

Meeting Minutes

Finance Committee

August 11, 2008, 7:17 p.m.

Stevens Point Water Department, 300 Bliss Ave.

Present: Alderpersons Molski, Walther, Moore, Stroik and Hanson

Also Present: Mayor Halverson; C/T Schlice; City Attorney Molepske; Clerk Moe; Directors Gardner and Halverson; Assessor Siebers; Personnel Specialist Jakusz; Transit Manager Lemke; Acting Fire Chief Zinda; Captain Dowling; Ald. Wiza, Slowinski, Trzebiatowski, Heart, Myers, Brooks; Gene Kemmeter; Meredith Thorn; Reid Rocheleau; Mary Ann Laszewski; Peter Gerrard; Paul Gerrard; Wayne Bushman; Gerald Ross; Janine Gaede; Paul Wachowiak; Rich Sommer; Bonita Ross; Secretary Church; Officer Dean

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1. Assessor's Report.
2. Cooperative Agreement with Village of Plover to provide Fire Suppression and Rescue Service.
3. Developers Agreement with Gerrard Corp. - TID 5.
4. Approval of payment of claims.
5. Adjournment.

1. ASSESSOR'S REPORT.

Motion made by Ald. Moore, seconded by Ald. Walther to accept the report of the Assessor and place it on file.

Ayes: All Nays: None Motion carried.

2. COOPERATIVE AGREEMENT WITH VILLAGE OF PLOVER TO PROVIDE FIRE SUPPRESSION AND RESCUE SERVICE.

City Attorney Molepske stated the only change from the agreement that has been presented is that when the City aerial truck goes to Plover, we will supply it with three firemen and when the Plover aerial truck reaches it maximum usage and needs to be replaced, we will extend half of the cost to Plover.

Ald. Hanson stated that he thought the City was applying for a new ladder truck through a grant system for about \$800,000. He wanted to know how that was coming along.

Acting Fire Chief Zinda replied that we do have a grant application with FEMA for this year for approximately \$900,000. It was applied for before and we were denied. There is a possibility that the City could receive a grant, it does have some matching funds but we will not know until later this year. With regards to FEMA, when grants are applied for apparatus, they are very difficult to get. Last year we received a grant for SCBAs (breathing apparatus) so we are hoping we may be able to get it and we do have a plan worked out for the fleet if that does come through because right now the whole fleet of fire trucks is extremely old. The newest one we have is the one giving us the most problems and on the aerial that is being replaced, is about twenty six years old. We have had a water tanker rust through and a variety of other issues with the older fleet we have. The agreement with Plover will help the City tremendously as far as fire protection in the future and for the purchase of equipment.

Motion made by Ald. Stroik, seconded by Ald. Hanson to approve the cooperative agreement with the Village of Plover to provide fire suppression and rescue service.

Ayes: All Nays: None Motion carried.

3. DEVELOPERS AGREEMENT WITH GERRARD CORP. - TID 5.

C/T Schlice stated this is very similar to the agreements we have with Country Springs, Klasinski Clinic and Northpoint Shopping Center. The City is not directly involved in any of the loans and what we make as a commitment for the developers is a return of a portion of the tax increment that actually develops. It is in the best interest of both parties, the developer and the City, and it basically makes use of a tool that the State has available for developers to do bigger and better projects they are building.

Ald. Molski asked what the maximum amount they could recoup.

City Attorney Molepske stated \$359,000, maximum.

Motion made by Ald. Hanson, seconded by Ald. Molski to approve the developers agreement with the Gerrard Corporation.

Mary Ann Laszewski stated that at the most recent Plan Commission, the Gerrard Corporation provided examples of how they had provided rain gardens for storm water runoff at the developments they have developed in LaCrosse. This particular plan here does not provide any management place for storm water runoff for the parking lot.

Ald. Molski stated this is only the developers agreement that we are discussing here tonight.

Reid Rocheleau stated he believes the Council should approve the Plan Commission before the developers agreement. He relayed many concerns he has over the agreement.

Ald. Molski stated that this was discussed in detail at the Plan Commission and this is only a recommendation from Finance to Council. Council will be taking this up next Monday.

Mayor Halverson stated the conversations were relatively lengthy with the Gerrards for the past several months. They indicated to myself and Director Gardner that when you have to purchase a piece of property that in itself costs \$359,000, as well as an additional \$100,000 to demolish the building and move the utilities to prep it for development, it is very clear that in the free market, that is not going to happen unless we have an opportunity to help that development along. There are several reasons why we would want to do that. The debate at the Plan Commission, about surrounding land use, about density, about an urban design that would change the face of Division Street, or at least allow that entire district to look different into the future, changing those set backs to ten feet, not zero feet as was inappropriately indicated awhile back. This particular developers agreement allows for a developer to engage in a type of development in an area that would not develop naturally because of the cost involved with prepping that site. These developers had an opportunity to buy a piece of property at the extremity of the community for dramatically less than the cost of buying and assembling this particular piece of property as well as moving the utilities to be able to allow that site to be

constructed. For the City to have a development of that magnitude on this site certainly speaks on how a lot of us would like the City to look in the future, it is something that is very admirable and they have taken it upon themselves to be very intuitive in the way that they look at development. That is why TIFs exist, that is why we push for them to be capped. \$359,000 of their own taxes that would not happen without us intervening with a TIF district is minor compared to the additional \$100,000 that they already would have to pour into the site, to prep it, demolish it and get it ready for construction. By engaging at the \$359,000 mark, we are not even engaging at a level that will get it at zero versus what they could have bought a vacant flat piece of property at the extremities of the community. He thoroughly believes that is well worth the investment for 2.1 million of total value and is certainly something that we need to be doing as a community.

Attorney Phil Addis, representing the Gerrard Corporation, stated that the Gerrard Corporation actually has been involved in this project for almost two years and this was not the first piece of land that the Gerrard Corporation looked at. The developers agreement that is before the Committee is for a 2.1 million dollar project. The cost of the land is \$380,000, the site improvements just to get it ready to build on is \$100,000+, so the total is \$480,000, which for the land purchase alone, is \$11.70 a square foot, which they could have bought a lot easier piece for just \$4.00 a square foot. They chose not to because it is a good location, it is an infield site, which Gerrard Corporation tends to develop, infields being those sites within the City that need to be renovated and reused, they do a lot of that. The company is based out of Wisconsin, they are running projects in Port Edwards, Plover and they have been land owners in this City for about eight years. They take the money they make from selling land and put it right back into that community. He stated he understands the argument that someone else could have done this, but no one else did. The Gerrard Corporation went through the effort and spent a considerable amount of time and money to find a site and have come forward with this proposal. This is not City owned land, it is owned by private person and they tracked them down, discussed it with them and have made a decision to purchase the property and it was not the first offer either, the price did go up. We have put a lot of time and effort into this and it is a good project. He stated he has read the minutes and has heard the comments about this not being fair to the other landlords, that we are driving them out of business, but he does not feel this is the case, it is 2.1 million dollars of Gerrard Corporation money, not City money. It could have been bought for a parking lot, but that would not be of good use for tax dollars. Aside from the payments from the Gerrard Corporation, he believes the City will make about \$450,000 more dollars through the life of the TIF, over and above the payments from Gerrard Corporation, and that is at a flat tax rate. In addition, there will be personal property tax, for appliances and anything else that will be provided, paid to the City. They will have an employee located in Stevens Point. They currently are working in 8 states and are a Wisconsin based family company for over 50 years started by a father and passed on to their sons. He stated that the rents will be high and will be the top, most expensive student housing on the market but does that mean that they are driving everyone else out by charging more than them. With regards to the developers agreement itself, there is no payment in lieu of taxes, you are going to assess us whatever you think this is worth and if you think it is worth more than 2.1 million, we will be paying taxes on more than 2.1 million. There is no flat fee, there is no payment in lieu, you will assess us what you say this is worth.

Reid Rocheleau stated that if this is approved, you will be approving residential into TIFs, you are going to be subsidizing that. It is unfair competition to everyone. He stated that the taxes paid will be going into the TIF and not the general fund, this is not going to schools, police, fire, etc. This is a whole new concept and there better be a whole lot of thought given to this.

Attorney Addis stated that the first \$750,000 taxable value, in fact, does go to City and schools.

Reid Rocheleau stated it is because of the land. He has a problem with how the City worked with this gentlemen for months and the Plan Commission never knew about it. He stated that is unfair competition when you work and develop with these people.

Ald. Stroik stated that he disagrees with Reid and stated that our City Staff is paid to negotiate and if every time they had a meeting with any type of developer, nobody would ever get to purchase because it would allow someone else to build off from that idea and by the time it would get approved a lot of developers would be upset. Everybody has a right to come in a privately discuss with our Mayor or City Staff any developments they choose. If he was developing property and found out that they were leaking information about what he thought might be a great idea, people would take huge notice of that and development would stop in Stevens Point. Developers do have a right for privacy. As far as the increment, that building has not been generating much revenue for us for a long time and from nothing, you get nothing. These folks are willing to invest a lot into our community to make a signature piece adjacent to our University and that is really what we are debating.

Rich Sommer, 4224 Janick Circle, stated the talk tonight has been TIF or taxes. Those who do not get TIF pay both, those who do get TIF money, they can do whatever they want. He is questioning the City bonding base for student housing. At the Plan Commission there was some statistics regarding the market. He questions if the market is ready for this. A couple of months ago, he had an opportunity to talk to the UW Chancellor and he asked her about the trend in enrollment and she stated to not expect anything. We know exactly how many students are in every grade, back to Kindergarten.

Ald. Wiza stated point of order as this has nothing to do with TIF.

Rich Sommer stated he believes it does because it has to do with encumbering the City tax base.

Ald. Molski stated that he does not believe that municipal revenue bond can encumber the City.

Attorney Molepske stated they do not and whether it is a municipal revenue bond or whether it is going to be a conditional agreement within, they do not affect it. The City's full faith and credit is not behind this, we are not borrowing any money, all we are doing here is saying if they pay the tax and the assessments that result over and above the initial \$750,000 which is on the rolls at this time, and if that tax is paid and if that student unit is built and all the conditions are met, then the City would remit those increments to the developer under this particular agreement. If we had a downslide in the economy and the assessment goes way down and there is very limited resource, that is all there is. This agreement ends in twelve years or the payment of \$356,000, whichever occurs first. If they never get that far, that is the end of it.

Mayor Halverson clarified there are a couple of different numbers that are being thrown around. The assessed value of the property and indirectly what he, Attorney Addis, and the City Attorney have referenced, but neither one of us were very clear in stating what that \$756,000 number is. The \$756,000 is what the assessed value of the property was when it was operating at the time of creation within the TIF district, which is the zero based amount that is allocated to that particular property. He does not know what the current assessment of that property is and it is vacant and he would assume it has probably gone down, but he does not know that for a fact. If it is still assessed at that particular number, the Gerrards are purchasing it based on what Attorney Addis has just referenced for \$386,000. You reduce that from where it is currently assessed within the base of the TIF and the developers immediately going into this TIF are upside down as far as the increment that they are going to pursue by a little over \$300,000. They bought it for dramatically less than what it was assessed at. On top of that, they have to buy a particular piece of property that they would not buy otherwise and spend another \$100,000 on top of that to prep it for construction. So not only are we trying to equalize that initial investment for them, we are also forcing them with a cap to know that we are not going to reimburse their tax revenue within the TIF district and that it will not exceed the \$359,000, which is even less than they are purchasing the property for. Those are the numbers we are talking about, which are very reasonable, and are capped at 2.1 of total value of the property, which may, under the assumptions we always use, we use a

declining tax rate. We use a 1% appreciation rate, which is a very, very conservative projection of what the future value of what the property is going to be. By capping it at \$359,000 we are not going over and above and we are being very responsible in the amount of money that we are allocating to this property, to trump what is in equity, in terms of what they have to invest in that property in order to be ready for development. Capped at 12 years at a 1% appreciation rate with a declining tax rate to determine that value, is a very, very conservative amount of TIF revenue that we would be providing back to the developers. It is certainly in the best interest of this community to have this development knowing the future increment that it would produce, which Attorney Addis directly referenced it at approximately \$486,000+ depending.

Paul Wachowiak, 1620 Meadow View Lane, stated he owns rental property in the City of Stevens Point and pays over \$26,000 in taxes a year. His property is valued at over 1.5 million dollars and when he purchased this property, he did not get any assistance with a developers agreement. He is opposed to the agreement. Nobody offered to pay for his land. He had to have a positive cash flow in that property and it had to make sense. He did not get a gift from anyone. He is opposed to the developers agreements. When he asked about a zoning ordinance for his property, he was told to work within the current zoning rules. He is also opposed to the zoning change, which is part of the agreement. The agreement has made him think twice about buying anymore property in the City.

Kent Gaede, 2151 Saw Mill Road, stated he is also a current landlord in the City and he was recently looking at purchasing another property in the City and was also offered no help. He does not think it is fair. He has no problem with the development, as long as they use their own money, the same way they did.

Rich Sommer had a question on the developers agreement regarding the portion that the City agrees to issue a municipal revenue obligation. He does not understand why he was just told there was no municipal revenue obligation.

City Attorney Molepske stated that a municipal revenue obligation is solely payable on the revenues that are generated, namely any increment in tax paid over a base of \$750,000. It would be used to pay that revenue issue, if there is not enough money in that revenue issue or any other type of arrangement that we have with the developer, it is not paid. Those do not count against the full faith and credit of the City. For example, a number of years ago, we issued the Water Department a revenue issue. They usually hold a higher rate of interest because we do not have the full faith and credit behind them and the only thing we had was a receipt from the Water Department. If there are not enough receipts, if we do not charge enough on the Water Department issue, then the bond holders do not get paid. It is only on a General Obligation Bond that it gets paid.

Director Gardner stated that the first payment will not be made until two years from now and the last payment will not be paid until 12 years from now. The value of that income over those 14 years is nowhere near \$359,000, in fact, it is somewhere between \$200,000-\$250,000 depending on how we discount the value of future money.

Reid Rocheleau questioned if this is the best use of this property. He stated the City is taking a big step in something that has never been done before.

Mary Ann Laszewski, 1209 Wisconsin Street, stated at the Plan Commission meeting, when all the discussion was closing, Mayor Halverson looked at the audience and asked where the ingenuity is going to come from to change the look of our society. She is not sure if our goal is to put this new business in because it looks so good when it might be at the expense of our existing businesses. This is not going to miraculously change our older neighborhoods, our existing rental communities or our apartment businesses, in fact it may even jeopardize those businesses. She would like to see other measures made, rather than making a TIF. She did contact Cold Stone Creamery, Noodles and Company and Starbucks and none of them have been notified of this development coming and they were very alarmed to suddenly have these residents in their backyard. They are concerned about walkthrough traffic, liability with such close proximity to their mechanicals, noise, congestion, etc.

Ald. Molski stated that we are not creating a TIF at this time. The TIF has already been in place and this is just a part of that development area.

Mayor Halverson clarified this community has two vitality active TIF districts. One is being debated this evening and the other which is in downtown. Whenever we get an opportunity between Director Gardner and myself to be able to work with a local developer on any particular project of any kind, we always give them preferential treatment. What he meant by ingenuity and what the Gerrard Corporation has displayed is an ability to look at a piece of property that on the surface may not be what you would quickly describe as an opportunity for this type of development. They took it upon themselves to look at an area of land in the community that needs a great deal of attention and that is why the TIF districts were created. His point was this was an outside development company that looked at a piece of property that needed to be redeveloped and they took it upon themselves to look into their crystal ball and see that is an area they would like to be in. There are two active TIF districts in this community and as Mayor, it is his job, along with Director Gardner to be able to hustle as best we can to find the developments that work, are responsible and are interesting in their nature to be able to put forth in front of the Plan Commission for their scrutiny in a public fashion and to bring it forward with responsible insight from the C/T from a financial perspective. That is what is here now and the door is wide open for any developer of any kind for any reason, under any circumstance to look at either one of those two TIF districts and to know they are equally as entitled to TIF funds for any project within those two particular districts. In fact, if we have opportunities to work with local developers, which we have pushed very aggressively, with those that come forward and have ideas, some more forward and some do not. It is very clear and the message is very sound to them that this particular area is open for development in these TIF districts and if a local developer happens to come up with a great idea, we will work with them as aggressively as we can, but if an outside developer comes in with an equally intuitive idea, we are not going to ignore them just because they happen to be headquartered in LaCrosse. It is alarming to him that several apartment owners in the room are suggesting that we simply ignore development because someone happens to reside outside the community.

Janine Gaede, 2151 Saw Mill Road, stated there are other vacant properties available, why are we using taxes on this property.

Ayes: All Nays: None Motion carried.

5. APPROVAL OF PAYMENT OF CLAIMS.

Motion made by Ald. Molski, seconded by Ald. Moore to approve the payment of claims in the amount of \$1,876,081.78.

Ayes: None Nays: None Motion carried.

Adjournment at 8:07 p.m.

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