

Economic Development Minutes

Honorable Council
City of Newark, Ohio
December 15, 2015

The Economic Development Committee met in Council Chambers on Monday December 14, 2015 following the Service Committee meeting. These members were present:

Jeff Rath, Chair
Jeremy Blake
Bill Cost Jr

Dee Hall
Curtis Johnson

We wish to report:

1. Ordinance No. 15-37 declaring to be a public purpose certain improvements to parcels of real property in the City of Newark, which are necessary for the further development of the River Trails Project, describing the public infrastructure improvements to be made to directly benefit the respective parcels, and declaring an emergency was considered.

Director Mauter- a little history lesson, early this year in the first quarter Mr. Rhodes and I were invited to the County Commissioners office and we met with the Redwood Developers who are doing this apartment project in your Ward Jeff and they were talking about the impact of those apartments and the overall condition of River Road and the increased traffic on the road. They brought about a new type of TIF to the table that we here at the City of Newark had not experienced. There are 4 or 5 TIFs currently in effect in the City of Newark and most of those the city was approached by a business that wanted to expand their business but they needed additional infrastructure such as a road widening, a turn lane or a traffic light and to accomplish that infrastructure the city would in advance have to sell bonds to fund the project. The Redwood Developers came to us with a different concept. They offered a concept of a TIF that would prefund an improvement account for the City of Newark that would be earmarked for improvements to River Road. We thought that it was a novel idea. One of the drawbacks to the TIFs in the past was that it caused the city to incur debt. We now have a TIF that we are trying to prefund and give Mr. Morehead some funds in advance for improvements.

Below is the handout that Director Mauter gave to each member of the Committee and went over with them.

100 %, 30 YR. TIF BULLET POINTS for the River Trails Development

1) Exempts 100% **of the increase in the assessed value of the property** (3-PARCELS LISTED IN EXHIBIT "A") from taxation for 30 years.

In this case it will be approx. : **\$10,890,000.00 – 600,000.00 (2014 project expenses not eligible) = \$10,300,000.00 to be TIF'd.** See handout: PROJECT COSTS for phase I & II : \$10,890,000.00

2) Require the owner of the property to make payments in lieu of taxes (PILOTS) to the County Treasurer under O.R.C. 5709.42, in an amount equal to what taxes would have been on the property but for the exemption affected by item 1. See PILOTS column of handout.

3) Require the City to deposit PILOTS (Payments in Lieu of Taxes) it receives, into a Municipal Tax Increment Equivalent Fund specifically dedicated to hold PILOTS. Ref. Section 7 of Ordinance.

4) Require the City to pay to the Granville Exempted Village School District and the Career and Technology Education Center of Licking County, from that Fund, an amount equal to make-whole payments to those entities.

So BOTH SCHOOL DISTRICTS will be made WHOLE by this TIF. They will not realize any decrease in their funding.

These payments shall be dispersed according to the terms agreed upon in the **SCHOOL COMPENSATION AGREEMENT. This compensation agreement has already been approved by BOTH school districts, prior to this meeting.**

5) The city will then realize the **EXCESS PILOT FUNDS** (see handout far right column). The projected amounts show a contribution of approx. **\$1.4 Million dollars over 30 years.**

That is **\$1.4 M dollars** the city has to use towards the construction and installation of infrastructure improvements to the River Rd. area, **that we wouldn't have available without the TIF.**

This TIF is a WIN, WIN, WIN - for:

1. The school systems; i.e. made 100 % whole. They fully support this TIF.
2. The City; able to collect funds up front to use for improvements. Funds we would NOT have otherwise.

Important Point: This type of TIF allows for the funds to be deposited, in advance, for future improvements. The city would NOT have to issue BONDS on a property and hope for future tax revenue. The city would have the funds, or the option of issuing bonds based on a known and stable revenue stream into the TIF account. This TIF is NOT being done at the request of a developer or business in order to finance infrastructure improvements ahead of a project, as has been the case in the past. This is a "NEW" kind

of TIF being offered to generate funding in advance of improvements, with NO DEBT FINANCIAL STRINGS ATTACHED.

3. The citizens that live along River Rd. and rely on it for safe transportation to get to and from work, school, and all other activities.

A Final Note and Recognition: REDWOOD Development Paid for all the attorney and preparation fees to produce this TIF.

Mr. Rath- went over the dollar amount figures with Director Mauter for further clarification. That is all great but 1.4 million over 30 years doesn't seem to me like and I'm not balking at this by any means but what can we do with that money? \$40,000.00 a year. I know what it takes to build a road, I know what it takes to build a bridge and I know what it takes to put a traffic light in. At \$40,000.00 a year we might be able to put a mirror at Reddington Road and Cherry Valley.

Director Mauter- the way you have to look at this is it is money we wouldn't have had. It is another \$42,000.00 a year we didn't have.

Mr. Rath- if I could hear from either you or Mr. Morehead about the things that we could do in this neighborhood with this money. You don't have to tell me exacts of what we are going to do just an idea. How is this going to help that neighborhood?

Brian Morehead- the roads are narrow out there, the berms could be widened to make it safer, drainage improvements and in another 10 years we could be looking to re-pave the road since we just did that last year. There is a large hill in the road between the Park Trails entrances that could be shaped down, utility work could be done and we could spend the money twenty five different times.

Mr. Rath- with the potential of the additional housing going on River Road could this help with that?

Brian Morehead- absolutely

Mr. Cost- I am assuming also in your description that this money can only be used right there in that area?

Director Mauter- correct

Mr. Cost- I am also assuming that our goal is not to put ourselves in a debt situation, not borrow against this and for it to not go towards a bond.

Director Mauter- you could make that assumption. This legislation is a funding mechanism. You could use this funding stream to make payments for the project but it is not implied that you have to do that. We aren't doing anything in advanced. We have a developer that is willing to make payments directly to the city, the city makes payments to the school districts and we're funded in advance. How far does \$44,000.00 a year go for road improvements probably not very far but is it \$44,000.00 a year we didn't have in our coffers. Brian would you take that?

Brian Morehead- absolutely

Director Mauter- that is what it really boils down to. At the end of 30 years we have 1.4 million dollars more than we would have had had we not pursued this offer without accruing debt.

Mr. Marmie- I guess I will put it in simple terms the way that I understand it best. That area out there with the current value of money spends over \$9,000.00 a year of just maintenance and upkeep of that area we are talking about and with the increase over the years just the time, value and money will increase. If you look at what we currently get for that area as far as income tax it is not paying for that area. This will help pay for that area and some. We won't have to take it out of our regular fund in order to do that because looking at that area we definitely spend more than \$10,000.00.

Director Mauter- that is a good point Doug and another good point is this is a rare opportunity. Because these are apartment investment properties they are taxed commercially. We can't go after TIFs on residential. I think that it would be wise to look at it and maybe seize the opportunity.

Mark Fraizer- do you have discretion as to when you spend that money?

Director Mauter- it is my understanding that we have total discretion.

Motion by Mr. Johnson to send to full Council, second by Ms. Hall

Motion passed by a vote of 5-0.

Jeff Rath, Chair