

COUNCIL PROCEEDINGS
CITY OF CROSSLAKE MINNESOTA
SPECIAL SESSION
February 15, 1989
1:00 p.m. at City Hall

The City Council for Crosslake Minnesota met in a special council session on Wednesday, February 15, 1989 in the Council Chambers of City Hall. The following Councilmembers were present: Mayor Kurt Anderson, and Councilmembers Roger Burshem and Charles Miller. Absent were Councilmembers Lyle Arends and Diana Gallaway. Also present were Carolyn Drude, Ehlers and Associates, Inc., Joe Raye and Bruce Larson from La-Rever Properties, Oliver Courts, former mayor and motel owner, and City Clerk Arlene Buchite. There were no other members of the community present.

Mayor Anderson called this special meeting to order at 1:15 p.m. stating that the purpose of this meeting was to possibly declare the entire City of Crosslake as an Economic Development-Tax Increment Financing District. Mayor Anderson stated that since we met last with Ms. Drude he has received a notice from the League of Minnesota Cities that the Legislature is contemplating action stating that any areas within a City which are declared as a Tax Increment Finance District will be exempt from homestead credit on the real estate tax.

Ms. Drude said that you can declare the whole city a development district but just one small area is declared a tax increment finance area and that would eliminate any problems with homestead credit. Ms. Drude explained that the reason for Tax Increment Financing is the eroding of federal grants and programs. It is the assumption that what is good for the City is also good for the County, School District and State. If the City is designated a development area it does not change the value, or freeze the taxes or tax base, and it does not change the zoning, according to Ms. Drude. She explained that it simply shows that the City Council has said it would like to encourage development and progress, and enhance the tax base in the community and not just one small area.

Ms. Drude when on to say that there is no purpose in establishing a Tax Increment Finance district unless you have a project in mind. Tax Increment District can be any size desired and can be in several areas of the City as it does not have to be contiguous. The base values on the parcels of land are frozen so the City, County and School District will never get less taxes than they receive right now. If the project developers build in 1989, it will increase in value to more than the base value. The difference between the base tax and new taxes will go into a fund. From this fund a developer can be reimbursed for parts of the project which are eligible. The building itself is not considered as eligible but the acquisition of land, land scaping, improvements of the land, parking lots, sewer, water and things generally at or below ground level are eligible for reimbursement according to Ms. Drude.

Ms. Drude explained that one way to look at Tax Increment Financing is that there would be no increase in taxes anyway but with the Tax Increment Financing project there will be an increase after eight years. Tax

Increment Financing needs approval of the City only but the County and School District must be notified thirty days prior to the Public Hearing. The City Council must meet with official from the County or School District if they want a meeting.

The taxes over and above the base tax will be turned over to the City for administration for which the City is entitled to a 10 percent administration fee. The base tax will be divided between the City, County and School District. If the developer does not pay his taxes, there will be no reimbursement.

Councilmember Miller raised the question about hiring an attorney for the project since most attorneys have not dealt with Tax Increment Financing and the City would then be subsidizing their education. Ms. Drude replied that there are a number of good, knowledgeable attorneys who have Tax Increment Financing experience. The attorney will review the plan which must meet the letter of the law, do the resolution and developers agreement. Attorney's costs will be around \$1,000 according to Ms. Drude. Ehlers and Associates, Inc. fees will be around \$2,500. Bills will be sent to and paid by the City of Crosslake but will come from monies given to the City by the developer.

Ms. Drude explained that the project will not cost the City any money that all expenses should be covered by the developer. Mayor Anderson said he could see no liability on the part of the City.

The plan as submitted is for 2 four plexes in 1989, 3 four plexes in 1990 and 3 duplexes in 1991.

Ms. Drude said that Ehlers and Associates, Inc. will see that all statutory requirements are met in the reports. The developers must bid items over \$15,000 according to bidding requirements for Cities, and must submit receipts for reimburseable items.

MOTION NO. 2S-01-89 WAS MADE BY COUNCILMEMBER MILLER AND SECONDED BY COUNCILMEMBER BURSHEM TO HIRE THE SERVICES OF EHLERS AND ASSOCIATES, INC. FOR THIS TAX INCREMENT FINANCING PROJECT WITH REIMBURSEMENT FROM LA-REVER PROPERTIES. MOTION PASSED WITH ANDERSON, BURSHEM AND MILLER VOTING AYE. The address for La-Rever Properties is Box 48, Nisswa.

The date for the Public Hearing was discussed briefly. The date was set as March 25, 1989 at 10:00 a.m. at City Hall. Ms. Drude was instructed by the Council to find an attorney with Tax Increment Financing experience. It was the consensus of the Council that public hearing should be held on Saturday whenever possible for the convenience of property owners who live in the Cities.

MOTION NO. 2S-02-89 WAS MADE BY COUNCILMEMBER MILLER AND SECONDED BY COUNCILMEMBER BURSHEM TO ADJOURN THIS SPECIAL COUNCIL SESSION AT 2:46 P.M. MOTION PASSED UNANIMOUSLY.

Recorded and transcribed by:

Arlene A. Buchite
Arlene A. Buchite, City Clerk/Treasurer