Meeting Minutes
Finance Committee
April 21, 2008, 5:00 p.m.
Council Chambers, 1516 Church StreetPresent: Alderpersons Walther, Hanson, Molski, Moore, Stroik.
Also Present: Mayor Halverson; C/T Schlice; Clerk Moe; City Attorney Molepske; Director Gardner; Alderpersons Heart, Brooks. Reid Rocheleau; Mary Ann Laszewski; Jason Zencka; Gene Kemmeter.
1. Introduction and Discussion of Developer Agreement between Meridian TG LLC and the City of Stevens Point.

City Attorney Molepske began his presentation by pointing to the Developer Agreement and noted that the "whereases" recite the basis for the agreement. He said that Rettler and Associates are currently engaged in surveying the property.

The agreement provides that the developer will build a building as designed on Plan B.

Section three covers the terms of the lease. This lease cannot be less than ten years and will contain a purchase agreement.

City Attorney Molepske said the agreement provides for the use of bonds as opposed to making direct payments. What we are proposing to do is issue bonds and every year we will appropriate sufficient monies to pay those bonds which monies will come from the increment that is generated in the district.

Paragraph number three - is the lease which is currently being worked on. They have agreed in principle and once the final lease has been prepared it will be distributed.

Under this agreement, the City would be deeding the land that we acquired to the developer who then would in turn the City would receive a second mortgage from the developer as one of the guarantees of the completion of the project. The developer will obtain financing to pay for the construction of the building from a first mortgage.

Since we are dealing with an LLC, the principals of the corporation will also be personally signing and, after reviewing their financials, they have substantial assets.

He noted that the roads would have to be relocated and that we are responsible for up to the sum of $530,000. The developer incentive is not to exceed $1 million. The developer will be paid as the building is being built so once they have put four million in we will release one million. The TIF district will first repay the City and thereafter go to the tenant as a tenant incentive.

City Attorney Molepske said that he has a completed guarantee form for the construction of the building from the developer. He also has the original draft of the lease.

Mayor Halverson wanted to make it clear that for the developer to get the million dollars from the City they have to invest four million before we would allocate the money.

Comptroller/Treasurer Schlice noted that there are 600 full-time equivalent jobs guaranteed for the first ten years and 700 thereafter. He also pointed out other key points including the million dollar developer incentive, $530,000 site work, turning the site over to them for a $1.00, and acquiring the other sites and relocating the other two tenants.

Ald. Molski asked if under paragraph 9 the site is taxable right away.

C/T Schlice replied yes that it would be once it turns into private sector ownership.

Ald. Stroik asked how we would enforce the employment guarantee.

City Attorney Molepske stated that it is "all or nothing," so if they do not meet 700 employees in the 10th year there would be no payment.

Ald. Stroik then asked if the number fell below 600 during the first ten years then the payment would be null.

City Attorney Molepske said that was correct.

Mayor Halverson said that he has been told that they are anticipating that upon opening the new building they shall have 752 full-time equivalent positions. However, they wanted to have some flexibility in terms of the full-time equivalents.

Ald. Stroik asked what would happen in the event that they closed.

City Attorney Molepske stated that the TID would remain open. The City would be paid first then, if Union National Fire Insurance Company is no longer here, there is no obligation to pay any incentive unless, for example, another affiliate of the parent corporation came in.

Ald. Heart asked if the City could guarantee the worth of the building being $20 million.

City Attorney Molepske said they originally had that provision. The Bond Council had a problem with it since it would not be a tax free bond. If we guarantee that it would be worth so many dollars then we have a taxable. As a result the taxable would be three-quarters of a point higher than the interest rate that we would pay if it is not taxable. This has two effects: there is more money for the City to pay off its bonds earlier and it is a tenant benefit because it pays them three-quarters of a point more as opposed to paying that much less and paying some third party in the form of a bond - interest that is.

Ald. Heart asked if there is no other way to guarantee the type of building that they would have.

City Attorney Molepske said that indirectly they do since the City has the plans and specs.

Ald. Heart asked what is the plan if the building is vacant in ten years, is reassessed at a lower value and it is going to take longer then 23 years on our current schedule to pay off the bonds.

C/T Schlice noted that a calculation from Ehlers said that we could have a $6 million drop in value of the building and still cover our bonds without a problem. He also noted that the ace in the hole is the Aspirus building since, as it appreciates, it will generate additional increments that could help cover a short fall. In a worst case scenario, any shortfall would fall onto the tax levy itself. As it is calculated with the values and increments, it is very conservative.

Mayor Halverson noted that they are using the most conservative equations they can.

Ald. Heart asked if TOLD was getting an additional fee for subcontracting.

Mayor Halverson said that with the site clearing and preparation, they get a fee of 5 percent.

Ald. Heart asked if the five percent is the $530,000.

City Attorney Molepske said the five percent may not exceed the $530,000.

2. Adjourned at 5:25 p.m.