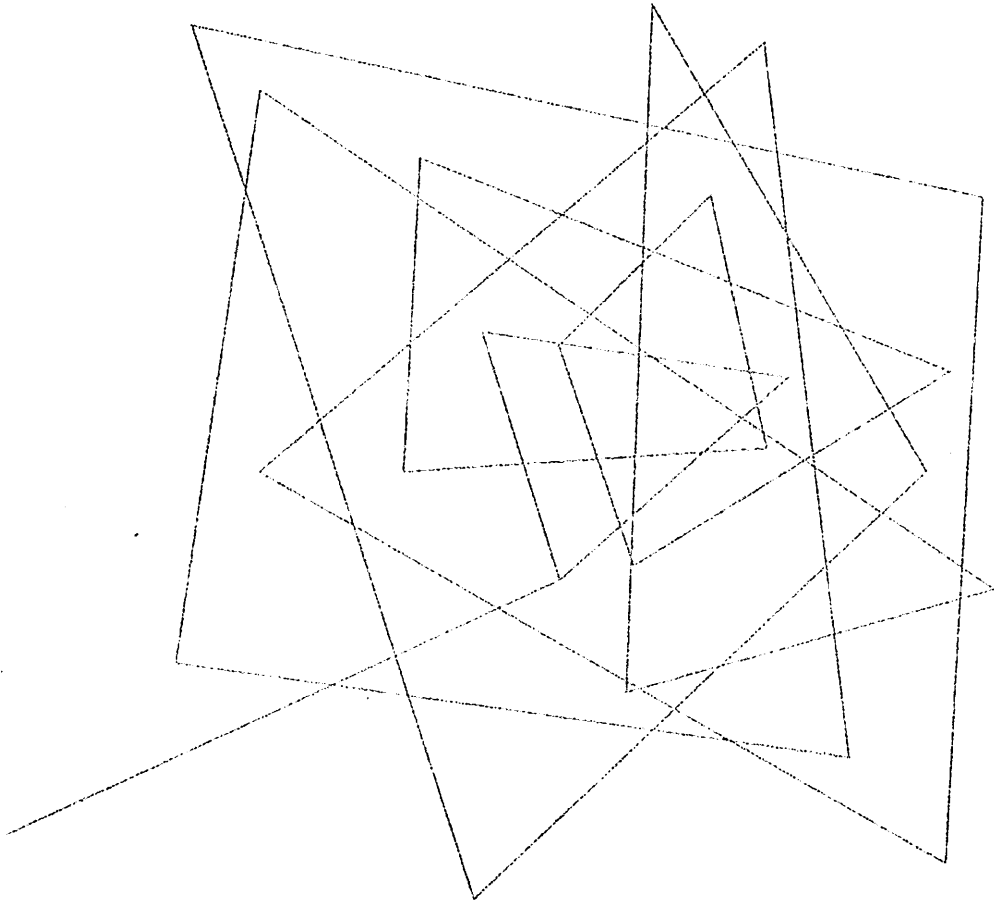
- \$500,000,000 to be awarded throughout Indiana

“QUALITY OF PLACE” A GOAL

- Housing availability and affordability listed as a high priority

APPLICATION PROCESS

- Regions' State Applications Due - Feb. 16th
- Regional Awards – April/May 2024
- Applications open for project in our region – Summer 2024
- Project Awards – Late Fall 2024



PANEL SESSION



BRAD HUNSBERGER

Vice President of Real Estate Development, Lacasa, Inc.
Goshen, Indiana



JON ANDERSON

President, AP Development, LLC
Brownsburg, Indiana



CHRIS CHABENNE

Developer, Kosene & Kosene
Zionsville, Indiana



MIKE BLOSSER

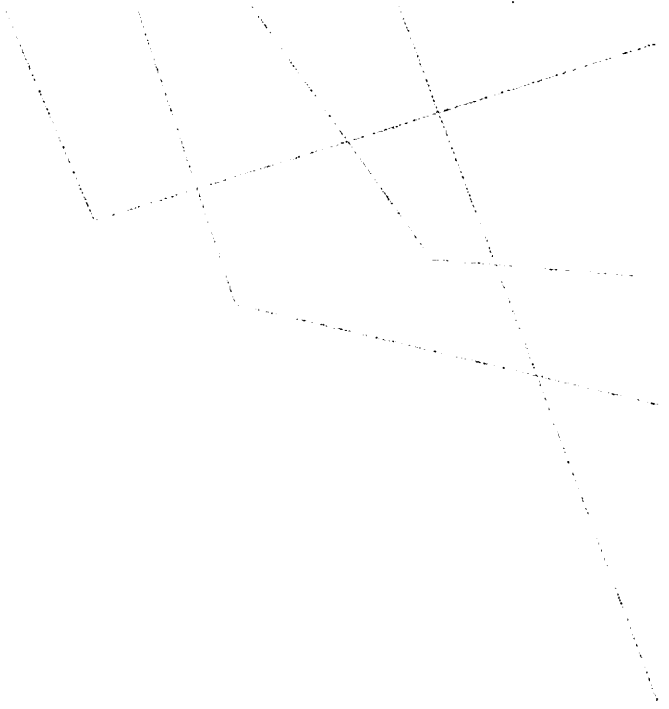
Senior Vice President of Commercial Services,
Interra Credit Union
Goshen, Indiana

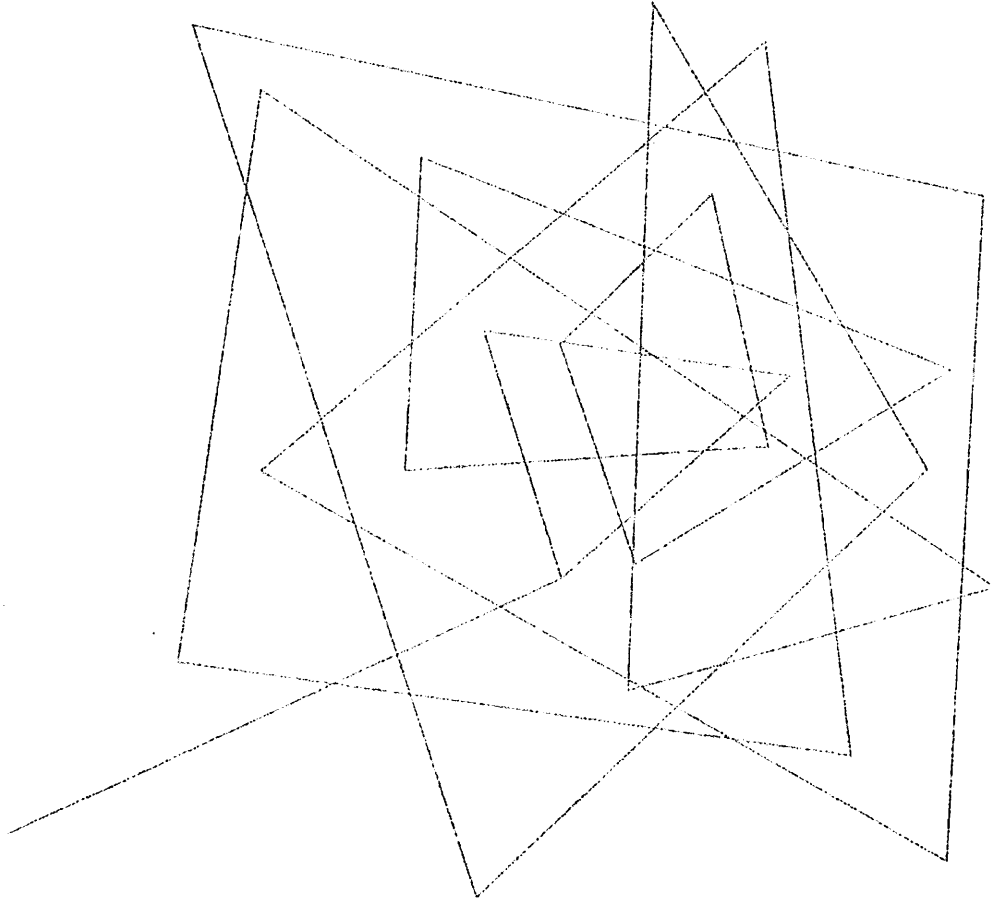


DOUG VONGUNTEN

President, Ancon Construction
Goshen, Indiana

Q&A





DRAFT TIF POLICY

POLICY GOALS

- Establishes a set of criteria to be used to evaluate new projects;
- Documents submission requirements for applicants;
- Provides flexibility to allow for each project to be evaluated on its own merits;
- Details eligible activities for use of TIF funds; and
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