

Economic Development Committee Minutes

Honorable Council
City of Newark
November 2, 2016

There was a meeting of the Economic Development Committee in Council Chambers on Monday October 31, 2016 after Service Committee with these members present:

Jeremy Blake	Curtis Johnson
Jeff Rath	Mark Fraizer
Bill Cost Jr	

We Wish to Report:

1. A copy of the proposal from the Army Corps of Engineers to raise the levee along the South Fork of Licking River was received and an update on the status of the project was given.

Brian Morehead gave a presentation discussing the documents and maps within the Economic Development packet demonstrating the correspondences that they have had with the Corps of Engineers and they design consultant Burgess and Niple. The goal for the project is to try to get the some of that area if not all of it north of the levee that is in the flood plain out of the flood plain for redevelopment or increased development in that area.

2. **Ordinance No. 16-43** an ordinance declaring certain improvements to parcels of real property in the City of Newark, which are necessary for the further development of the Baker-Evans project, to be for a public purpose, describing the public infrastructure improvements to be made to directly benefit the respective parcels, authorizing agreements with the respective property owners affected by such public infrastructure improvement and with the Newark City School District and the Career & Technology Education Centers of Licking County, establishing the Baker-Evans tax increment equivalent fund, and declaring an emergency was considered.

Director Mauter- this TIF would provide the funds to complete the Evans and Baker Boulevard streets and build the necessary bridge over the Log Pond Run diversion ditch. If you go back to about 2004 the city worked with the school system to put in Evans Boulevard in order for them to have access to the new Legend and Liberty schools. At that time I believe Mayor Bain was in office and City Council with him at that time made that investment into Evans Boulevard with city funds. Their intent was that it not be a cul de sac street. The intent was that the street would eventually be completed as a connector to the Baker Boulevard road that is in place as well which also then gives you access to North 21st Street and all of the businesses there. In the past 10-12 years there hasn't been any funding available in order to complete this roadway project. So that brings us to today. We really have a tremendous opportunity before us to

generate a funding source that would allow the city to complete this roadway project. The TIF we are proposing would capture the taxes on the improvement costs being invested by Kroger. It is vitally important that we point this out and that is this is the only window of opportunity that exists to take advantage of creating a TIF on these improvement costs. It's the only way that we can generate funds because there isn't any other property out there commercially that could be TIF to provide the necessary funds to complete this project and it has to be done in 2016. If we don't take advantage of doing this TIF by the end of the year we can't go back and retro actively recoup or TIF those improvement costs that Kroger is investing which is about 18 million dollars, is what they proposed to us. Brian Morehead said it very well when we had discussions on this and he said this may be the last chance we get to generate funding to complete this project. Service Director Dave Rhodes, Brian Morehead and myself has met directly with the Newark City School Boards and also the C- TEC school boards and presented a TIF to them. It was a 20 year TIF 100% distribution and it includes a 25% compensation package back to the schools. I sent some information out to all of you in an email; TIFs are a little bit complicated. Brian estimated the project would probably be in the 3-3.5 million price range primarily. There are no final designs to cost estimate on at this time. Taking those numbers into consideration we have chosen a TIF that would generate about 2.6 million dollars of the 3-3.5 million that we would need to complete it. That would leave us the burden to find grants, capital improvement funds or who knows maybe some private/public partnership money such what was done to get the White's Field AstroTurf installed. We would need to take care of that but we thought that was a fair trade off because schools should certainly be entitled to some of this money and that is where we thought the 25% compensation would be beneficial to them as well. So all that being said we presented to the School Boards, the Newark City School Board is really main driver that has to accept or reject this, and the power is in their hands. They are hoping to vote this week, we are waiting to hear back from the President of the school board to see if he can pull everyone together and have that vote take place. Dave, Brian and I have also met with city key stake holders such as Dan De Lawder, Sara Wallace, Steve Layman and Jerry McClain regarding this TIF and all are highly in favor of seeing this TIF approved. Dan De Lawder took time out of his schedule to speak to the Newark City School Board with us. He made a pretty passionate plea that he felt this was really an exceptional economic development opportunity for the schools, for the residents of Newark, North 21st Street businesses and for Kroger because the completion of Evans and Baker is going to bring them right in to the back door of Kroger Marketplace. I think it is also important to stress that Sara Wallace as chairperson of the Evan Foundation which owns all of that land that is yet to be developed in the future and she feels very strongly that this TIF is vital to the future academic and recreational development because that is what they see happening not commercial or residential development taking place on this property. She is whole heartedly in favor of this TIF.

Motion by Mr. Rath to send to full Council, second Mr. Fraizer

Mr. Fraizer- 2.6 million dollars over 20 years?

Director Mauter- yes

Mr. Fraizer- it goes to Newark City Schools for a vote does it go to CTEC as well?

Director Mauter- CTEC only approves the compensation agreement. If you look at the paperwork, the ordinance itself established the TIF, there is exhibit A which shows the three parcels that make up the Kroger Marketplace property and then exhibit B is the school compensation agreement and the only agreement CTEC has to approve is that and I got that approval last Friday from CTEC. Now we are just waiting for Newark City School Board.

Mr. Fraizer- the location of the TIF is it just the block of Kroger or is it behind where the Evans property is?

Director Mauter- it is only the three parcels that make up Kroger Marketplace. Where the retention pond is that is a parcel, where the bulk of the store, parking lot and gas station is, that's a parcel and the other parcel is a small one just to the north. There is nothing in the TIF on Baker.

Mr. Fraizer- as far as downtown development and TIFs associated with that is that a future facing TIF that we are looking to do or a special financing thing? The main that we are trying to capture this TIF is because of the level of development that we are doing and you see the Licking Memorial Health building going up downtown from a vacant lot is there a reason why we didn't do TIF for that?

Director Mauter- I don't have an answer for you on that.

Mr. Fraizer- is it something that we could do by the end of this year?

Director Mauter- probably not due to the time constraints we are working on for this. We have been working on this TIF for about 18 months.

Mr. Blake- correct me if I'm wrong the cost of the road is roughly about 3 million dollars.

Director Mauter- Brian was estimating the best that he can about 3-3.5 million.

Mr. Blake- so the purpose of the TIF is to take the money that is generated from Kroger and specifically put it back into the road. That is why you do a TIF is because you want to capture that money and put it right there locally.

Director Mauter- right

Mr. Blake- so something downtown, we want those monies going to the general fund right?

Director Mauter- correct. I do want to make this clear because there has been some confusion in the press when this first came out. Because Kroger paid 3 million dollars for the property, that establishes the tax basis. Meijer was paying taxes on 2.5 million dollars so the fact that Kroger paid a bit more than what Meijer was being taxed, the schools, the libraries, MRDD, Senior Citizens level, all those entities that get distributions from the property taxes will continue to receive the same amount they were when Meijer was in business. We are capturing the improvement costs, the store, parking lot and gas station that is what we are capturing. I think that is very, very important because that message was not sent out in the paper. It actually read that the City of Newark was going to take all the tax money and not going to the schools, the libraries, not going to the other levies and entities. That created my phone ringing and my neighbors very upset with me recently and I had to squelch that a little bit. On top of that because they are going to maintain that same level of funding then we are going to give 25% compensation back to the Newark City School Board and the CTEC School Board District. They are actually going to receive more, it could be 50% more, we don't have the exact figures but it will be more than what they received when Meijer was in business with this TIF. It seems like a win, win, win all the way around. It is a unique opportunity. If this hadn't taken place with Kroger we wouldn't be sitting here having this conversation.

Mr. Blake- can you give us the scenario, committee passes it on to Council, Council votes on it but the school district does not approve it what happens at that point?

Director Mauter- if the school board does approve the current TIF the City of Newark still has the option of going to a fall back which is a 75% distribution over 10 years TIF and we can do that with the option of compensating the schools again to a certain percentage or having 0 compensation back to the schools. At 0 compensation the numbers the attorney shared with me was that we would realize 1.6 million dollars not the 2.6 we are shooting for. If we do present a compensation package of 25% like we are offering now that number drops to 1 million. We are hopefully the school district will come on board with us and help us work together much the way we are doing around the entire rest of the city.

Mr. Greene- you said 2.6 million dollars over 20 years so does that mean \$130,000.00 a year?

Director Mauter- the service payments to the city would be \$171,641.06

Mr. Greene- so the 25% that the board of education would get is out of that amount?

Director Mauter- no, no it's not, a total of about \$42,000.00 of that gets dispersed between Newark City Schools and CTEC. Newark gets the lion's share of that because they are 70% distribution; CTEC is at about 5-6% distribution. The numbers come up about \$39,000.00 a year for Newark City Schools and \$2800.00 for CTEC and again that is over and above what they are already getting when Meijer was in business.

Motion passed by a vote of 5-0.

Jeremy Blake, Chair