

MINUTES
TAX INCREMENT FINANCE COMMITTEE
March 27, 2006

MEMBERS PRESENT: Malcom Chapman, Ron Kroeger, Dan Dryden, Marcia Elkins, Jim Preston, Joel Landeen

OTHERS PRESENT: Pat Wyss, Michael Stanley, Ted Vore, Karie Price, Lewis, Karen Bulman, Sharlene Mitchell

Elkins called the meeting to order at 11:34 a.m.

Tower Road Tax Increment District Project Plan (06TIF002)

Bulman provided a brief overview of the Tower Road Project Plan request noting that the initial Project Plan proposed a City funded project. Bulman indicated that the Tax Increment District was approved in 2004 noting that the Project Plan was tabled due to the lack of an identifiable City funding source.

Bulman indicated that the Developer has revised the Project Plan proposal to be Developer funded. Bulman indicated that the proposed District does meet the criteria for an economic development district. Bulman reviewed the District boundaries noting the impact the “for profit” or “not for profit” status of the proposed Health Care Center will have on the projected increment. Bulman indicated that the District is projected to payout in eight years.

Discussion followed regarding the impact of the Health Care Center “profit” or “non-profit” status would have on the anticipated increment revenue. Elkins clarified that the project costs will be Developer funded noting that the road improvement costs are normally City funded costs. Discussion followed regarding the extent of the Tower Road reconstruction project.

Wyss introduced Michael Stanley noting that he would be the project consultant for all future presentations.

Wyss reviewed the unsuccessful efforts to secure funding through the Capital Improvements Program and the 2012 Program noting that outside interest in the project has provided the impetus to resubmit the Project Plan as a developer funded project. Wyss indicated that the road reconstruction will follow the recommendations of the FMG Engineering report noting that where necessary the road will be moved to undisturbed fill. Wyss indicated that the project has been expanded to include sidewalks and a future connection from Tower Road to Flormann Street. Wyss indicated that there are interested parties in the luxury apartments noting that the proposed duplex properties would be replaced with single family properties. Wyss commented on the area drainage improvements noting that the fill from these areas would be utilized in the Flormann Street connection.

In response to a question, Elkins indicated that the project is the reconstruction of Tower Road and therefore would not go forward without the Tax Increment Financing. Elkins clarified that historically the Developer has not been responsible for improvements to an existing road. Elkins indicated that the City has been unable to identify a funding source for the Tower Road reconstruction project.

Wyss stated that the Developer is proposing to provide the financing for the Tax Increment District in order to resolve the Tower Road reconstruction issue.

Preston voiced support for the project noting the benefit to the City. In response to a question, Wyss indicated that a restaurant site has been identified within the District boundaries that would generate sales revenues. Preston indicated that any sales tax revenues generated by the District would assist in off-setting the loss of property tax revenues.

Elkins indicated that a Tax Increment District created leveraging private financing to fund City improvements that are not associated to the proposed development is unique. Elkins encouraged the addition of significant funding for Contingency and Other Necessary and Convenient Costs noting the current flux in construction costs. Wyss suggested a 20%-25% funding for these line items noting the impact of increasing fuel costs and contractor availability of the total project costs. Elkins stressed the importance of reconstructing Tower Road noting that the Contingency and Other Necessary and Convenient Costs would provide the flexibility needed to insure the project is completed properly.

Vore indicated that a complete project design is required to determine accurate cost estimates. Elkins clarified that the Project Plan needs to be in place prior to the developer incurring project costs so that he is assured he will be repaid.

Wyss requested clarification on who would be responsible for additional work requested by the City. In response to a question, Wyss indicated that Dream Design reviewed the FMG Engineering report last year and updated the project costs at that time.

Discussion followed regarding the additional funding for Contingency and Other Costs in order to anticipate any changes to the final design. Elkins indicated that the road alignment would be based on the FMG study. Wyss indicated that the intent is to move the road and sidewalk alignment where necessary to undisturbed fill. In response to a question, Elkins indicated that relocation of the road alignment would require purchasing additional right-of-way.

In response to a question, Bulman indicated that the estimated eight year payout is based on the construction proposal provided by the applicant.

Preston moved to recommend approval of the Tower Road Tax Increment District in the amount of \$3,200,000 with the additional funding to be divided equally between the Contingency and Other Necessary and Convenient Costs line items. Chapman seconded the motion.

In response to a question, Preston indicated that he is recommending a 20% increase to address the Contingency and Other Costs line items.

Discussion followed regarding providing sufficient project funding now to insure that the Project Plan does not have to be revised at a future date thereby losing the current base valuation.

In response to a question, Wyss indicated that the project design costs are included in the \$2,679,767 requested project costs. Elkins recommended that the project design costs be identified under the Engineering/Design and Construction Management line item.

Kroeger moved a substitute motion to recommend approval of the Tower Road Tax Increment District in the amount of \$3,479,657 with the project design costs being identified under the Engineering/Design and Construction management line item and the

additional \$800,000 to be divided equally between the Contingency and Other Necessary and Convenient Costs line items. Chapman seconded the motion.

Preston voiced support for the project noting the need to reconstruct Tower Road. In response to a question, Elkins clarified that in this case project is actually the reconstruction of Tower Road and if the Plan is not funded the reconstruction project will not go forward.

The substitute motion to recommend approval of the Tower Road Tax Increment District in the amount of \$3,479,657 with the project design costs being identified under the Engineering/Design and Construction management line item and the additional \$800,000 to be divided equally between the Contingency and Other Necessary and Convenient Costs line items carried unanimously.

Chapman advised Wyss of the recent amendments to the Tax Increment Guidelines requiring the applicant to provide a proforma on all future applications.

In response to a question, Elkins indicated that per the revised Guidelines Bulman would provide the applicant with a written notification of the Committee's action including the date on which the request would be presented to the Planning Commission.

Approval of Minutes

Landeen moved, Dryden seconded and carried unanimously to approve the minutes of the February 27, 2006 meeting.

Tax Increment Financing, a Guide for Applicants

Elkins presented the revised Tax Increment Guideline, the Tax Increment Application and the Tax Increment Checklist. Elkins advised that these documents would be available on the City web site. Elkins requested that the Committee members review the documents and forward any recommendations for changes and corrections to staff.

Chapman recommended that the Committee meetings be schedule after the applicant has provided all the required information.

Landeen commented on the recommendation that the applicant leave the meeting after providing the application presentation to allow the Committee to discuss the request openly. Chapman indicated that the request was to avoid having multiple applicants present during the meeting allowing the Committee to address each application individually.

Adjourn

There being no further business, Chapman moved, Preston seconded and carried unanimously to adjourn the meeting at 12:11 p.m.