

**TAX INCREMENT FINANCING PUBLIC HEARING
CITY OF CROSSLAKE
MONDAY, JULY 9, 2003
9:00 A.M. -- CITY HALL**

Pursuant to due notice and call, the Council for the City of Crosslake met in the Council Chambers of City Hall on Monday, July 9, 2003 at 9:00 A.M. Present at the hearing was Mayor Darrell Swanson, Councilmembers Dean Eggena, Chuck Miller, Irene Schultz and Dick Phillips. Also present was City Administrator Thomas Swenson, City Attorney Paul Sandelin and Clerk/Treasurer Darlene Roach. Also present was Sid Inman of Ehlers & Associates. (Sign in sheet attached as a permanent part of the minutes.)

Mayor Darrell Swanson called the meeting to order at 9:00 A.M. and stated that the purpose of the hearing was to take public comments regarding the Developers Agreement/Business Subsidy Agreement for Crosswoods Development, LLC and New Town Enterprises, LLC for Tax Increment Financing District 1-8 located within Development District No. 1 in the City of Crosslake. The referenced Agreement contains a summary of the financial terms of the subsidy, including the amount of the subsidy and established wage and job goals. The order of events for the hearing would be a presentation from City Attorney Sandelin, a presentation from Sid Inman of Ehlers & Associates, questions from the Council, comments from the Developer and comments from the public.

City Attorney Sandelin stated that under Minnesota Statute Chapter 116J any subsidy in excess of \$100,000 requires that a public hearing be held. Attorney Sandelin presented the chronological history of the Crosswoods Development TIF District starting with TIF District 1-7 and continuing through TIF District 1-8, which was certified on January 28, 2002 after the City had held a public hearing. The delay in approving the Developer's Agreement was the result of a request from the County to seek \$100,000 in road improvement costs to County Road #3 from the Developer. In a letter dated March 10, 2003 from Crow Wing County Highway Engineer Duane Blanck, the County rescinded their request for reimbursement since the scope of the project was less extensive than they had originally thought. Included in the Business Subsidy Statute is a requirement to establish employee and wage goals. The wages for this district have been set at a minimum of \$7.00 per hour as a baseline for four full-time jobs. The Development Agreement/Business Subsidy Agreement also outlines the terms and conditions upon which the City will reimburse the tax increment and District 1-8 has been approved as a "pay as you go" note. The only repayment by the City to the Developer is from the payment of property taxes which will be reimbursed at 90% of the incremental value. If the taxes are not paid, the City has no obligation to reimburse the increment.

The meeting was open for questions from the Council. Councilmember Eggena asked if all of the work would be bid on by contractors. City Attorney Sandelin stated that any of the improvements done by the City would be bid, however, any work that the developer engages in would not require bidding. City Administrator Swenson stated that is why the City will not be accepting the roads. The roads will remain private and will be

maintained by the developer. Mike Stone addressed the Council and agreed that all of the roads and curbing within the development are private roads with 100% of the plowing and maintenance being the responsibility of the developer. Councilmember Eggena asked who the principals were that comprised New Town, Inc. and Mike Stone stated that the principals were Jim Anderson and Jack Stone. Mayor Swanson asked City Attorney Sandelin to explain the "pay as you go" method. City Attorney Sandelin stated that under this method, the only way any reimbursement goes back to the developer is if the real estate taxes are paid. He stated that this is not a typical promissory note since there is no obligation on the part of the City. Councilmember Phillips asked what advantage the project has for the City and City Attorney Sandelin stated that the development increases the tax base which helps the City. Mike Stone also noted that one acre of park space is open to the public for use. Also, Swann Drive was designed to be constructed as a rural residential road, however the Developer agreed to pay the additional cost for upgrading the road which allows for a wider, safer road within the City. Mayor Swanson stated that the development ties into the Master Plan through development of a downtown area. Councilmember Eggena inquired as to what types of businesses they wish to attract and Mike Stone stated that they would be retail stores, possibly a cleaners, theatre and etc. He stated that the development will enhance shopping within the City.

There were no comments from the public.

Councilmember Eggena stated that he has received several phone calls from other businesses in Crosslake expressing concern with other businesses coming in causing other ones to close as was the case with the clothing store. He also stated that he has taken an inventory of empty buildings in the City and there are currently 21 empty buildings with about 50,000 square feet of space available for rent. He stated there are also three other buildings that are occupied, but are for sale. While he agrees that the Comp Plan creates competition, he does not feel it should be done by giving a subsidy in one area but not in others and would vote against the TIF Developers/Business Subsidy Agreement.

Councilmember Phillips asked what happens if it fails. City Attorney Sandelin stated that if it fails, the increment would not be there. This TIF district is in place for nine years and if it doesn't develop and the District expires, the Developer won't receive the subsidy they had expected.

Councilmember Eggena asked if a date should be included on page 9 and after some discussion between the Developer, Sid Inman and Attorney Sandelin, it was agreed that the current date could be used since the developer has certified a list of costs which have been expended in the District. This list becomes an exhibit in the Developer's Agreement.

Councilmember Phillips asked how many businesses were being planned for the parcels in the TIF District and Mike Stone stated there are nine lots in the District. Lundigran's is utilizing two of the nine lots. Under the TIF Agreement however, none of the businesses can exceed 15,000 square feet.

Councilmember Schultz stated that the Development has moved slower than expected but feels the concept is a good one and is in support of the project.

Councilmember Miller stated that he finds it difficult for the City Council to try and control businesses. He stated that currently there are three dock businesses in town. Will they survive? Who knows, but it certainly is not the responsibility of the Council to control who can and cannot do business in the City. Regarding funds and subsidies, low interest loans are available through the City's Revolving Loan Fund if any of the local businesses wish to expand or improve their business. He stated that if the downtown district is successful it should help the other businesses in the City also.

There being no further comments, MOTION PH7-01-03 WAS MADE BY CHUCK MILLER AND SECONDED BY DICK PHILLIPS TO ADJOURN THIS PUBLIC HEARING AT 9:37 A.M. MOTION CARRIED WITH ALL EYES.

Recorded and transcribed by,



Darlene J. Roach
Clerk/Treasurer

