RESPONSES TO THE COMMON COUNCIL

Answering the Questions About the Bluff Road Housing Proposal

A direct response to concerns raised about the structure, intent, and public purpose of the proposal.

STONEHAVEN DEVELOPMENT

Prepared for the City of Whitewater

A NOTE TO COUNCIL

Our goal is not to dismiss concerns. It is to help you evaluate the proposal on its actual terms.

> Over the past several weeks, a number of questions and criticisms have been raised regarding the Stonehaven proposal. We understand and respect the public's interest in this project. Because several claims have been repeated in ways that do not fully reflect the structure or intent of the proposal, we felt it was important to respond directly and clearly. Our goal is not to dismiss concerns, but to help ensure the proposal is evaluated on its actual terms, protections, and public purpose.

The following pages address sixteen specific questions and criticisms that have come up in recent weeks. Each response returns to the same core point: is the proposal lawful, transparent, financially structured, and in the public interest? That is the test we welcome.

STONEHAVEN DEVELOPMENT
On behalf of the Bluff Road housing proposal team.

01 “The City of Whitewater is acting as a private bank for the investor.”

The City is not acting as a private bank. The proposed revolving loan structure is a targeted economic development tool designed to address a specific public need: the creation of attainable, owner-occupied housing.

Under the proposal, the City is not making an open-ended investment in a private individual. It is providing a controlled, project-specific financing mechanism tied to the construction of homes that meet defined community objectives, including affordability, owner-occupancy, and tax base growth. The funds are intended to revolve as homes are completed and sold, allowing the same dollars to be reused rather than permanently given away.

The housing crisis is a complex problem that requires a comprehensive solution.

02 “No other city in America is doing this.”

It is inaccurate to claim that no other city uses public loan or revolving fund tools to support housing. Revolving housing loan funds, deferred-payment housing programs, and other gap-financing tools already exist in Wisconsin and elsewhere.

What may be true is that Whitewater's proposal is more customized than some traditional programs. But “different” does not mean improper. The real issue is whether the tool is legally structured, adequately protected, and tied to a clear public purpose: creating attainable, owner-occupied housing.

03 “Why should the City risk the utility fund?”

This question is understandable. No one wants to see public funds used carelessly. But the issue should be evaluated based on the actual structure of the proposal, not on the assumption that the funds are simply being handed over without protection.

The purpose of the proposed funding structure is not to make a speculative gift. It is to address a documented housing need by creating attainable, owner-occupied homes that add long-term value to the community. The City is not being asked to spend money with no return. It is being asked to use a revolving structure in which funds are repaid as homes are sold, allowing the same dollars to be reused.

The real question is whether the risk is appropriately limited and protected. If the City has sufficient safeguards in place through its agreements, collateral position, repayment structure, and oversight, then the conversation should be about whether that level of risk is justified by the public benefit.

Every meaningful housing initiative involves some level of public participation or risk. The key is whether that risk is measured, secured, and tied to a clear public purpose. In this case, the public purpose is clear: creating new attainable homes, increasing owner-occupancy opportunities, and expanding the tax base. If Whitewater wants different housing outcomes, it has to be willing to consider tools that help make those outcomes possible.

04 “The City's risk would be lessened by a Pay-Go.”

A Pay-Go structure may reduce the City's upfront exposure, but it also materially changes the economics of the project and, in this case, undermines the very affordability goal the project is meant to achieve.

Under a Pay-Go model, the developer must front the costs and wait to be reimbursed over time from future tax increment. That shifts carrying costs, financing costs, and additional uncertainty onto the project. Those costs do not disappear. They ultimately have to be absorbed somewhere, which typically means higher home prices, reduced affordability, or a project that no longer works at all.

Pay-Go may reduce the City's risk on paper, but it increases the project's cost and weakens the likelihood that attainable homes can actually be delivered at the intended price point. If the City's objective is truly to encourage attainable, owner-occupied housing, then it has to evaluate not just which structure feels safest, but which structure actually makes the housing possible.

The question is not simply which model shifts the most risk away from the City. The question is which model best balances public protection with real-world feasibility.

05 “The Wisconsin Department of Administration says the City of Whitewater is shrinking.”

Even if some Wisconsin DOA data shows Whitewater as flat or modestly declining in population, that does not mean the City lacks a housing need.

Whitewater's own housing analysis found a very low owner-occupied vacancy rate, an unusually low share of owner-occupied housing, limited single-family production, and demand for additional housing units. The issue is not just population size. It is whether the community has the right kind of housing supply, and the City's own studies say it does not.

Population trend data and housing need are not the same thing.

06 “The developer has no previous experience.”

It is fair for the City and the public to consider experience when evaluating any development proposal. But that concern should be evaluated in full context, not reduced to whether this developer has completed this exact type of project before under the same entity name.

Every developer has a first project. The more relevant question is whether the team has assembled the right professional support, whether the plan is realistic, and whether the City has built in protections that do not rely solely on blind trust. This proposal should stand or fall based on the strength of its structure, the quality of its partners, and the safeguards in the agreements.

In this case, the project has gone through review by City staff, the City attorney, Ehlers, and the CDA. It also involves experienced third-party professionals in construction, finance, engineering, legal review, and municipal process. That does not eliminate all risk, but it does mean the proposal is not simply based on an unsupported idea from someone operating alone.

If communities say they want innovative local solutions, they cannot also require that every solution come only from large, established developers with long resumes and conventional models. Whitewater has an opportunity to support a locally driven housing approach that has been scrutinized and structured through the City's normal review process.

07 “The developer is getting a sweetheart deal because he is in cahoots with the City Manager.”

This claim is false.

There is no working relationship with John in any capacity. That relationship ended when he left Legacy Realty Group in 2021. Stonehaven Development created this housing concept and approached the City with it. Our first meeting regarding the proposal was with John and Emily as part of the normal City process.

This proposal was not created by the City Manager, and it was not advanced because of any personal relationship. It has gone through review by City staff, the Finance Department, the City Attorney, Ehlers, the CDA, and the Common Council.

Allegations and rumors should not replace the public process or the actual terms of the agreement. The proposal should be judged on its structure, safeguards, and public benefit, not on speculation about personal relationships.

08 “Why didn't the City RFP this project?”

An RFP process is often appropriate when a City is seeking bids for a project or requesting competing proposals for a concept it has created. That is not what happened here. This concept was not developed by the City and then offered to the market. It was created by Stonehaven and brought to the City as a specific housing solution designed to address a local need.

This was a developer-initiated proposal. Stonehaven identified a housing gap, created a model intended to deliver attainable, owner-occupied homes, and presented that concept to the City for consideration. The City's role has been to evaluate whether that proposal serves a valid public purpose and whether the structure is appropriate and adequately protected.

An RFP may make sense when multiple parties are being asked to compete on the same publicly defined opportunity. But requiring an RFP every time a private party brings forward an original concept would discourage innovation and local problem-solving. If a developer invests time creating a housing model, assembling a plan, and presenting a workable solution, it is reasonable for the City to evaluate that proposal on its merits rather than treating it as though it were the City's idea to bid out.

The relevant question is not whether the City issued an RFP for a concept it did not create. The relevant question is whether the proposal in front of the City is lawful, transparent, financially structured, and in the public interest.

09 “Our taxes will go up giving away the money.”

This proposal does not involve simply “giving away money.” The structure under discussion is a revolving loan and development agreement tied to the construction and sale of new homes, with repayment built into the model. The purpose is to create new owner-occupied housing and generate long-term taxable value on land that is currently underutilized.

It is also important to separate this proposal from the broader issue of property tax increases. Property tax bills can rise for many reasons, including school levies, county taxes, municipal budgets, and valuation changes. Claiming that residents' taxes will go up because the City is “giving away money” oversimplifies how local taxation actually works.

More importantly, City staff has not proposed or recommended any property tax increase in connection with this proposal. This is a repayable financing structure, not a grant, and there is no staff recommendation that taxes be raised to support it.

The City staff memo specifically notes that the addition of needed single-family owner-occupied housing would significantly improve currently undeveloped parcels, including parcels that are tax-exempt and have been for sale since 2020. The proposal is intended to add value to the tax roll over time, not reduce it. Describing it as “giving away money” is inaccurate.

10 “Our utility bill will go up using the utility fund.”

The use of utility fund dollars does not automatically mean utility bills will increase. The proposal involves internal borrowing from utility funds, not a rate increase. City staff has stated there is enough fund balance to support the proposed short-term internal borrowing while still leaving a reserve, and Ehlers found this type of internal borrowing acceptable.

Just as importantly, there has been no proposal or recommendation from staff to raise utility rates in connection with this structure. The Finance Director modeled scenarios for the borrowing, including returns to the utility, but that is separate from any rate increase. Residents are right to ask questions, but it is inaccurate to claim that this proposal will raise utility bills.

This is an internal borrowing mechanism, not a proposal to increase utility charges on residents.

11 “The developer shouldn't get a fee plus Realtor fees.”

This concern appears to combine two separate roles and treat them as though they are the same compensation, when they are not.

A developer fee compensates for the work, time, risk, coordination, and overhead involved in creating and managing the project itself. That includes identifying the opportunity, designing the concept, working through approvals, coordinating consultants and contractors, managing timelines, solving problems, and carrying the responsibility and risk of execution.

Realtor compensation, by contrast, relates to the marketing and sale of the finished homes through a licensed brokerage function. Those are separate services with separate responsibilities. In many real estate projects, multiple parties are compensated for distinct roles such as development, construction, financing, legal work, and sales. The fact that one party may be involved in more than one function does not automatically mean the compensation is improper.

This project is not structured around an unlimited upside. The homes are being proposed within an affordability-focused model, and the developer fee has been presented as a defined amount rather than an open-ended profit. The sales side is handled through a licensed brokerage relationship that reflects a separate service tied to listing and selling the homes. The issue is not whether there are two forms of compensation. The issue is whether they are tied to two distinct roles and whether the overall compensation remains reasonable.

12 “What does the City get out of this?”

The City gets far more than a single housing project. It gets a practical model for creating attainable, owner-occupied housing in a market where that product has been difficult to deliver.

First, new homes specifically designed for owner-occupants rather than investors or rental conversion. That matters because Whitewater has long struggled with an imbalance in its housing stock, particularly a limited supply of attainable single-family ownership opportunities.

Second, added tax base from new construction on parcels that are currently underperforming, underutilized, or not contributing at the same level they could be. That means long-term community value, not just short-term project activity.

Third, a revolving structure that is intended to recycle funds as homes are completed and sold. Once successful, the same dollars can be reused to help create more homes rather than being spent once and gone.

Fourth, a chance to prove that public-private partnership can be used not just for large apartment projects or high-end development, but for attainable ownership housing that serves local families, first-time buyers, and working households.

Finally, momentum. Success here would show that Whitewater is serious about addressing housing challenges with real action, not just discussion. It would create a replicable framework the City could refine, improve, and potentially use again if it chooses.

13 “Why is the City involved at all? Why can't the private market do this on its own?”

The City is involved because the private market, on its own, has generally not been producing the kind of new owner-occupied housing Whitewater says it needs at a price point many working households can realistically afford.

That is not a criticism of the private market. It is a recognition of how the economics work. Land costs, infrastructure costs, construction costs, financing costs, carrying costs, and developer risk all push new home prices upward. In many communities, that means the market naturally delivers either higher-priced homes, rental housing, or projects with margins that do not support attainable entry-level ownership.

This proposal exists because there is a gap between what the market naturally produces and what the community says it wants. If the City wants more attainable, owner-occupied housing, but the normal market structure does not make that feasible at the desired price point, then some form of public participation or partnership becomes necessary to bridge that gap.

The City is not being asked to step in because the private market has failed in every respect. It is being asked to step in because the private market has not solved this specific problem on its own. That is often the role of local government in housing. Not to replace the private market, but to help close the gap where the market alone is not producing the community outcome being sought.

14 “Are these homes actually affordable?”

That depends on how “affordable” is being defined. If the question is whether these homes are deeply subsidized low-income housing, the answer is no. That is not what this project is intended to be. But if the question is whether these homes are designed to be more attainable than typical new construction and priced to create ownership opportunities that are otherwise scarce in the market, the answer is yes.

New construction is expensive. In today's market, it is difficult to build new single-family homes at a price point that is accessible to many working households without some combination of cost control, public partnership, or both. That is exactly why this model was created.

These homes are intended to fill the gap between older existing housing and higher-priced new construction by offering a more attainable path to homeownership than the market typically delivers on its own. They are not “cheap housing,” but they are meant to be attainable housing relative to the realities of current construction costs.

The right comparison is not whether these homes are affordable to every household. The better question is whether they are more affordable than comparable new construction would otherwise be, and whether they expand access to owner-occupied housing in a market where that opportunity has been limited.

15 “Why should the City help a project near the railroad, on this site, or on these lots?”

The location of a project is a fair question for the City and the public to consider. But the proper way to evaluate that question is through planning, engineering, zoning, infrastructure, and site suitability review, not through the assumption that a site should be rejected simply because it is not perfect or because it is near a railroad.

Every infill or redevelopment opportunity comes with tradeoffs. The question is whether the site is legally buildable, physically serviceable, and appropriate for the type of housing being proposed. If the site meets applicable planning, engineering, utility, and development standards, then the focus should be on whether it can responsibly support the intended homes.

Communities do not solve housing shortages by waiting only for ideal, controversy-free parcels. In many cases, the most realistic opportunities are the sites that are available, serviceable, and capable of being improved with a thoughtful plan. If the City wants additional owner-occupied housing, it has to be willing to evaluate real sites in the real world, not just hypothetical better ones.

With respect to the railroad specifically, proximity alone does not automatically make a site inappropriate for housing. Many communities include homes near rail corridors, including Whitewater, and those sites are evaluated through normal development standards, engineering review, and buyer awareness. The question should be whether the site is suitable under applicable standards and whether future homeowners can make an informed decision, not whether the site is free of every perceived drawback.

16 “What protections keep this from becoming an investor or rental product later?”

This concern is valid, and it is exactly why the proposal includes protections aimed at preserving the public purpose of the project. The intent is not simply to build houses, but to create attainable, owner-occupied homes.

That is why the structure has included owner-occupancy expectations and resale restrictions rather than leaving the homes completely unrestricted after completion. Those protections are important because they help ensure the public support being considered is tied to the outcome the City actually wants: homeownership opportunities for occupants, not immediate investor conversion or speculative turnover.

No restriction can eliminate every future possibility forever, but the purpose of these provisions is to create meaningful guardrails. They make clear that the homes are intended for owner-occupants and that the public assistance associated with the project is justified by that specific community benefit.

This is not a proposal to publicly support housing with no strings attached. It is a proposal to support a housing model that includes built-in protections to better align the project with Whitewater's goal of expanding owner-occupied housing.

A standing offer.

If there are additional questions, concerns, or points of confusion that this document has not addressed, we are ready to respond. We would rather answer a hard question in the open than have it answered incorrectly by someone else.

The public process is the right place for this proposal to be tested. We welcome that scrutiny and remain committed to being transparent about the structure, the safeguards, and the public purpose of this project.

FOR FURTHER INFORMATION

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