

MINUTES
TAX INCREMENT FINANCE COMMITTEE
September 1, 2006

MEMBERS PRESENT: Malcom Chapman, Bob DeMersseman, Marcia Elkins, David Janak
Ida Marie Fast Wolf, Bill Okrepkie, Ron Kroeger and Joel Landeen

OTHERS PRESENT: Jennifer Landguth, Kale McNaboe, Doug Sperlich, Dirk Jablonski,
Karen Bulman and Risë Ficken

Call to Order

Elkins called the meeting to order at 11:37 a.m.

The Villaggio at Golden Eagle (06TIF004)

Bulman provided a brief review of the request for the improvements to be located adjacent to the Villaggio development. Bulman explained that as there are no commercial properties located within the district it does not qualify as an economic development tax increment district. Bulman reviewed the proposed base value and anticipated increment, noting that the total project costs of \$350,000 are anticipated to be paid in six years. Bulman reviewed the proposed district boundaries.

Elkins advised that a new representative from the School District has joined the Tax Increment Finance Committee and all those present introduced themselves. Elkins welcomed the new Committee members.

Sperlich advised that all of the proposed improvements are located outside of the Villaggio site boundaries. Sperlich explained that the Villaggio development was granted variances to the requirement to construct sewer along the Vineyard Lane/Golden Eagle Drive access between the development and Catron Boulevard as available sewer connections within Catron Boulevard are located approximately 1,000 feet from the property. Sperlich added that a variance was also granted to the requirement to construct sidewalks along the same area. Sperlich explained that while grading Vineyard Lane/Golden Eagle Drive between Catron Boulevard and the development it became apparent that it would be beneficial to both the City and the developing area to construct the sewer and sidewalk in conjunction with the road construction. Sperlich stated that this application is to include the cost of the sewer, sidewalks, pavement, curb and gutter for that portion of Vineyard Lane and Golden Eagle Drive located between Catron Boulevard and the Villaggio development in the tax increment district with the developer providing the funding for the improvements with the district anticipated to be paid in six years. Sperlich emphasized that all of the improvements would occur on City-owned property.

Jennifer Landguth indicated that they have already begun construction of the road and intend to complete the required road improvements. Landguth noted concerns related to the timing for approval of the proposed tax increment district would delay the ongoing road construction project. Landguth stated that including the construction of the sewer improvements at this time will allow septic systems to be eliminated when sewer is brought to the area and will assist the City with orderly and planned growth in the area.

Landeen noted that approximately \$150,000 of the total project cost is allocated to the construction of sewer and sidewalks leaving \$200,000 for required improvements. In response to a question from Landeen, McNaboe stated that there is an existing water line located in the H-Lot noting that the hydrant would need to be relocated out of the intersection.

In response to a question from Landeen, Bulman reviewed the amortization schedule noting that the increment is anticipated to be paid in six years.

Elkins asked if the proposed sewer improvements could be located at the side of the road and completed within five years. Sperlich stated that would be difficult to construct the sanitary sewer outside of the curb and gutter in the existing right-of-way that the City currently owns. Sperlich indicated that if the sewer were to be installed in the future approximately one-half of the pavement would need to be removed.

Elkins asked if additional right-of-way could be obtained for the improvements. Sperlich described issues associated with the topography and property ownership adjacent to the existing right-of-way.

Elkins suggested that consideration be given to including the property on either side of the right-of-way within the Tax Increment District Boundaries to accommodate the potential acquisition of additional right-of-way or easements for the sewer improvements.

Landguth added that they discussed including these properties within the Tax Increment District boundaries as neither the City nor the adjacent property owner have funds to complete these improvements at this time.

Chapman thanked the Committee for developing the new guidelines and checklists for consideration of these applications. Chapman requested clarification concerning additional properties that could be included in the district boundaries. Discussion followed concerning existing uses on the various properties in the area of the proposed Tax Increment District.

Jablonski entered the meeting at this time.

Landeen expressed his legal opinion that the project does not meet the State statute definition of "blighted". Landeen discussed the benefits of constructing improvements at the time the road is constructed and he expressed concerns related to a lack of commercial sales tax revenue to pay for services when residential Tax Increment Districts are created.

In response to a question from Jablonski, Sperlich stated that septic tanks and dry sewer will be installed within the Villaggio development at the developer's expense. Sperlich clarified that all proposed improvements will be located outside the Villaggio development boundaries.

Landeen commented on the potential to expand the district boundaries and extend sewer service to the development at this time as opposed to having dry sewer sit unused for several years. Sperlich clarified that at this time they would like to construct dry sewer under the road extending to their development while they construct the street.

Landguth described previous unsuccessful efforts to purchase property adjacent to the City's H-Lot.

Elkins identified areas along the south H-Lot where the City is obligated as the property owner to fund a portion of the costs for the proposed improvements.

In response to a question from Sperlich, Elkins advised that sewer will be extended to the northeastern boundary of the Belgard Apartment development property. Discussion followed concerning the location of existing sewer lines in the area.

In response to a question, Elkins stated that it is an approximate 1,000 foot distance from the northeastern boundary of the Belgard Apartment property to the project boundary. Discussion followed concerning parcels in the area that could benefit from the extension of sewer.

In response to a question from Chapman regarding the elimination of septic tanks, Elkins noted that there is a five year period to construct the improvements identified in the project plan. Discussion followed concerning the time-frame for construction of the Villaggio project.

In response to a question from Jablonski, McNaboe indicated that there is insufficient room to construct the sewer on the side of the existing 59 foot right-of-way.

Jablonski suggested that additional right-of-way could possibly be obtained. Landguth reviewed issues associated with previous attempts to obtain additional right-of-way.

In response to a question from Kroeger, Sperlich estimated it would cost approximately \$50,000 to extend sewer to the entrance of the existing project. Kroeger commented that adding \$50,000 to the project costs would bring the sewer to this area. In response to a question from Kroeger, Languth stated that a minimum of 21 septic systems in the area would be eliminated by the extension of sewer to the project at this time.

In response to a question from Elkins, Jablonski indicated that it may be possible for the City to finance the \$50,000 needed to extend the sewer approximately 1,000 feet to the entrance of the existing project.

Kroeger moved to recommend approval of the Tax Increment District including the increased project costs of approximately \$50,000 to fund the extension of sewer to the project entrance and to expand the district boundaries to the east and to the west to include additional H-Lots for the sewer extension and commercial property. Chapman seconded the motion.

Discussion followed concerning additional properties to be included in the district boundaries and possible funding sources for the sewer extension.

Elkins noted that a lift station would be needed if the septic tanks are eliminated and the sewer is extended to the project. Sperlich suggested that the applicant provide the upfront funding for the lift station and the City provide the \$50,000 for the sewer line extension.

In response to a question from Jablonski, Sperlich suggested that the lift station be included in the project costs and that the City upfront the \$50,000 for the sewer extension to the project.

Landeen made a substitute motion to recommend approval of the Tax Increment District with additional project costs of approximately \$50,000 to fund the extension of sewer to the project entrance, including additional project costs for the Lift Station and to expand the district boundaries to the east and to the west to include additional H-Lots for the sewer extension, commercial property and the proposed Belgard Apartment property,

and to include a contingency fee and adjust project cost estimates as needed. Chapman seconded the motion.

In response to a question from Bulman, Elkins stated that the applicant has agreed to upfront the funds for the lift station and the City would upfront the costs for the extension of the sewer line up the hill.

Preston suggested that the sewer utility fund may be an option for financing the sewer line extension to the property. Discussion followed concerning the benefits of removing the septic tanks from the property and the possible cost of the lift station.

In response to a question from Preston, Jablonski stated that it is in the City's best interest to avoid the installation of additional septic tanks. Elkins indicated that since the funds would be repaid the .16 Utility Fund may be an option for upfronting the \$50,000 for extending the sewer line.

Discussion followed concerning the benefit to the City from the elimination of a significant number of septic systems in the area, extending the sewer line at this time, improvement to City property, and the status of the apartment complex development.

Elkins requested that the criteria for approval of the Tax Increment District be included in the motion.

Preston made a second substitute motion to recommend approval of the Tax Increment District with additional project costs of approximately \$50,000 to fund the extension of sewer to the project entrance, including additional project costs for the Lift Station and to expand the district boundaries to the east and to the west to include additional H-Lots for the sewer extension, commercial property and the Belgard Apartment property, to include a contingency fee and adjust project cost estimates as needed, and to identify that the project meets mandatory evaluation criteria 1, 2 and 3 and discretionary evaluation criteria 2, 5 and 9. DeMersseman seconded the motion.

In response to a question from Janak, Elkins discussed the impact of an economic development tax increment district on school district tax levys.

Chapman offered a friendly amendment to strike discretionary evaluation criteria 5 from the motion. Discussion followed. **Preston and DeMersseman accepted the friendly amendment.**

The motion to recommend approval of the Tax Increment District with additional project costs of approximately \$50,000 to fund the extension of sewer to the project entrance, including additional project costs for the Lift Station and to expand the district boundaries to the east and to the west to include additional H-Lots for the sewer extension, commercial property and the Belgard Apartment property, to include a contingency fee and adjust project cost estimates as needed, and to identify that the project meets mandatory evaluation criteria 1, 2 and 3 and discretionary evaluation criteria 2 and 9 carried with Landeen voting no.

Approval of Minutes

Kroeger moved, Landeen seconded and carried unanimously to approve the minutes of the June 16, 2006 meeting.

Elkins advised that staff will likely be contacting Committee members to schedule a Tax Increment Financing Committee meeting in the next two weeks to address revisions to the Tax Increment District No. 49 Project Plan.

Adjourn

There being no further business Jablonski moved, Preston seconded and carried unanimously to adjourn the meeting at 12:31 p.m.