

MINUTES  
TAX INCREMENT FINANCE COMMITTEE  
December 11, 2001

Members Present: Bob DeMersseman, Mel Dreyer, Dan Dryden, Marcia Elkins, Alan Hanks, Tamara Pier, Jim Preston, Bob Wall, Stuart Wevik

Others Present: Dan Bjerke, Karen Bulman, Jerry Munson, Sharlene Mitchell, Randy Nelson, Harold Bies, Sally Broucke, Scott Craig, Rick Kahler, Walt Linderman, Julie Martinez, Scott Nash, Hani Shafai, Stuart Swanson

Elkins called the meeting to order at 11:35 a.m.

Elkins presented the Tax Increment Financing Evaluation Criteria Worksheet for evaluating and identifying a proposed district's qualification with the established criteria. Elkins indicated that staff has reviewed the evaluation criteria for the 5<sup>th</sup> Street project noting that the committee would evaluate future district requests. Elkins requested that the committee advise staff regarding the usefulness of the worksheet.

Wall requested clarification of the actual or potential hazard to the public to be eliminated by the district noting his concern with the staff's justification. Discussion followed regarding the district's compliance with the adopted Comprehensive Plan and the elimination of actual or potential public hazards.

In response to Hanks, Elkins indicated that the committee would need to clarify the level of improvements to be funded. Elkins stated that this would be a speculative district noting that there were no identified development projects within the district boundaries at this time.

Discussion followed regarding the proposed district's impact on the City's financial position, the estimated timeframe for area buildout, and funding of the district shortfall pending area development. Discussion followed regarding expansion of the proposed district boundaries to incorporate the new development along 5<sup>th</sup> Street and Highway 16. Elkins indicated that property value assessments are established as of November 1 noting the impact this deadline would have on the available tax increment.

In response to a question from Nash, Elkins briefly reviewed the improvements that could be included in the tax increment district. Munson voiced support of the proposed district noting that all tax increment districts assume some element of risk. Elkins briefly reviewed the financial proposals for funding of the district. Wall commented on the capitalization of interest during the initial years of the tax increment district noting the impact this would have on repayment of the district. Shafai addressed the residential developments being proposed for the area.

Dreyer expressed concern with the utilization of 2012 funding noting that other projects would provide a faster repayment of the funding. In response to a question from Dreyer, Elkins indicated that the area landowners have not presented executed agreements for the Infrastructure Development funds at this time. Discussion followed regarding area right-of-way issues.

Hanks voiced support for a tax increment district designed to recapture the oversizing costs and for the City/School portion of the district. Hanks indicated that he would not support a tax increment district that would shift costs from the developer to the taxpayer. Elkins clarified that a blending of the Tax Increment and Infrastructure Development programs would place

responsibility for the developer costs with the developer. Preston commented on the need for commercial development to support the district noting his discomfort with the volume of City funding being directed into the 5<sup>th</sup> Street project. Discussion followed regarding the residential development trend of other communities and the level of commercial development required to provide the necessary impetus to approve the project.

In response to a question from Craig, Hanks clarified that he did not oppose assisting development as long as the cost of the development did not become a taxpayer responsibility. Discussion followed regarding the private and public benefit to be derived from the proposed project. Munson noted his support for the 5<sup>th</sup> Street project and encouraged the area landowners to resolve their individual issues and proceed forward with the Infrastructure Development program.

Discussion followed regarding the district's ability to meet the required criteria, the financial limitations the 5<sup>th</sup> Street project would have on other development projects, the need for identified development projects to support the district, and resolution of the area landowner issues.

Nash commented on the status of the area drainage basin noting that construction of the drainage improvements are contingent upon approval of the basin and associated fees.

DeMersseman suggested revision of the tax increment review criteria to include a "good of the City" criteria. Wall commented on the need to finalize area land uses in order to resolve the drainage basin issues. Discussion followed.

**Wall moved to find that the 5<sup>th</sup> Street Tax Increment District does not comply with the criteria established for approval of tax increment districts. Motion died for lack of a second.**

**DeMerssemen moved to find that the 5<sup>th</sup> Street Tax Increment District does comply with the criteria established for the approval of tax increment district. Hanks seconded the motion for discussion purposes.**

Discussion followed regarding the 5<sup>th</sup> Street Tax Increment District's compliance with the established criteria including such issues as travel time to the hospital, provision of low income housing, and installation of central utilities.

**The motion to find that the 5<sup>th</sup> Street Tax Increment District does comply with the criteria established for the approval of tax increment district carried with Hanks, Wevik, Wall, Dryden and DeMersseman voting YES and Dreyer, Preston and Pier voting NO.**

Elkins briefly reviewed the options available for funding of the 5<sup>th</sup> Street tax increment district.

**Hanks moved to recommend approval of Option B allowing for the recapture of funding\*:**

\$440,000	SD Department of Transportation
\$3,000,000	Tax Increment Financing*
\$2,417,564	Infrastructure Development Partnership Funding
\$610,000	Capital Improvements Funding*
\$100,000	Waste Water Fund*
\$50,000	Water Fund*

**Preston seconded the motion.**

In response to a question from Dreyer, Hanks clarified that the area landowners must bring the Infrastructure Development Partnership agreement forward prior to formal development of the 5<sup>th</sup> Street Tax Increment District. Discussion followed regarding placing a timeframe on the motion to approve. Dryden reviewed the state aid formula to schools and its impact on the City tax payments with the development of a tax increment district noting his concerns with approving the project.

**Hanks withdrew the motion, Preston concurred.**

The Committee concurred that the 5<sup>th</sup> Street Tax Increment District met the criteria of approval and recommended delaying development of the district until such time as executed Infrastructure Development agreements are presented by the area landowners.

Discussion followed regarding the landowner's issues with regard to finalizing the Infrastructure Development agreements and structuring of development costs between the City and land owners.

**Dreyer moved to continue discussion of the 5<sup>th</sup> Street Tax Increment District until such time as the necessary Infrastructure Development Partnership agreements have been executed. Preston seconded the motion.**

Discussion followed regarding placing a sixty-day timeframe on the execution of the Infrastructure Development agreements. Hanks indicated that the Tax Increment District was contingent upon execution of the Infrastructure Development agreements. Discussion followed regarding finalization of the area drainage basin.

Elkins indicated that based on the present motion the Tax Increment Finance Committee would report to the City Council that consideration of the 5<sup>th</sup> Street Tax Increment District is contingent upon the execution of the Infrastructure Development Partnership agreements in accordance with the established program guidelines. Elkins noted that the recommendation would be to fund only the oversize costs of the City and School.

In response to Linderman, Bjerke indicated that the 5<sup>th</sup> Street engineering design plans are available for developer review.

In response to a question from Wall, Elkins indicated that the Infrastructure Development funding has been approved subject to the execution of agreements by the area landowners. Discussion followed regarding the "first come, first serve" funding policy of the Infrastructure Development program.

**The motion to continue the 5<sup>th</sup> Street Tax Increment District until such time as the necessary Infrastructure Development Partnership agreements have been executed carried unanimously.**

**Hanks moved, Dreyer seconded and carried unanimously to approve the minutes of the November 29, 2001 meeting.**

There being no further business the meeting was adjourned at 12:40 p.m.