

**MINUTES OF SPECIAL SESSION
HIGHLAND CITY COUNCIL
MONDAY, NOVEMBER 21, 2011**

Mayor Michaelis called the Regular Session to order at 6:30pm. Council members Schwarz, Bardill, Bellm and Nicolaides were present. Others in attendance were City Manager Mark Latham, City Attorney Terry Bruckert, Director Korte, Police Chief Bell, Deputy City Clerk Hediger, City Clerk Bellm; 28 citizens and 1 member of the news media.

Mayor Michaelis explained the purpose of the meeting is to hold a public hearing to receive public comment. If you think you will be speaking or may ask a question, you need to be sworn in. Mayor Michaelis swore in those who stood.

PUBLIC HEARING

Mayor Michaelis introduced Keith Moran, of Moran Economic Development. Mr. Moran explained Moran Economic Development is a firm that specializes in assisting municipalities with establishing TIF Districts and redevelopment projects. Mayor Michaelis asked Mr. Moran to explain TIF and how it works. Mr. Moran explained this is a Conservation TIF. What this TIF is all about is retention of business and improvement of infrastructure within the area. TIF is not a tax increase; it stands for Tax Increment Financing. It is a re-distribution of tax dollars. By in large, those future revenues are placed towards making infrastructure improvements. In this area, we are looking to improve the storm water sewer system. A lot of people within this area may have dealt with flooding issues, need road improvements or sidewalks along their property. Also, this will provide for additional traffic control will be required for the development near the new medical center. Mr. Moran reviewed FEMA has decertified some of the areas and levees at the county level for Madison County. Along with that, FEMA redrew the flood plain maps and designated areas not flood plain area. We want to make improvements that will relieve flooding issues or the flood plain designation within this area. Lastly, this TIF district is to retain business as well as creating a full-scale regional medical center.

Mr. Moran acknowledged many are wondering why their property was selected to be within this district. Along 1st -3rd Streets, there are storm water issues and road issues. The goal is to re-facilitate development of business in the area between Route 143 and 5th Street. The selection of this area and the boundaries has been a six-month process, if not longer. We brought in engineers to assist with drawing the boundaries and the needs. Mayor Michaelis asked Mr. Moran to explain how a Conservation TIF differs from other TIFs. Mr. Moran explained Conservation TIFs are directed to maintain what you have. With this type of TIF, you look at the age of the structures. In this area, 66% or more are over thirty-five-years old. A lot of times, you see TIF districts for new development in open area or Purely Blighted TIFs look to point out how bad things are; that is not the case, here; we want to maintain and improve upon here.

Mayor Michaelis asked Mr. Moran to explain how TIF works. Mr. Moran pointed out, as a whole, property values in this area have declined. Some of this has to do with the economy; however, some has to do with the need to revitalize infrastructure in this area. Example: We have a home with fair market value of \$120,000. For taxes, it figures a third of that as the Estimated Assessed Valuation (EAV), which is \$40,000. The City of Highland has a lower tax rate than many other areas, with approximately 7% going to the City of Highland, and then there are taxes to SWIC, Highland School District, and the township. Let us say you pay your \$2800 tax bill. Those dollars are re-distributed to the different taxing districts. Then, let us say you put a \$30,000 garage on the property. The \$120,000 assessment is now \$150,000. The EAV is \$50,000, which results in an addition of \$800 increase in my property taxes. This \$800 goes into the TIF Fund to make improvements. All the taxing districts are on board for the redistribution of these funds, as they realize the value of the improvements and there is a mutual benefit. Mayor Michaelis noted that money, put into the TIF Fund, can only be used within the boundaries of that TIF district. Mr. Moran concurred. If a property owner does nothing with their property and the EAV does not change, then nothing changes, and the TIF fund see no funding.

Lorne Jackson asked how the actual boundaries were determined. In this there is some residential, some business, and some future development. Mr. Moran acknowledged the use is varied. This started with storm water issues along 1st to 3rd Streets. Then came FEMA floodplain issues, which is primarily along the creek. Then there was a real need for infrastructure improvements to support the development of the new hospital right there. Mr. Jackson pointed out the area where the hospital is going is a large portion of this. The hospital is non-for-profit, so they are not going to be paying taxes. If the plans are to spend a lot of money for infrastructure in the area, it seems spending of the TIF money is going to be disproportionate. Mr. Moran explained there will be significant investment with facilities and offices around the hospital, which will be owned by other for-profit entities, which we anticipate will generate a large portion of the TIF funds when developed.

Gerald Sparlin noted a lot of the area surrounding the hospital will be asphalt or concrete surface, which will contribute to runoff. Has the flood issues in this area been taken into consideration? City Manager Latham stated we will recommend putting in the four forty-inch culverts under the railroad tracks, which engineer studies show will bring the levels down to 1986 levels. Wilford Holzinger noted it was stated that taxes will be frozen. Can I never go to the county, in the future, and ask to have the value reduced at the county level? Mr. Moran explained, at some time, if something happened to your property, such as a fire, and the value decreased, then no contribution would be made into the TIF fund.

Buddy Poettker stated I have property within the proposed TIF district; I want to remodel the business. Would I go about applying for TIF funds through this? City Manager Latham replied yes. Mr. Sparlin inquired if under the Conservation TIF no private buildings will be upgraded. Mr. Moran responded TIF funds will be available for businesses to redevelop. Mr. Sparlin inquired, so I would be held to paying my FEMA flood insurance while you assist a business. There is only so much money in this pot. Mr. Moran explained, once improvements are made to a business, the value goes up, which brings more funds into the TIF for other improvements. City Attorney Terry Bruckert added not all the expenditures of the improvements are reimbursed. The amount given is based upon the anticipated amount of additional tax revenue the improvements are going to generate for the TIF fund. The intent of TIF is to rehabilitate the area. Wouldn't it be nice to see the Railshake building, for example, restored and looking nice? Mr. Sparlin inquired if it cost \$800,000 to fix the culverts below the railroad and \$500,000 to rehab Railshake, then who gets the money first. Mr. Moran responded we expect all deals with private business to generate enough for the infrastructures. Mr. Bruckert explained every project comes before the council for approval, so the elected officials can prioritize.

Mr. Jackson noted the plan is to improve the infrastructure for the hospital. What happens to the rest of the proposed improvements, should the hospital delay their development? City Manager Latham explained the bonds for this TIF district will be front-forwarded. Mr. Jackson asked if the

hospital development is delayed, where the money is going to come from. Mr. Moran reported the city is working extremely close with the hospital. The city is not going to make investments without close coordination with the hospital. The other projects are going to be done regardless of the hospital development; it will just take longer if the hospital delays their development.

Councilman Schwarz stated the assessment is the map was defined based on needs. Basically, a lot of these are within the difference of flood zone between the 1986 FEMA map and the new designation? Mr. Moran explained not all are within the FEMA designation; however, they have had or are experiencing flooding issues. Councilman Schwarz inquired about the length of the TIF designation. Mr. Moran explained that TIF districts can be dissolved at any point. We picked a twenty-three-year period, because it generally takes three years for TIF to get going with accumulation of funds. With a large private investment, funds could be generated quicker. Councilman Schwarz asked if the length of the TIF can be shortened. Mr. Moran explained they can be dissolved at any time. City Attorney Bruckert explained the bonds must be paid off before you cut the term down or dissolve the TIF district. Councilman Schwarz asked what if costs are more than anticipated to complete these projects. Mr. Moran responded other funding sources can be used. Councilman Schwarz asked who reduces the size or dissolves the TIF district. Mr. Moran replied the city council. Councilman Schwarz asked do other taxing bodies or anyone else have a say. Mr. Moran replied no.

Mr. Sparlin asked are the bonds going to be open for sale to the public. City Attorney Bruckert stated that decision has not been made yet. Jeff Rehberger, 105 Northwest Manor, stated I have four acres of property in the proposed TIF district and four acres outside. How much can I get back, if I want to build apartment complexes on them and they are valued at \$100,000 of taxes per year? Mr. Moran stated this TIF was not designed to spur residential growth. Mr. Rehberger asked what if it is a restaurant that is built on the property. City Attorney Bruckert explained the TIF application will ask a series of questions. The City of Highland has policies in place that designate what the city can assist with. Mr. Rehberger asked if I have property within the TIF district, is it more marketable because there are advantages for development within this area. Mr. Moran stated a lot goes into that answer; it depends on what your project is and what it is going to bring to the TIF district. Mr. Rehberger stated I am all for this TIF district; however, if someone develops something within this area they should not be reimbursed 75% or some large percentage of their investment with the TIF funds. City Manager Latham explained reimbursement would be up to 20% of assessed evaluation increase.

Councilwoman Bellm made a motion to adjourn; seconded by Councilman Bellm. All council members voted aye, none nay. Motion carried and meeting adjourned at 7:27pm.

Joseph Michaelis, Mayor

Barbara Bellm, City Clerk