

MINUTES
TAX INCREMENT FINANCE COMMITTEE
June 25, 2008

MEMBERS PRESENT: Bill Okrepkie, Gary Brown, David Janak, Bob DeMersseman, Marcia Elkins, Jim Preston, Joel Landeen

OTHERS PRESENT: Hani Shafai, Mike Stanley, Doyle Estes, Scott Sumner, Pat Tlustos, Rich Evans, Bob Drew, Dan Ferber, Charles Lien, John Nooney, Rich Huffman, Tom Rau, Alan Hanks, Robert Ellis, Dale Tech, Mark Rohlfig, Mike Schad, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:30 a.m.

Approve Minutes

Brown moved, Okrepkie seconded and carried unanimously to approve the minutes of the March 14, 2008 meeting.

Highway 16B Sanitary Sewer (08TIF005)

Bulman presented the request to facilitate the development of residential property supported by the development of public infrastructure adjacent to U.S. Highway 16. Bulman reviewed the project costs included in the proposed developer funded tax increment district noting the commercially zoned property in the proposed district boundary. Bulman indicated that the Necessary and Convenient and Contingency funding for the project complies with the proposed 10% guideline.

Shafai introduced the area property owners that are impacted by the proposed tax increment financing request. Shafai outlined the infrastructure improvements noting that the improvements will alleviate the existing burden on the Robbinsdale sanitary sewer system.

Shafai requested that the project costs be revised to include \$600,000 in developer costs noting that the district is projected to payout in 12-13 years. In response to a question, Bulman indicated that the preliminary review was prepared using only the oversizing costs; however, with the additional project costs the district would payout in 15 years.

In response to a question from Okrepkie, Elkins requested that discussion regarding the inclusion of the developer costs be addressed following the applicant's presentation.

In response to a question from Elkins, Shafai addressed the cash flow projections with and without the additional \$600,000 in developer costs. In response to a question from Landeen, Shafai indicated that the additional developer costs will be expended for the lift station and sewer force main.

In response to a question from Preston, Shafai indicated that the district is comprised of approximately 30% commercially zoned land. In response to a question from Landeen, Shafai addressed the project costs included for the Catron Boulevard gravity sewer line. Discussion followed regarding the service area boundary for the sanitary sewer lift station.

Tlustos clarified that the majority of the affected property owners have not participated in the development of the tax increment request. In response to a question from Tlustos, Shafai

addressed the issues relating to the Black Hills Orthopedic and Black Hills Corporation properties.

In response to a request from Elkins, Landeen addressed the structure of the Developers Agreement noting that the applicant must provide the breakdown percentage between the participating developers. Shafai clarified that not all property owners will participate in the development noting that the Hyland Park development will fund the lift station and force sewer main. Discussion followed regarding the level of participation anticipated by the remaining developers.

In response to a question from Ellis, Shafai indicated that he is proposing that the project will be developer funded noting that the Hyland Park developer will be reimbursed from the tax increment district for the lift station and force sewer main costs.

Discussion continued regarding the anticipated level of developer participation and the percentage of commercial property located within the proposed district boundary.

In response to a question from Ellis, Sumner indicated that agreements are in place to allow future connections to the gravity sewer line. Discussion continued regarding the capacity of the lift station.

In response to a question from Landeen, Shafai indicated that the proposed project will alleviate the health safety concerns with the inadequate carrying capacity of the Robbinsdale sanitary sewer system.

In response to a question from Elkins, Evans addressed the Hyland Park pro forma noting that the developer costs must be included in the Tax Increment Financing Project Plan to cash flow the project.

Discussion followed regarding the impact the developer costs will have on the approval of the request, project costs restructuring options and the community benefit resulting from the upgrade of the Highway 16 Sanitary Sewer.

Okrepkie moved to recommend approval of the Highway 16 Sewer Tax Increment District in the amount of \$3,624,000, including \$600,000 in developer costs, with developer costs repaid from the Tax Increment District. Janak seconded the motion.

Discussion continued regarding the inclusion of the developer costs in the project costs and the breakdown of percentages between the various developers.

In response to a question from Okrepkie, Brown indicated that the Planning Commission has not supported including developer costs in a tax increment district project plan.

Discussion continued regarding funding alternatives to address the developer costs issue. Janak recommended approving the motion as presented with the understanding that the applicant will review funding options for the developer costs.

Preston moved a substitute motion to recommend approval of the Highway 16 Sewer Tax Increment District in the amount of \$2,664,000 with the following stipulations:

- 1. That the project costs include 100% of the gravity sewer line;**

2. That the project costs include 70% of the lift station and sewer force main; and,
3. That all other project costs be included as presented.

The substitute motion failed for lack of a second.

The motion recommend approval of the Highway 16 Sewer Tax Increment District in the amount of \$3,624,000, including \$600,000 in developer costs, with developer costs repaid from the Tax Increment District carried with Landeen and Preston voting no.

5th Street TID #41 – Project Plan Revision (08TIF006)

Bulman provided a review of the proposed reallocation of project costs. Bulman indicated that the purpose of the reallocation is to address the increased construction costs for Stumer Road. Bulman indicated that the developer is in the process of refinancing the development loan and anticipates a substantial savings from the lower interest rate.

Shafai requested creating a Project Plan Phase II and allocate the Traffic Lights and Turn Lanes projects costs into the second phase. Shafai indicated that phasing would permit the Phase I project costs to be certified allowing release of the accrued tax revenues which would assist in reducing the overall timeframe for paying off the district costs. Shafai commented on the success of the 5th Street Tax Increment District noting the development that has occurred. Discussion followed regarding the financial benefit that would be realized by phasing the project costs.

Brown moved, Okrepkie seconded and carried unanimously to recommend approval of the 5th Street Project Plan TID #41 request to reallocate funds from the Black Hills Boulevard, Sewer and Water Oversizing and Financing Interest line items to the Stumer Road line item and to reallocate the total Traffic Light line item and \$106,139.50 of the Turn Lanes line item to Phase II.

North Street Fire Station (08TIF007)

Bulman presented the request to develop regional public infrastructure improvements and a Fire Station on East North Street north of U.S. Interstate 90. Bulman reviewed the breakdown of project costs by developer noting that 61% of the proposed district is zoned commercial. Bulman indicated that the proposed district has a projected term of 12 years with the City being repaid last. Bulman identified the parcel boundaries that must be included in the proposed district boundary.

Elkins extended thanks to the Lien family for the donation of the Fire Station site noting the lengthy discussions that have been held on the proposed project.

Ferber outlined the proposed development projects noting the infrastructure improvements required to support those developments. Ferber outlined the developer funding for the project including funding for the widening of East Mall Drive.

In response to a question from Landeen, Elkins addressed the infrastructure improvements included in the developer funded project noting the resulting benefit to the City.

In response to a question from Ellis, Ferber outlined the drainage improvements that will be completed under the proposed project. Discussion followed regarding the need for a regional drainage facility and the donation of the Fire Station site.

In response to a question from Elkins, Ferber indicated that the salvage yard properties lying south of Seger Drive were eliminated due to their lack of development potential. Discussion followed regarding including the salvage yard properties to address the "blight" criteria.

In response to a question from Landeen, Ferber addressed the developer costs included in the project for the East North Street and Mall Drive projects.

Hanks addressed the benefit to the City with the donation of the Fire Station site. Hanks indicated that the City will recapture the Capital Improvement funding for the Fire Station through the tax increment district allowing that funding to be reused for the next Fire Station. Discussion followed regarding the financial benefits that will be realized from the North Street Fire Station tax increment district.

Elkins recommended that the proposed project be amended to include a Phase II for the development of East North Street to Seger Drive and that the district boundary be expanded to include the salvage yard properties lying south of Seger Drive. In response to a question, Elkins indicated that the developer has proposed that the City be reimbursed last in exchange for the land donation and upfronted the infrastructure costs.

In response to a question from Landeen, Bulman indicated that the projected 12 year district payout does not include the proposed Phase II.

Landeen moved to recommend approval of the developer funded North Street Fire Station Tax Increment District request in the amount of \$6,436,644.25 with the following stipulations

- 1. That the District boundary be expanded to include the salvage yard properties lying south of Seger Drive;**
- 2. That the District comply with the 25% blight criteria; and,**
- 3. That a Phase II in the amount of \$1,446,070.00 be added to the Project Plan for the purpose of completing development of East North Street to Seger Drive.**

DeMersseman seconded the motion.

In response to a question from Elkins, Bulman indicated that the Necessary and Convenient and Contingency line items exceed the proposed 10% guideline. In response to a question from Landeen, Ferber stated that the project costs are based on a preliminary design noting that the funding requested for the Necessary and Convenient and Contingency line items is due to the lack of final engineering designs and to address escalating construction costs.

The motion to recommend approval of the developer funded North Street Fire Station Tax Increment District request in the amount of \$6,436,644.25 with the following stipulations

- 1. That the District boundary be expanded to include the salvage yard properties lying south of Seger Drive;**
- 2. That the District comply with the 25% blight criteria; and,**
- 3. That a Phase II in the amount of \$1,446,070.00 be added to the Project Plan for the purpose of completing development of East North Street to Seger Drive.**

Carried unanimously.

Adjourn

There being no further business Okrepkie moved, Preston seconded and carried unanimously to adjourn the meeting at 1:07 p.m.