

1. **CALL TO ORDER.** The special meeting of the Oregon Village Board was called to order by President Luebke at 5:00 p.m. on Monday, June 26, 2006.
2. **ROLL CALL.** Jerry Bollig, Jon Lourigan, Jerry Luebke, Hans Noeldner and Eric Poole. Absent: Steve Staton. Also present: Village Administrator Mike Gracz, Finance Director Renee Hoeft, Public Works Director Mark Below and Village Clerk Georgia Johnson.

Luebke reminded the Board there is no meeting July 3rd, the only Board meeting in July will be held the 17th. It was noted there will be a Special Personnel, Public Safety & Protection meeting on Monday, July 10th and the Planning Commission's July meeting is set for the 13th.

3. **CONSIDERATION OF RECOMMENDATION FROM COMMUNITY DEVELOPMENT AUTHORITY RE: GARY GORMAN RED BRICK PROJECT.** Gary Gorman, of Gorman Company, gave a brief overview of the project. Gorman thanked the Board and the Village's staff for all the effort put into this. Gorman stated the financial package is not simple and apologized but stated he feels it is fair to both Gorman Company and the Village. It was noted that Gorman has been before the Historic Preservation Commission, the Community Development Authority and the Planning Commission.

Mike Harrigan of Ehlers & Associates Inc. was introduced and asked to come forward to present the financial package being proposed. Harrigan stated this is the first time the Ehlers firm has worked for the Village of Oregon and they consider it a privilege. Harrigan noted that the Ehlers firm only represents municipalities and they have a lot of tax increment financing (TIF) experience. This project fits the "but for" rule for TIF in that the development would not happen without tax increment district (TID) financing. TIF was authorized back in 1976 and specifically to give municipalities a tool to attract development that otherwise would not happen in their community. There are three kinds of TIF: 1) industrial; 2) mixed use; and 3) rehabilitation. TID #3 was created for the purpose of renovating the downtown area which makes it eligible for TIF financing. Harrigan referred to the sheet entitled "Oregon Office Bldg Deal Summary" which explains the borrowing very simply although it is a complex financing package.

- Oregon Office LLC, which is owned by Gorman Company, will be renovating the Red Brick School building which will increase the value to \$2.1M. The property is currently considered a tax exempt property in that it was owned by the School District.
- The Village provides Oregon Office LLC financing in the form of loans (a State Trust Fund loan and GO bonds) which would be at a municipality interest rate in the amount of \$2.14M.
- The payment on the loan would be paid by Gorman Company through the rent paid to the Oregon Office LLC and then Oregon Office LLC would pay the Village that amount (\$178,000 per year) to cover the loan payments for the first ten years. This would be set out in the Developer's Agreement. Rent is fixed for 10 years and then increased by 2.5% thereafter. Harrigan made reference to a gap between what the market cost of rent is for this type of building in this area and what the rent is that would have to be charged on this project in order to cash flow it based on the financing that is proposed to be provided and the costs that are associated with the construction.
- Harrigan noted that they have calculated the gap at \$2.71/sq.ft. There is more detail on this in the financial plan. The rent differential (the \$2.71/sq.ft.) to offset this gap is proposed to be made up with tax increment dollars. The tax increment revenues that would be generated by the building are proposed to be rebated to the developer and then reduced over time—the first 10 years they would get 100% of those dollars and after 10 years the percentage would reduce to 10% down to zero at the end of 20 years.

Harrigan stated these are the key points in the proposed transaction and then referred to the financial attachment materials and went over the document in depth page by page.

- The two benefits that are being derived by the developer from the Village are: (1) the lower cost of interest that the developer would realize as a result of having the financing provided through the Village; and (2) the tax increment gap that is bridged that would still exist.
- The two loans would include a State Trust Fund Loan and Taxable General Obligation (GO) Bond
- Construction to commence in 2006 with \$1.1M in value recognized by Assessor in 2006 and 2006 improvements recognized by the Assessor as of 1/1/07 for an additional \$1M in 2007
- 2% rate of appreciation used and tax rate adjustment of one-half of one percent reduction per year which is based on the current levy limit
- No tax revenue until 2008. In 2008 the revenue experienced would be the \$1M times the tax rate and that money goes into the TIF fund which helps cover the cost to bridge the gap. In 2009 the tax revenue received would be the tax rate times the \$2.1M.
- Page 6 of the handout identifies the two borrowings: There are no fees associated with the State Trust Fund loan (for \$1M) which is extremely important to this transaction. The taxable GO bond issuance is the other half of the proposed borrowing. The difference between the two loans is on the GO bonds the Village would issue the debt on a taxable basis and the interest rate would be higher than the normal tax exempt rate but lower than what Gorman Company could get. It is calculated the interest on the STF loan would be 5.5% and a 6.5% rate on the GO bond issue.
- Other costs in the taxable issue would be the financial advisory fee, a bond attorney and a rating fee. Also included is capitalized interest (\$39,000) to help cover the costs in the first year of the transaction until the taxes start flowing.
- Important to include in the developer's agreement: In the event there is any shortfall difference between the cash flows from the obligation for payments in the TIF and the debt payments, the developer will make up the difference.

Harrigan stated if the Village Board agrees to this proposal in principal the next step would be to put together the developer's agreement consistent with this plan. The numbers will continue to be updated and the Board will have the opportunity to review the agreement prior to signing. Harrigan went over pgs. 6 & 7 noting it is a spreadsheet showing the projected revenues and projected expenses on each of the loans. The object is to try to make sure that the revenue totals exceed the debt totals. It is projected, based on the current information available, that this deal covers itself with the exception of a period of years between 2017 through 2021 and Harrigan went over the revenue shortfalls that could equal up to \$119,000 (the fund balance columns) explaining that the difference would be covered by Gorman Company. Harrigan stated one of the concerns that has been addressed is that there may be a perception in the community that this is a program where the Village is just giving a couple of million dollars to the developer. It is hoped that by reviewing these numbers it is understood that is not what is going on. This is a financing transaction—monies are being raised on behalf of the developer to provide capital at a lower cost and dollars are being provided through the TIF program to bridge a gap between what Gorman Company would be able to go out and get some other place and get the same quality or better for the cost per square foot. One hundred percent of the cost is being paid by the developer through either rent or their tax payments. Harrigan then went over the rent structure on page 7 including an explanation of the rent gap followed by the TID increment breakdown of the Village's share and the developer's share.

When asked what the risks are to the Village, Harrigan stated if the developer's agreement effectuates the proposed package, the financial exposure to the Village should be zero. There was discussion. It was noted that Gorman Company would be providing a \$350,000 irrevocable letter of credit to the Village to guarantee completion based on Gorman Company's corporate financial statement—this is

a corporate guarantee, not a personal guarantee. There was further discussion including a worst case scenario, the fact that more revenue would be generated for the TIF fund if taxes do go down, the taxes paid by the development are paid back to the developer for a period of ten years, the fact the Village receives no tax benefits for the first ten years, what happens if valuation fails to appreciate as shown and the comments from residents that contacted some Board members. Resident concerns included not using TIF monies for redevelopment and what a particular resident perceived as giving money away. Discussion continued.

Bollig moved based on the recommendation from the Community Development Authority to accept the financial proposal for the Red Brick project. Second by Lourigan. There was some discussion. **Roll call vote: Bollig – yes; Lourigan – yes; Luebke – yes; Noeldner – yes; Poole – yes. Motion carried 5-0.**

4. **AUTHORIZE VILLAGE PRESIDENT AND VILLAGE ATTORNEY TO FINALIZE AND EXECUTE RED BRICK DEVELOPER'S AGREEMENT WITH GARY GORMAN.** Luebke stated the developer's agreement will contain the financial package as presented. It is hoped to start the project in July. There was discussion regarding whether the Board would have an opportunity to review the agreement prior to signing. It will be available prior to the next Board meeting (July 17th). The Board would like enough time to review the document and requested that it be sent out well in advance of that meeting. **Bollig moved to authorize the Board President and Village Attorney to finalize and execute the Red Brick Project Developer's Agreement with Gorman Company. Second by Poole.** Noeldner stated that as he has expressed before he prefers that the public have an opportunity to review the document prior to its signing and to be able to make comments regarding the agreement. Noeldner requested to have a review period longer than over the weekend and to make it available to the public on the 10th and to include a public hearing regarding it. Gracz stated that with the holiday weekend he does not think there is enough time to prepare the agreement by the 10th. Luebke stated it was his feeling that the public has already had a number of opportunities in that this matter has been before several other committees. Luebke stated that as public officials this is part of the decision making and what was discussed tonight is what will be in the developer's agreement. It was noted there has not been a public hearing on this matter, it has been discussed at public meetings at which meetings questions were taken and discussed. Bollig stated there are so many pieces that make this deal work and that as discussed tonight that is what has to be in the developer's agreement—that is the deal and it cannot really be changed. Gracz stated that what Harrigan presented is the deal. There was further discussion including the fact that Gorman is signing a irrevocable letter of credit (which was initially presented in his proposal back in March), the need to get across to the general public that the Village is not giving money away, placing the document entitled "Oregon Office Bldg Deal Summary" on the Village's website, publishing something in the *Oregon Observer*, the fact that as soon as the developer's agreement is prepared it will be made available to the public, the opportunity for the public to make comment under the "Community Input" agenda item and so forth. **Bollig amended the motion to read "under the terms and conditions as presented". Poole seconded.** There was further discussion. **Roll call vote: Bollig – yes; Lourigan – yes; Luebke – yes; Noeldner – yes; Poole – yes. Motion carried 5-0.** There was further discussion regarding the irrevocable letter of credit.
5. **AUTHORIZATION TO PROCEED WITH APPLICATION FOR STATE TRUST FUND LOAN FOR RED BRICK PROJECT.** **Bollig moved to authorize proceeding with the request for an application for a State Trust Fund loan for the Red Brick project in the amount of \$1,000,000. Second by Poole.** There was some discussion. **Roll call vote: Bollig – yes; Lourigan – yes; Luebke – yes; Noeldner – yes; Poole – yes. Motion carried 5-0.** Luebke requested the tape from this meeting be saved in the Village archives. The next step is preparation of the developer's agreement.

6. **DISCUSSION OF PRE-PAYMENT OF STATE TRUST FUND LOAN FOR SEWER INTERCEPTOR SETTLEMENT.** Although this has been discussed previously, Hoeft stated it was not clear what the Board wanted so it is back before the Board for clarification. Bollig stated it is his understanding that if the monies were kept the revenues from the investment would equal the interest from the loan and it was determined not to repay the loan. Hoeft stated all the options were discussed. The current local government investment pool interest is 4.84% per month and we're paying 4.25% per month on the STF loan. If it is not repaid by July 31st, 2006, it cannot be prepaid until March 15, 2007. The recommendation is to not repay the loan at this time. This will be reviewed again after the bids for the Wastewater Treatment Plant lab building are received. There was some discussion. **Based on staff recommendation, Bollig moved to not repay the sewer interceptor STF loan at this time and that this be reviewed again after the bids come back for the lab project. Second by Noeldner.** Luebke stated it has been his feeling that when money is borrowed for a particular project it be paid back from the proceeds for that project but he does understand the interest rate risk. Luebke asked what not repaying the loan at this time would do to the bond rating. Hoeft stated the Village is at very good percentages and she does not feel the \$800,000 would make much of a difference in the bond rating. **Motion carried 5-0.** There was further discussion.

7. **SELECTION OF CONTRACTOR FOR REMOVAL OF UNDERGROUND TANK AT 134 JANESVILLE STREET.** Below noted that he sent out six RFP's for this removal and received two back. The low bid was from Schaper Excavating for \$2,400.00. It was noted this was discussed at Public Works at which time it was requested Below send out requests for proposals. **Poole moved to award the contract for removal of the underground tank at 134 Janesville Street to Schaper Excavating of Portage, Wisconsin, in an amount not to exceed \$2,400.00. Second by Lourigan.** There was discussion regarding where the Board wanted the funds to come from and if it is possible to charge it to the TIF would the Board be agreeable to that versus taking it out of the general fund. Staff will determine whether or not the project is eligible under TIF. Noeldner stated he preferred it not be taken from TIF because there isn't going to be much increment. There was discussion and it was concluded to take it out of general fund. **Poole amended the motion to include that the funds be taken out of the general fund account.** There was further discussion including whether the Village has ever utilized this company's services in the past and so forth. **Motion carried 5-0.**

8. **DISCUSSION OF TERMINATION LETTER FROM EARTH TECH: (a) IMPACT ON CURRENT VILLAGE PROJECTS AND (b) AUTHORIZE PUBLIC WORKS DIRECTOR TO TAKE NECESSARY ACTION TO ENSURE COMPLETION OF PROJECTS.** Reference was made to Earth Tech's letter of termination of engineering services noting that the termination is effective 10 days from the receipt of the letter. Luebke stated he felt they were under contract to finish some jobs and that should be determined by the Village Attorney. Gracz stated he has talked to Attorney Matt Dregne and what Earth Tech is doing is legal. Gracz stated that he and Below met with the new engineer last Friday (the 23rd) and they are willing to take over the N. Alpine Parkway project. The question as to if there are increased costs because of that, the Village Attorney has advised that if that happens they will address that issue and possibly charge those costs to Earth Tech. It was noted this termination is very unusual from a business standpoint and does not speak well of the company to walk away from an ongoing construction project. There was discussion including the disappointment with the company and the termination on this type of notice after some 20 years of doing service in the Village, the fact that the Village did not plan to terminate its use of Earth Tech especially in the stormwater division, whether other municipalities ask for references on particular consulting firms and if so that the Administrator relay this information and so forth. Gracz advised that the Ruckert-Mielke firm has sent a draft agreement and that is in the hands of the Village Attorney. That agreement will be on the agenda for the July 17th agenda.

9. **DISCUSSION OF PROCEDURE FOR SELECTING NEW BOARD MEMBER AT JULY 17TH BOARD MEETING.** The notice attached to the packet has been put on the Village's website and will be in the *Oregon Observer*. Luebke referred to the handout entitled "Vacancies" which it was noted was provided to Gracz from another community's code. There was discussion including the need to complete this process in a timely fashion. Bollig stated it is hoped that filling this position not be turned into a lengthy process and not to make it a political process—that all the Board can agree. Luebke stated that he may have Trustee Staton conduct this portion of the meeting since Staton has experience with the process. There was further discussion regarding how the process was handled the last time a vacancy came up. It was concluded that the Board will make a decision at the July 17th Board meeting. Gracz will forward letters of interest to the Board as they are received.

10. **ADJOURNMENT.** At 6:30 p.m., Bollig moved, second by Noeldner, to adjourn. Motion carried.

Respectfully submitted,
Georgia Johnson
Village Clerk