

TAX INCREMENT FINANCING PUBLIC HEARING
CITY OF CROSSLAKE
MONDAY, JANUARY 28, 2002
9:00 A.M. – CITY HALL

Pursuant to due notice and call, the Council for the City of Crosslake met in the Chambers of City Hall on Monday, January 28, 2002 at 9:00 A.M. Present at the hearing was Acting Mayor Charles Miller, Councilmembers Sandy Eliason, Irene Schultz and Dean Swanson, City Administrator Thomas Swenson, City Attorney Paul Sandelin and Clerk/Treasurer Darlene Roach. Absent was Mayor Darrell Swanson. Also present was Sid Inman of Ehlers & Associates. (Sign in sheet attached as a permanent part of the minutes.)

Acting Mayor Chuck Miller called the hearing to order at 9:00 A.M. and stated that the purpose of the hearing was to consider approval of Tax Increment Financing District 1-8 for Crosswoods Development. Acting Mayor Miller stated that the sequence of events would include a presentation from the applicant, questions and comments from Council and Staff, and questions and comments from the public. The meeting was then turned over to City Attorney Paul Sandelin to explain the necessary legal requirements.

City Attorney Sandelin stated that a request has been made by the developer for certification of Tax Increment Financing District 1-8 and a decertification of Tax Increment Financing District 1-7.

Mike Stone addressed the Council. He stated that in 1999 when TIF District 1-7 was certified, the developers were uncertain as to the length of time it would take for development to take place. He stated that at this point in time, the developers have a better understanding of the timeframe involved.

Councilmember Swanson asked if the developer was looking for a decision by the Council at this meeting for both the certification of TIF 1-8 and the decertification of TIF 1-7. Mike Stone stated that they were looking for a decision this date because if TIF District 1-8 wasn't approved, they wouldn't want TIF District 1-7 de-certified. City Administrator Tom Swenson stated that a letter dated January 24, 2002 from Crow Wing County Auditor Roy Luukkonen, stated that the Board of Commissioners had no comment regarding the proposed establishment of TIF 1-8 and were in agreement with waiving the 30 day review period. Sid Inman stated that he has received a letter from the Pequot Lakes School District dated January 14, 2002 which included a signed waiver from Superintendent Jim Oraskovich waiving the 30 day requirement. A Resolution was approved by the Planning and Zoning Commission at their meeting on January 25, 2002 which states that the Commission reviewed the program Modification and Plan to determine their conformity with the general plans for the development and redevelopment of the City as described in the Comprehensive Plan for the City.

Sid Inman addressed the Council and stated that a public hearing was required prior to creation of a new district. He stated that the Council would be establishing a geographic

district consisting of twelve parcels including Town Square. The current estimated annual tax increment for the district is \$33,254. The TIF District would be in place for eight years after receipt of the first increment. The City is eligible to retain 10% of the increment for administrative fees. Currently, State Law does not penalize a municipality for TIF by decreasing LGA or HACA. The proposed TIF District 1-8 contains a smaller geographic area than the previously approved TIF District 1-7.

The hearing was open to the public for comments. Kris Hasskamp, speaking on behalf of main street businesses, addressed the Council. She stated that she has been hired to represent businesses who have arisen to alarm on what is being provided to the developers of Crosswoods Development. She stated that the intent of TIF is to help blighted areas and to help communities provide industry and workers. She stated that the image of Crosslake is that of a boom area. The main street businesses feel that this development will be in direct competition with the current local businesses and a threat to them, therefore, they would like some time to review their options. Councilmember Swanson stated that the Council was not creating a new TIF District, because one was already in place for the Developer. Councilmember Eliason stated that this development district would more centralize the businesses, which should help the main street businesses. Again Ms. Hasskamp stated the main street business owners see this as jeopardizing their businesses. Acting Mayor Miller stated that after several public meetings over the past three to four years, this is the first time any of these business owners have attended a meeting. Councilmember Schultz stated that generally more businesses bring more people to the area, which would help their businesses. Acting Mayor Miller stated that "we need businesses to help businesses" and it should be the attitude of the Chamber to bring business in. Councilmember Schultz also commented that the TIF District has been in place since 1999 and wondered why there is a concern at this point in time.

Pat Netko addressed the Council and stated that she was present to support Marty Vangen of Daggett Brook Clothing who has had three lines of clothing cancelled since Lundrigan's Clothing has indicated their intent to open a store in Crosswoods Development. She stated that currently the business owners show respect for one another. Also, no City money has been spent and no bonds have been sold to help the current business owners. Also, the downtown square has had streetlights installed, but there are no streetlights along mainstreet. Councilmember Swanson stated that the government cannot be getting involved with businesses and their suppliers. Also, the opportunity for TIF, if they meet the requirements, is available to any business in the City for expansion or development. City Administrator Swenson stated that TIF District 1-7 already is approved and in place and there is nothing the City would or could do at this time to change that. He also stated that no bonds have been issued by the City for the TIF District, and that the developer is on a pay-as-you-go basis. Mike Stone stated that a request for TIF District 1-8 only allows him more time to get the development going. He stated that this is a major endeavor requiring various approvals with rezoning, SIP and GIP approval. He stated that the City has a level playing field. He stated that the local businesses on mainstreet didn't pay any costs or assessments to have their road paved in

front of their business, yet he has had to pay to have roads put in his development. These are the types of costs that the increment will be used for.

Kris Hasskamp asked if there was something that the City could do to protect the main street businesses with some type of caveat or protection. Councilmember Eliason stated that the Council does not in any way want to see any of the local businesses fail or go out of business. City Attorney Sandelin stated that the City cannot offer caveats or guarantees to businesses, but need to follow what the law allows.

Attorney Gerry Brine addressed the Council and stated that there is protection built into the law, because every time a building goes up a public hearing is held prior to CUP approval. He stated that he too, is a business owner in the City who put up a professional building paying top dollar per square foot for construction because he wanted the building to look good and be an asset to the City. On behalf of the Developer he stated that every issue that has been brought up has been addressed by the Developer in public meetings. He stated that the developer is undertaking a major endeavor and Crosslake needs to be known as a destination so that people have a reason to come here which will help all businesses.

Sid Inman explained why the developer was requesting certification of a new district. He stated that there are two dates involved with TIF. The first date applies to a four-year rule where if the developer doesn't start construction, he has lost four years of tax increment, whereby no additional tax increment may be taken from that parcel and the original net tax capacity of that parcel shall be excluded from district. By de-certifying TIF District 1-7 and certifying TIF District 1-8, the developer has the full eight years to complete the project. The Council was reminded that the "but-for" requirement still needed to be determined prior to approving TIF District 1-8.

Marty Vangen addressed the Council and stated that she would like some guarantees like lights, signs and so on. City Administrator Swenson stated that the City has only agreed to pay for the installation of street lights at major intersections. The other street lights in the development, were paid for by the developer. Also, the Town Square sign was paid for by the developer and is located on an easement obtained from Immaculate Heart Catholic Church.

Acting Mayor Miller also noted that the City does have a Revolving Loan Fund whereby businesses can apply for a loan from the EDA to assist in financing for remodeling or building projects.

Kris Hasskamp asked for the Council's indulgence and inquired whether the Council would meet with the businesses. Mike Stone stated that they have made every effort to make their presence known to the Chamber of Commerce. Acting Mayor Miller stated that the Council would set up a meeting with the businesses. A fifteen minute recess was taken at this time in order to allow Kris Hasskamp to confer with her clients.

At 10:30 A.M., the meeting reconvened and Kris Hasskamp stated that the main street businesses were not opposing the Council's approval of TIF District 1-8, however, they have requested that the City also protect their interests as best they can. She stated that there is a sense in the business community that the City wants the businesses to move to the center of the City. Acting Mayor Miller stated that Ordinances are in place that cover these issues.

MOTION PH3-01-02 WAS MADE BY DEAN SWANSON AND SECONDED BY SANDY ELIASON TO CLOSE THE PUBLIC HEARING. MOTION CARRIED WITH ALL AYES.

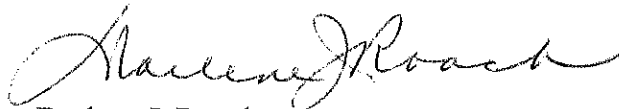
MOTION PH3-02-02 WAS MADE BY DEAN SWANSON AND SECONDED BY IRENE SCHULTZ TO APPROVE RESOLUTION 02-12 ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 1; AND ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 1-8 WITHIN DEVELOPMENT DISTRICT NO. 1, AND ADOPTING A TAX INCREMENT FINANCING PLAN FOR CROSSWOODS DEVELOPMENT. MOTION CARRIED WITH ALL AYES.

It was noted that a Development Agreement needs to be approved between the Developer and the City. This will be on the agenda for the February Regular Meeting.

MOTION PH3-03-02 WAS MADE BY DEAN SWANSON AND SECONDED BY IRENE SCHULTZ TO APPROVE RESOLUTION 02-13 APPROVING THE DECERTIFICATION OF TAX INCREMENT FINANCING DISTRICT NO. 1-7 WITHIN DEVELOPMENT DISTRICT NO. 1. MOTION CARRIED WITH ALL AYES. A copy of the approved resolutions will be sent to the Minnesota Department of Revenue and Crow Wing County.

MOTION PH3-04-02 WAS MADE BY SANDY ELIASON AND SECONDED BY DEAN SWANSON TO ADJOURN THIS MEETING AT 10:47 A.M. MOTION CARRIED WITH ALL AYES.

Recorded and transcribed by,



Darlene J. Roach
Clerk/Treasurer

CITY OF CROSSLAKE
CROW WING COUNTY
STATE OF MINNESOTA

Council member Dean Swanson introduced the following resolution and moved its adoption:

RESOLUTION NO. 02-12

RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 1; AND ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 1-8, WITHIN DEVELOPMENT DISTRICT NO. 1, AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR.

BE IT RESOLVED by the City Council of the City of Crosslake, Minnesota, as follows:

Section 1. Recitals.

1.01. The City Council (the "Council") of the City of Crosslake (the "City") has heretofore established Development District No. 1 and adopted a Development Program therefor. It has been proposed by the City that it adopt a Modification to the Development Program for Development District No. 1 and establish Tax Increment Financing District No. 1-8 (the "District") therein and adopt a Tax Increment Financing Plan therefor (collectively, the "Program Modification and Plan"); all pursuant to and in conformity with applicable law, including *Minnesota Statutes, 469.124 through 469.134 and 469.174 through 469.179*, all inclusive, as amended, (the "Act") all as reflected in the Program Modification and Plan, and presented for the Council's consideration.

1.02. The City has investigated the facts relating to the Program Modification and Plan and has caused the Program Modification and Plan to be prepared.

1.03. The City has performed all actions required by law to be performed prior to the establishment of the District and the adoption and approval of the proposed Program Modification and Plan, including, but not limited to, notification of Crow Wing County and Independent School District No. 186 having taxing jurisdiction over the property to be included in the District, a review of and written comment on the Program Modification and Plan by the City Planning Commission, and the holding of a public hearing upon published notice as required by law.

1.04. Certain written reports (the "Reports") relating to the Program Modification and Plan and to the activities contemplated therein have heretofore been prepared by staff and submitted to the Council and/or made a part of the City files and proceedings on the Program Modification and Plan. The Reports include data, information and/or substantiation constituting or relating to the bases for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05 The City is not modifying the boundaries of Development District No. 1.

Section 2. Findings for the Adoption and Approval of the Program Modification and Plan.

2.01. The Council hereby finds that the Program Modification and Plan, are intended and, in the judgment of this Council, the effect of such actions will be, to provide an impetus for development in the public purpose and accomplish certain objectives as specified in the Program Modification and Plan, which are hereby incorporated herein.

Section 3. Findings for the Establishment of Tax Increment Financing District No. 1-8.

3.01. The Council hereby finds that the District is in the public interest and is an "economic development district" under *Minnesota Statutes, Section 469.174, Subd. 12.*

3.02. The Council further finds that the proposed development would not occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the Tax Increment Financing Plan, that the Program Modification and Plan conform to the general plan for the development or redevelopment of the City as a whole; and that the Program Modification and Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development of the District by private enterprise.

3.03. The Council further finds, declares and determines that the City made the above findings stated in this Section and has set forth the reasons and supporting facts for each determination in writing, attached hereto as Exhibit A.

Section 4. Public Purpose

4.01. The adoption of the Program Modification and Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City, to provide employment opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

Section 5. Approval and Adoption of the Program Modification and Plan.

5.01. The Program Modification and Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the City Administrator.

5.02. The staff of the City, the City's advisors and legal counsel are authorized and directed to proceed with the implementation of the Program Modification and Plan and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

5.03. The Auditor of Crow Wing County is requested to certify the original net tax capacity of the District, as described in the Program Modification and Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased; and the City of Crosslake is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the District, for which building permits have been issued during the 18 months immediately preceding the adoption of this resolution.

5.04. The City Administrator is further authorized and directed to file a copy of the Program

Modification and Plan with the Commissioner of the Minnesota Department of Revenue pursuant to *Minnesota Statutes 469.175, Subd. 4a.*

The motion for the adoption of the foregoing resolution was duly seconded by Council member Irene Schultz, and upon a vote being taken thereon, the following voted in favor thereof:

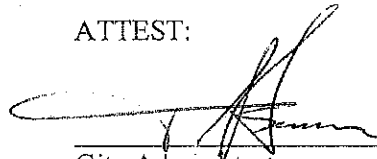
and the following voted against the same:

Dated: January 28, 2002



Mayor

ATTEST:



City Administrator

(Seal)

EXHIBIT A
RESOLUTION # 02-12

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 1-8 as required pursuant to *M.S., Section 469.175, Subd. 3* are as follows:

1. *Finding that the Tax Increment Financing District No. 1-8 is an economic development district as defined in M.S., Section 469.174, Subd. 12.*

The District is a contiguous geographic area within the City's Development District No. 1, delineated in the Plan, for the purpose of financing economic development in the City through the use of tax increment. The District consists of a portion of Development District No. 1 not meeting requirements for other types of tax increment financing districts, which is in the public interest because it will facilitate construction of a downtown development area which will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; it will increase employment in the state, and preserve and enhance the tax base of the state.

It has been confirmed that the City of Crosslake has a population less than 5,000 and is located at least 10 miles from a city with a population greater than 10,000 and therefore the City meets the definition of a "small city" found in *M.S. Section 469.174 Subd. 27*.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 1-8 permitted by the Plan.*

The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the development proposed in this plan is development of a downtown area that meets the City's objectives for economic development. The cost of land acquisition, site and public improvements and utilities makes development of the facility infeasible without City assistance. The developer was asked for and provided a letter and a proforma, as justification that the developer would not have gone forward without tax increment assistance (see attachment in Appendix F of the TIF plan).

The increased market value of the site that could reasonable be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the Plan: The City supported this finding on the grounds that the cost of land acquisition, site and public improvements and utilities add to the total development cost. Historically, site development costs in this area have made development infeasible without tax increment assistance. Therefore, the City reasonably determines that no other development of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

A comparative analysis of estimated market values both with and without establishment of the District and the use of tax increments has been performed as described above. If all development which is proposed to be assisted with tax increment were to occur in the District, the total increase in market value would be up to \$2,236,200. The present value of tax increments from the District is estimated to be \$137,656. It is the Council's finding that no development with a market value of greater than \$2,098,544 would occur

without tax increment assistance in this district within 11 years. This finding is based upon evidence from general past experience with the high cost of acquisition and public improvements in the general area of the District (see Cashflow in Appendix D of the TIF plan).

3. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-8 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Planning Commission reviewed the Plan and found that the Plan conforms to the general development plan of the City.

4. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-8 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of Development District No. 1 by private enterprise.*

The project to be assisted by the District will result in increased employment in the City and the State of Minnesota, increased tax base of the State, and add a high quality development to the City.

**CITY OF CROSSLAKE
COUNTY OF CROW WING
STATE OF MINNESOTA
RESOLUTION NO. 02-13**

**BEING A RESOLUTION APPROVING THE DECERTIFICATION OF TAX
INCREMENT FINANCING DISTRICT NO. 1-7, WITHIN DEVELOPMENT
DISTRICT NO. 1, OF THE CITY OF CROSSLAKE**

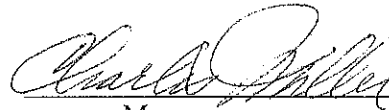
WHEREAS, on July 6, 1999, the City of Crosslake (the "City") created its Tax Increment Financing District 1-7 ("District No. 1-7") within its Development District No. 1 (the "Project"); and

WHEREAS, as of the date hereof all bonds and obligations to which tax increment from District No. 1-7 have been pledged have been paid in full or defeased and all other costs of the Project have been paid; and

WHEREAS, the City desires by this resolution to cause the decertification of District No. 1-7 after which all property taxes generated by property within District No. 1-7 will be distributed in the same manner as all other property taxes.

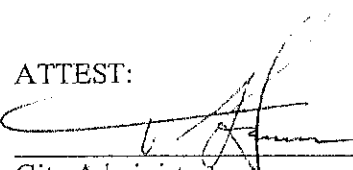
NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Crosslake that the City's staff shall take such action as is necessary to cause the County Auditor of Crow Wing County to decertify the District No. 1-7 as a tax increment district and to no longer remit tax increment from the District No. 1-7 to the City.

DATED: January 28, 2002



Mayor

ATTEST:



City Administrator

(Seal)