

**SPECIAL MEETING**

**DEADWOOD HISTORIC PRESERVATION COMMISSION**

**Tuesday, January 05, 2010 ~ 8:00 a.m.**

City Hall, 108 Sherman Street, Deadwood, South Dakota

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1. Call meeting to order– Chair Darin Derosier
2. Revolving Loan Fund/Retaining Wall Program Update.
  - a. Retaining Wall Applications
  - b. Revolving loan disbursements
  - c. Revolving Loan Request
3. Other Business
4. Adjournment

**CITY OF DEADWOOD**

**HISTORIC PRESERVATION COMMISSION**

**Tuesday, January 5, 2010**

**Present Historic Preservation Commission:** Darin Derosier, Ronda Feterl, Mike Olsen, Steve Olson, Matt Pike and Willie Steinlicht. Historic Preservation Officer Kevin Kuchenbecker was also present.

**Absent Historic Preservation Commission:** Mary Ann Oberlander.

**Present City Commission:** Mayor Francis Toscana arrived at 8:25 a.m.

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**All motions passed unanimously unless otherwise stated.**

A quorum being present, Chairman Darin Derosier called the Special Meeting of the Deadwood Historic Preservation Commission to order on Tuesday, January 5, 2010 at 8:00 a.m. in Deadwood City Hall located at 108 Sherman Street, Deadwood, SD.

**REVOLVING LOAN FUND/RETAINING WALL GRANT UPDATE:**

**Retaining Wall Applications**

None.

**Revolving Loan Disbursements**

None.

**Revolving Loan Request**

Ms. Joy McCracken, Loan Officer for NeighborWorks—Dakota Home Resources, stated that Mary Dunne Larson of Deadwood Dicks is requesting a \$25,000 emergency loan. She explained that Deadwood Dicks had recently had some work done on their boiler. She further explained that, due to a plumbing error, water, containing sand, had been sent through the boiler and had caused the boiler to clog and ultimately quit. She stated that the total cost of repairing the boiler would be approximately \$50,000; however, due to the plumbing error, the plumber's insurance is going to pay 50% of the associated costs. She noted that Ms. Dunne Larson is hoping to get more money from insurance as she also has insurance on the boiler in case of failure. Ms. McCracken stated that the loan would need to be approved for 50% of associated costs at this time in case Ms. Dunne Larson wasn't awarded more insurance money, but pointed out that the actual loan may end up being smaller if she was. Ms. McCracken stated that Ms. Dunne Larson was asking for a \$25,000 loan at 0% interest for five years. She explained that the loan would be at 0% as it is a life-safety issue. Ms. McCracken added that this would give Ms. Dunne Larson a monthly payment of \$416.00.

Ms. McCracken noted that it was also time to renew Ms. Dunne Larson's existing loans. She explained that they have two loans: one in the amount of \$328,000 at 6% interest, and the other in the amount of

\$34,000 at 0%. She stated that the total payment for the first loan is \$2,213 per month and \$400 for the second loan.

Ms. McCracken reiterated that the boiler at Deadwood Dicks had died and that it would take approximately \$50,000 to fix. She once again pointed out that the plumber's insurance would pay 50% of these associated fees. Ms. McCracken stated that Ms. Dunne Larson had been an HPC customer since 2000 and noted that she was actually one of the first people to obtain an HPC loan. She noted that during the years of 2004-2008 she was in a work out situation. Ms. McCracken stated that Ms. Dunne Larson's original loan in the amount of \$350,000-\$360,000 was for infrastructure. She noted that between 2004-2008, several other gaming establishment were located along Sherman Street making it extremely competitive. Ms. McCracken noted that when many of these establishments closed, she realized that she was not going to be able to live off of gaming dollars so she was very innovative in getting other income sources. She pointed out that this was when she went into antiques etc. Ms. McCracken reiterated that during the years of 2004-2008, Ms. Dunne Larson was in a work out situation; however, she pointed out that Ms. Dunne Larson always made every payment as agreed. Ms. McCracken stated that since 2008 she has been out of her work out situation and her interest rate has gone back up to 6%. Ms. McCracken stated that she considers Ms. Dunne Larson to be a good customer and that she does not consider her to be a risk. She noted that the total loans, including this newly requested \$25,000, against the building would only be \$539,000.

Mr. Derosier asked if HPC would be in first position on the loan. Ms. McCracken stated that HPC would be in second position behind First Interstate. Ms. McCracken pointed out that First Interstate's loan amount is smaller than HPC's.

Ms. Feterl questioned what the plumber's liability was. Ms. McCracken stated that the plumber's liability was 50%. Ms. Feterl also asked Ms. McCracken to further explain Ms. Dunne Larson's insurance. Ms. McCracken stated that Ms. Dunne Larson has insurance on the boiler for business interruption. Ms. McCracken stated that Ms. Dunne Larson was unsure if her insurance would pay for anything. Ms. Feterl also asked if Ms. Dunne Larson's debt is going down. She pointed out that when auditors would come in that Ms. Dunne Larson's loan would be flagged. Ms. McCracken explained that when Ms. Dunne Larson was in the work out situation that NeighborWorks (HPC) dropped the interest rate on the loan to 4% and had a 35 year amortization to get the payment where Ms. Dunne Larson said she could afford it. However, she noted that each year HPC had lessened the amortization and increased her interest rate. Ms. McCracken stated that Ms. Dunne Larson has done better every year since 2004, but noted that in 2009 Ms. Dunne Larson stated that she was off approximately 7%. Ms. McCracken noted that 7% was not bad for 2009.

Mr. Derosier questioned if HPC would still be in second position, behind First Interstate, even with this additional \$25,000 loan. Ms. McCracken stated that that was correct, that HPC would still be in second position behind First Interstate. She pointed out that the three buildings were probably worth well over a million dollars and since there were only 539,000 worth of loans against the buildings that second position was still pretty good.

Mr. Kuchenbecker noted that this would be Ms. Dunne Larson's second life-safety loan which would be above what has been done in the past. Ms. McCracken thanked Mr. Kuchenbecker for pointing this out, and stated that Ms. Dunne Larson had received \$50,000 per building for life-safety in the early 2000's. She noted that 15 years ago or so, when there wasn't much money in the revolving loan, \$50,000-

\$100,000 was kept aside for emergencies. Ms. McCracken stated that the thinking was if there was a fire, or a historic building had an emergency then these funds would be available. She noted that since this HPC had not been in this type of situation, emergency funds had not been discussed, but noted that past commissions had always felt that in the case of an emergency, zero percent money would be given. Ms. McCracken stated that it must be noted, however, that Ms. Dunne Larson had received \$50,000 per building in emergency money in the past, so this would be additional life-safety, emergency money.

Mr. S. Olson asked if the cart was being placed before the horse, since it was not know how much money would be obtained through insurance etc. Ms. McCracken stated that she did not think so. She explained that Ms. Dunne Larson and Mr. Dave Larson had come into her office last week and at that time they knew that the costs associated with fixing the boiler would be at least \$50,000 but had pushed it to \$60,000 for any unknowns. She stated that since then, quotes for the work had been obtained from Action Mechanical and that they had found a boiler in Sioux Falls and had negotiated the cost of the boiler down to \$50,000 so all of the costs were now know. She also pointed out that they had worked with the plumber's insurance company, who had agreed to pay 50%. Mr. Olson asked if the plumber's insurance company should have to pay more than 50%. He stated that he felt this needed to be negotiated. He pointed out that if someone destroys something they should have 100% liability for replacement costs. Ms. McCracken stated that Ms. Dunne Larson had stated that she did not want to end up in court incurring a bunch of attorney's fees so she stated that she would turn it over to her insurance company and let them battle it out. Ms. McCracken explained that this was the unknown of the situation. She stated that the maximum loan would be \$25,000 and the boiler would need to be replaced as soon as possible so they would not be able to wait while the insurance companies battle it out. Mr. Derosier pointed out that the boiler had depreciated, so the insurance company would probably not give them all of the costs associated with fixing the boiler, despite the plumber's error. Ms. Feterl pointed out that if they have \$25,000 dollars of insurance money from the plumber to pay on the boiler that maybe it was too soon to be asking for the loan, because they could probably pay for the additional \$25,000 later. Ms. Feterl added that if they have half of the money to put down on the boiler she was not sure about the urgency of the loan. Mr. Kuchenbecker stated that it would be unknown how quickly the plumber's insurance money would be issued. Ms. McCracken stated that especially if the two insurance companies get into a battle, then it would probably be unlikely for them to issue a check right away. Mr. Kuchenbecker reiterated that if a battle ensues that the money probably would not be issued right away.

Mr. Steinlicht asked how the building was currently being heated. Ms. McCracken stated that electrical, space heaters were being used. She also noted that the building had to be kept warm so the sprinklers would not freeze up.

Mr. Derosier asked if in the motion it could be stipulated that if additional funds were obtained from the insurance companies, that she would have to kick back her loan. Ms. McCracken stated that Ms. Dunne Larson did not want to borrow any more than she needed so if HPC approved the loan for \$25,000, just so she knows that the money is available if she needs it, and then let the insurance companies battle it out, HPC funds could be the last funds doled out. Mr. Pike stated that if the motion stated not to exceed and for an express purpose that that should cover Mr. Derosier's concern. Mr. Derosier stated that the motion was not directed toward the applicants, but that he did not want to set a precedence of lending money to people who end up not needing it and then having these same people keep the money and use it for other purposes and then be able to pay back their loans at 0% interest.

Mr. Steinlicht asked how HPC should treat other properties, in the event of an emergency, if the loan was approved. Ms. McCracken stated that emergency money was only used one other time and that this was before Blake Haverberg owned the Martin Mason Building when the roof was falling in. Mr. Steinlicht asked if there would be consideration for all buildings that may have an emergency. Ms. McCracken stated that emergency money is distributed on a case by case basis and that the building must be historic and thus of interest to the Historic Preservation Commission.

Ms. Feterl asked if the HPC had ever given emergency money to a building that had already received money based on a life-safety issue. Ms. McCracken stated that this had not been done in the past. She added that the only time that this had been done was with the Martin and Mason and that the money had been given before any work had been done on the building. Ms. Feterl asked if the guidelines stipulated that life-safety money could only be given one time per building. Ms. McCracken stated that it does not say one time, but rather life-safety per building. Mr. Pike reiterated his concern that the HPC follow their guidelines and asked if the overall life-safety debt load on Ms. Dunne Larson's three buildings had come down by \$25,000. Mr. Pike stated that his reason for asking this question was to guarantee that HPC is setting a precedence that at any one time \$50,000 per building is on a structure for life-safety. Mr. Steinlicht and Mr. Pike also noted that, as Mr. Derosier had pointed out, if or when a motion be made it stipulate that the loan not exceed \$25,000 and that the money be used for the sole purpose of fixing the boiler. Mr. Derosier pointed out that Ms. Dunne Larson's original loan of 370,000 had dropped by over 40,000 dollars. He asked Ms. McCracken if this was where the \$150,000 dollars of life-safety money was.

Mr. Derosier also stated that the HPC should try to get away from being in second position on their loans especially when large loans are involved. He added that this was making him nervous. Ms. Feterl pointed out that even when HPC is the largest lender they are in second position; however, she pointed out that it was an old loan. Mr. Derosier also noted that in this case being in second position was not such a big deal because the loan would only be for an additional \$25,000.

Ms. Feterl asked if Ms. McCracken was considering two loan options or if it was because she was unsure if the situation was a life-safety issue. Ms. McCracken stated that the latter was correct.

Ms. McCracken stated that the maximum loan amount that had to be married at one time was \$365,000 and that had come down to \$328,000. She noted that all of the loans were combined so it would be hard to tell how much the life-safety loan had come down. Mr. Derosier pointed out that the loan had come down by at least \$25,000 dollars. Mr. Pike stated that it had actually come down by over \$40,000. Mr. Pike stated that he was happy with that answer. He also pointed out that the matter was not just life-safety, but that the situation was urgent. He reiterated that Ms. Feterl was correct in not wanting to carve out exceptions.

Mr. Kuchenbecker stated that it was important to point out that the matter was not only a life-safety issue, but also an urgent issue because it eliminated the amount of applicants that would be able to come before the Commission in the future and ask for funding. Mr. Derosier added that the situation is obviously an emergency since the building is being heated with electrical, space heaters. Mr. Pike noted that the emergency coupled with the overall decrease in the debt load helped to establish that HPC was not carving out an exception in this particular case. Mr. Kuchenbecker also pointed out that out of the

\$42,000 that had come down; the principle would have come down more on the 0%. Ms. McCracken pointed out that in the beginning all would have gone to principle.

Mr. S. Olson asked when the original 150,000 life-safety loan was taken out. Ms. McCracken stated that the original loan was taken out in 1992. Mr. S. Olson asked if the \$150,000 had been sitting at 0% interest since then. Ms. McCracken stated that it had not. She explained that it was only at 0% for five years. She noted that it then went up to 6%. Furthermore, she pointed out that no one had ever had a 0% loan for more than five years.

***It was moved by Mr. Steinlicht and seconded by Mr. Pike to approve an emergency loan in an amount not to exceed \$25,000 at 0% interest for the sole purpose of installing a boiler at 51, 53, and 55 Sherman Street for Mary Dunne Larson. Aye– All. Motion carried.***

Mr. Steinlicht asked if there would be a Loan Committee Meeting on Thursday, January 7, 2010. Ms. McCracken stated that there would not be.

Ms. McCracken added that since Ms. Dunne Larson had been in a work out situation she had received annual reviews and noted that she was currently up for one. She asked the Commission if they would like to discuss it at the current HPC Meeting or if they would rather have it go through the Loan Committee. Mr. M. Olsen and the Commission stated that they would rather it to go through the Loan Committee.

**OTHER BUSINESS:**

Mr. Kuchenbecker stated that the Historic Preservation Office had received 24 grant applications for the Outside of Deadwood Grant Program. He noted that this was the most applications he had seen during a single funding round in his career with the City.

**ADJOURNMENT:**

Hearing no further business to come before the Commission at this time and no objections from the Commission or the audience, Chairman Derosier adjourned the meeting at 8:34 a.m.

ATTEST:

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Darin Derosier  
Chairman, Historic Preservation Commission

Virginia Peterson, Recording Secretary