

Village of Oregon Community Development Authority Meeting  
Thursday, April 21, 2005

1. Call to order

Chair MacWilliams called the Community Development Authority Meeting to order at 7:00 am.

2. Roll call

Present: Chair Scott MacWilliams, Jeff Bergey, John Deits, Hans Noeldner, Eric Poole, Paul Larson, and Tim Nikolai

Absent:

Also Present: Village President Jerry Luebke, Village Administrator Mike Gracz, Director of Public Works Mark Below, Finance Director Renee Hoeft, Village Attorney Richard Yde, Dustin Wolff from Vandewalle, Village Financial Advisor Mitch Melheim, and Beth Trumpy

3. Approval of Minutes: 04/07/05 (Not Available)

4. Public Appearance

5. Unfinished Business: Downtown TIF Items

a. Review of Revised Projects List

The third line done had said Red Brick Developer incentives, and now says developer incentives and added additional money in that line at the request of Deits. The new project that was added was the streetscape design. We are following the same approach as for the Hitching Park area. We are providing an engineering/planning project that would show actual streetscape design. We are showing that in 2006 with hopefully an offset of a building grant of \$15,000. Some of the titles of the projects are reworded. Under Road Work there are four projects that say additional property acquisitions. Some of the project title were reworded that would be involved in creating a parking lot either North or South of Jefferson Street. On the second page, the second project down the burying of the overhead lines was deleted along with the money. The word construction was added behind Jefferson Street parking lots. We are trying to draw a distinction between the potential acquisition of the property and the actual construction of the lot(s). The big change was on the last page where we removed any of the costs and projects related to the culvert replacement. Deits asks about the Jefferson Street parking lot we have the property acquisition in 2007. There is construction in 2006. Are these two different things? They are still playing with the timing of that and how to best put that in the project listing. We are still tweaking the projects a little. We haven't figured out the exact timing of some of that. Some of it also relates to the detour route. The detour route was almost pulled out, but then thought it was premature. We still have some tweaking in the front end of the TIF. That construction mentioned in 2006 is not necessarily expanding the lot it is just construction of the existing or for the bypass. We can't do the construction before we buy the property. Gracz will look at that a little closer.

When the burying of the overhead lines and the storm water project was eliminated we have the TIF cash flowing. Some of the annual balances are tight, but at least when we would show it to the joint review board we can show the TIF closing out.

Noeldner is interested in the spirit of the TIF, primarily revitalizing the downtown and jump starting business development. There is quite a bit of sewer work still included in the TIF. Thinking back to the way the Village handled North Main, North of Grove and Janesville Street South of there, there wasn't a TIF to money from in order to finance those things. Noeldner is concerned that we are using the TIF monies of those things instead of developer incentives. The way the TIF is laid out right now there is basically \$225,000 in 2006. His impression was that the TIF was to get things moving along those lines. Instead we are hitting the TIF up for sewer work. Noeldner wonders how these things would these things associated with the work have been paid for. The village would have had to budget for them or pay for them out of the sewer fund.

Village of Oregon Community Development Authority Meeting  
Thursday, April 21, 2005

MacWilliams mentions that these are projects that are included in the TIF so that they can be covered. Part of what TIF is for is the infrastructure that creates development. The sewer projects have to be done before a developer can develop, and that is why they are included as part of the TIF. Just because it is included in here doesn't mean that it will be completed. As we have discussed in the past we are lucky to see 50% of these projects completed. It is included because as we form the TIF it is the only way can make sure that these things that are necessary to be done are completed. If the TIF doesn't pay for sewer then general fund or water & sewer budget would have to fund the project. Some of the projects would probably not be happening particularly with our budget situation. We just wouldn't be doing them. The TIF can be amended. Noeldner wonders how difficult it would be to amend it to include further developer incentives in here. The TIF can be amended. Right now this is a budgetary planning so we look at all the projects and decide if we have a viable cash flow. We can look a individual items and analysis them but individual items may or may not every occur. Noeldner is puzzled by the fact that this represents wildly optimistic outlays and costs that might be associated with the TIF. He has heard many people say just get everything in there, but then we come to the cash flow and now it has to come out in the black. He is puzzled about the proper relationship between the two should be. Deits finds the projects starting in 2007 – 2010 that we are getting increment from, but we aren't showing any kind of developer incentive toward those specific projects. For example we think that the Red Brick may need some incentive to get it off the ground and Jefferson Street is in the same category. We need some kind of incentive to get that project done and if that is the case we should probably plan for that incentive in 2010 when we show Jefferson Street project potentially showing increment for 2009 when the project takes place. This all goes back to the question on the parking lot. We could actually say potential property acquisition and developer incentive. We are seeing the developer incentive as we would help to acquire the property and we assemble the property and turn it over to them. What pops out in Deits' mind is not seeing incentives until 2014 after the Red Brick for the money that we throw in basically for Red Brick. Increments starting based on large projects from now until 2013. We have the 225,000 and the 225,000 in 2014 and 2019 respectfully because when you look at the cash flow it is stumbling at the beginning. This is why Gracz said that they were tempted to go back and pull out the detour route because if you do that you free up 110,000 of expenditures at the beginning of the TIF. We are still playing with the numbers and we will probably go back and look at the whole property acquisition for Jefferson Street, and maybe we can move those numbers around as well. Deits thinks that for the project plan it may be okay to have it laid out this way, but what we have to consider is as projects come forward we need to look at them and say if Jefferson Street were to pop up next year that would be great because we have increments in there but we probably need to offer some increment or some kind of incentive to them which means that we may have to push one of these other projects off a couple of years to offset those expenses. We may have to juggle the timing of some projects in order to do that. Gracz emphasizes that just because it says it's in a particular year you can do it any time within the 20 years. The projects can be moved around. This is our way of trying to estimate when the project is going to happen. We have to do that to do the financial side of it. When one of those projects comes forward we need to do another look at this and determine what needs to move out if we want to offer incentives. We cannot use tax exempt bonds for the incentives. We either have to issue taxable bonds or we have to have available increment. This is why we tried to put them out later towards the end of the TIF where maybe we would have some increment available and don't have to issue taxable bonds or find some other financing source for those. Deits suspects that it will be more like the Jefferson Street where we aren't necessarily looking at offering incentives but the incentives come in the form of public improvements. We aren't labeling this as a developer incentive, but saying property acquisition. Larson looks at the reason for maintenance being in there the concentration of water and sewer pipes is some much greater in downtown. Noeldner had compared this to what the Village did on the North end of town, and those are all residents. There is a straight pipe running through and once and awhile a lateral where in the downtown you are all concentrated. In order to get new businesses in there you should have upgraded services. This is one why to offset the

Village of Oregon Community Development Authority Meeting  
Thursday, April 21, 2005

high cost. We could have big increase if we put it on the sewer and water. Larson doesn't like it either, but it is one way for the Village to get money to help pay for this. This is also upgrading businesses in the downtown. This is a type of infrastructure that is necessary in order to attract businesses to come to the downtown. We need to have the services available to support the businesses when they come in. We need to have the utilities to support the downtown development or we are back to square one. Someone has to pay for it. The TIF works with those improvements going in. Noeldner asks why project still includes the detour. Noeldner understood that there is not going to be a detour route behind the South Main business. Gracz mentions that the detour route is in the project plan because in order to pull it out the Village Board would have to give direction to do that because the Village Board has directed us to proceed with the plan and approved an agreement with Vandewalle to do that. This is one of the things that we will talk to the Village Board about possible removing. Noeldner would like to see the burying of the overhead lines included, at a lower number. The burying of the overhead lines is no longer in the budget. Nothing has been approved at this time, but we are talking about getting this to cash flow. The CDA suggested that the burying of the overhead lines and the storm water culvert be taken out. Now that those items have been taken out and we have the revised budget it does cash flow. There is a new letter that came from Alliant which has a lot lower cost, \$340,000. Noeldner is wondering about putting the \$340,000. If the detour route could be done without any resurfacing then that would free up some money. Gracz repeats that we aren't done tweaking this. They are still working on moving the projects around. Under 5d is the letter from Alliant and the CDA could tell us to put it back in and then we would have to see how or if it will work. If we put it in and doesn't work financially we will have to move something else around. MacWilliams when we discuss the cash flow we can ask about the \$340,000 to find out if that were added in here based upon a primary analysis whether or not we would still be in the green on that. Gracz emphasizes the fact that we need to be very cautious, we went from \$850,000 to \$340,000. We aren't sure that we are on the same page with Alliant. MacWilliams would like to get an idea of where we are right now based on the budget that we have and then we can take a look at hypotheticals. Larson asks about having a different dollar value with the project. The Dept of Revenue would pick up on this quickly. In the new TIF law you have an expenditure period which gives you flexibility. In the old TIF law you would have to spend it quick. Theoretically you could throw another project in there and say that we aren't going to do it until the last year of the expenditure period. This is when we would have the most increment to use. It probably wouldn't end up being done that we because it probably wouldn't make sense. However, then it would be in there and it does show that if you compile with that you can get it done. Then if everything goes well you can do it sooner. We have to somewhat throw a dart in terms of our expectations of how we will actually do the debt issues. We can wait until we get closer and make sure that we are structuring the debt accordingly. There is a lot of flexibility in the way that this can be drafted and implemented. We can also amend the TIF. The expenditure period is now 22 year and it used to be 7. Planning for 22 years is a little more difficult.

b. Review of Revised Cash Flow Option

Mitch Melheim gives an overview of the revised cash flow options. All the TIF projects are really developer incentives. Developer incentives mean that we are basically giving the developer \$1 and letting them do what they want with it. These are typically the ones that are the hardest to get by a joint review board or a community. The actual infrastructure costs are the ones that normally make more sense. To take a further step back from TIF, it's not a free lunch. There are still costs that are being incurred. The idea is that if we spend these costs we will spur this development which is a net benefit. The idea behind TIF law is get all these groups together that benefit and make an assessment as to whether or not it is a worthy expenditure of dollars to promote this growth so that the revenues flow to everybody. It is not a free lunch, it is just a more

equitable to allocate the cost of projects over everyone that is benefiting not just the Village.

On page one option one revised project costs we are reflecting the project costs that we just got done discussing. We are using an educated guess as to what the variables will be. Highlighted in red is the construction or the new development increment. This is what we are projecting to make this cash flow. In addition, are two other variables that we need to make a judgement on. One is the inflation rate of the property value within the TIF. The other is what is going to happen with the tax rate. The different options that we have here show various changes in the tax rate. On all of these we are assuming a 5% inflation rate in property value. In some communities that would be considered aggressive, however, in Dane County it is a little conservative. If that changes every year this will be updated. The more growth that we have in terms of inflation or construction the sooner that we can do projects. The projects that we can do the faster that we can pay off the debt. We are assuming a 5% flat growth rate so that it presents a conservative case in terms of the projections for the increment. If we use a growth rate of 40% the value of the Village at the end of the TID would be \$2.9 trillion. This is why we need to be realistic. Five percent is generally considered a realistic growth rate for this area. We are assuming that we do a 2006 bonding and 2012 bonding. Realistically there could be variations between that. We could a smaller portion first and a larger portion a few years later. This is structured in terms of the debt and how fast we can repay the principle. We may end up putting more flexibility into the debt structure. This would allow for us, in case we don't have the increment not to have to pay off the principle, but call it later on. If you look at the annual balances, it is a pretty close match to the debt. We are pretty much at a break even until you get out to where the TIF closes. It closes five years earlier than you are allowed to do. If growth occurs a lot slower, and you spend all your project costs and you do the debt issues in 2006 and in 2012 and you have this principle payment schedule, but growth is slow. Then you would have some negatives in there, but you will have enough surplus at the backend to pay back the Village not only the principle but the interest that has accrued that you have had to cover. We aren't pushing this out to the very last year.

In option #2 everything is held constant. The difference is that we are assuming that the combine tax rate for the Village that tax rate is reduced 95% of what the current rate is. The combine tax rate includes the Village, the County, and the Tech College. This simply means that we are going to get less increment dollars, because the growth that is occurring within that TID against that combine tax rate of a lower number will produce less revenue. We are going to pay it off slower. If you compare this green row of the TID revenues to the one with the 100% tax rate it is going to be less. We will have less money available. The next page on the far right the cumulative balance is in the positive. You would close four years early rather than five years early. It is still considered a conservative structure from the TID standpoint.

In option #3 goes one step further, and says what if our tax rate is 90% of what it currently is. A 10% reduction in our tax rate for the TID results in slightly lower TID revenues. Then we would close three years early.

- c. Review of Legal Description for TIF #3
- d. Review of April 11, 2005 Letter from Alliant re: Costs for Burying Overhead Utilities and Costs to Downtown Property Owners for Changing Electrical Services

Village of Oregon Community Development Authority Meeting  
Thursday, April 21, 2005

e. Update Mandli: Red Brick Project (if available)

f. Downtown Initiatives and DO IT Update

g. Review TIF Schedule:

- 1) Re-Scheduling May 5<sup>th</sup> Downtown Forum to May 24<sup>th</sup> Special Board/CDA/Planning Commission Meeting

6. New Business

a. Dane County 2006 BUILD Applications

7. Staff Report

a. Dane County BUILD Committee Meeting in Oregon April 28<sup>th</sup> at 5:00 PM

8. Next Meeting Date and Time

The next CDA meeting will be on \_\_\_\_\_ at \_\_\_\_\_ am.

9. Items for Future Meetings

- a) Business Improvement District (BID) Discussion
- b) Establishment of Re-Development District

10. Adjournment

\_\_\_\_\_ moves to adjourn the meeting. Seconded by  
\_\_\_\_\_.

**TIME** \_\_\_\_\_