City of Excelsior
Hennepin County, Minnesota

MINUTES
EXCELSIOR CITY COUNCIL SPECIAL WORK SESSION

JANUARY 21, 2015

1. CALL TO ORDER/ROLL CALL

Mayor Gaylord called the meeting to order at 5:36 p.m.

Present:	Councilmembers Beattie, Caron, Fulkerson, Miller (arrived at 5:37 p.m.), and Mayor Gaylord
Absent:	None
Also Present:	City Manager Luger, City Attorney Staunton, Finance Director Tumberg, and City Clerk Johnson

2. EXCELSIOR HOTEL

Introductions were made of everyone in attendance:

Mikaela Huot, Vice President/Consultant, Springsted

Mary Ippel, Public Finance Lawyer, Briggs & Morgan

Charlie James, Developer, 10 Water Street

Carl Kaeding, Operator, Kaeding Management Group

Jay Lindgren, Attorney, Dorsey & Whitney

Neil Weber, Architect, Weber Architects & Planners

Stanton said the City would like to go through a variety of financing options and find out what financing tools everyone is willing to consider. Staunton passed out a tentative schedule . Staunton said he wanted to remind everyone that the numbers we’ve been working with are based on assumptions that have not been verified. He said the two most important items are the post-construction assessed value of the property, which will require some data on anticipated revenues and values for the property, and the second category of assumptions is the expenses or costs that go along with the project. Staunton said that the application has identified a list of those expenses but the Applicant still needs to provide source documentation to support those figures. Staunton said that these items also need to be analyzed by Springsted before they are submitted to the Council. Staunton said, for tonight, we are working with a round number of $3 million dollars for the gap between the cost of the project and the available revenues. Staunton said that the City has estimated $1.5 million dollars worth of improvements that fall into core improvements, stormwater management improvements, and streetscape improvements. He said that those are improvements that are designed to satisfy the condition of Council

2. EXCELSIOR HOTEL – *Continued*

approval within a scope that will meet the rules of the Planned Unit Development (PUD).

Mikaela Huot, Vice President/Consultant, Springsted, addressed the Council and said the general purpose of the discussion tonight is to talk about Tax Increment Financing (TIF) and what it is, why it's used, financing options that the City has, ways to reduce City risk, but-for needs analysis, a general status of the TIF district, and where we are today from when the district was approved.

Ms. Huot provided a PowerPoint presentation for the Council:

What is Tax Increment Financing (TIF)?
- Financing tool used by cities for infrastructure and other improvements
- A method of capturing tax base growth resulting from new development
- Captures new local taxes (increment) to pay for public improvements related to development
- Fixed term for capture, then new development added to tax base

Ms. Huot said the chart in the PowerPoint gives an illustration of how TIF works. She said that, from 2006 to 2011, the value had declined due to the blight of the property. She said the value of the property in 2011 is the existing tax base which will continue throughout the life of the TIF district. The increased value in value from development and redevelopment is the tax increment. Ms. Huot said the increment is captured and redirected to pay for the project costs. At the end of a maximum of 25 years, after receipt of first increment, Ms. Huot said the dark area on the chart shows the new tax base.

Tax Increment Financing (TIF)
- Cities Use TIF to:
  - Stimulate development where it would otherwise not occur **("but for" test)**
  - Encourage development of uses that would otherwise not occur, such as low income housing
  - Enhance tax base
  - Facilitate infrastructure improvements
  - Coordinate new developments with existing City plans and objectives

Common Methods for Financing Costs
- G.O. Bonds (General Obligation Bonds)
  - City finances portion of project costs upfront and collects annual increments to pay debt service
- Up-Front Financing
- Pay-as-you-go Notes
  - Project financed upfront by developer
  - Developer is reimbursed over time
- Revenue Bonds
  - For seasoned development with a "coverage" factor and/or guaranteed

Ms. Huot explainted that revenue bonds were not used for a period of time.

2. EXCELSIOR HOTEL – *Continued*

Caron asked why these were not used for a period of time. Ms. Huot said for a period of time there was no market when the economy stalled. She said now that development is coming back, there is more interest in that type of financing, so there is more of a market for it again. Caron asked if Ms. Huot was referring to 2008; Ms. Huot said yes.

Public Purpose Benefits (Policy)

- Increased private investment (consequently market value) through:
  - Increased employment, new jobs and higher wages for the community
  - Added housing units (Affordable or Market Rate)
  - Attraction of visitors who contribute to the local economy
  - Increased sales volume resulting from additional development and visitors
  - Elimination of negative or blighting influences effecting surrounding property (Blight Curve)
  - Maximize land use
  - Addition of infrastructure (public improvements)

Determine role of City to encourage economic development?

- Simply grant the permit and zoning allowance
  - Lowest risk
- Reimburse the project as benefits are completed
  - Low risk
- Be the lender
  - Medium risk (issuing internal financing; taking loan from another City fund and financing a portion of costs up front and using a revenue stream to reimburse the City)
- Be the borrower (City would go to market and issue TIF bonds)
  - Higher risk
- Be the developer (City takes on project and financing; i.e., St. Paul decided to construct downtown and the City is the developer)
  - Highest risk
- It helps to understand real estate development when determining role

Ms. Huot stated that there are things to consider as we move forward – one is what the projected revenues would be and the other side is to consider what role the City would want to be involved in with public and private improvements and the impact the project would have on the overall financing. Ms. Huot said the gap of $3 million dollars has some options. She asked whether the City would want to be involved in financing the project, if the financing cannot be filled.

Ms. Huot said, in thinking about the role of the City and spectrum of risk and reward, a higher level of participation gives a higher reward. She said the City might choose to take a more active role in the financing costs. Ms. Huot said if the City is taking on a higher level of risk, there are ways to reduce the risk.

2. EXCELSIOR HOTEL – *Continued*

Ways to Reduce City's Risk with Participation

- Value guarantee: developer agrees to certain value of development prior to commencing
- Shortfall payment: increment collected is less than debt service, developer pays difference
- Phased development: installation of improvements and financing of costs
- Minimum coverage requirements, indicated with revenue bonds as a provision of security; any security provisions might impact City bond issuance and the availability of revenues to cover those obligations.

Ms. Huot said, when looking at TIF, the but-for test must be done, also referred to as a needs analysis. The purpose of the but-for test is to determine if the development could occur or not, without public assistance.

- But-for / Needs Analysis
- Development would not occur 'but-for' the use of tax increment financing
- Determine the need for and amount of public assistance
- Financing of public improvements that could not be supported by developer alone without assistance
- Financing of private, TIF-eligible improvements
- But-for / Needs Analysis
- How do we make the "but-for" determination? Several methods can be used:
    - Public improvements would not occur without tax increment revenues – the developer has indicated, based on the performance and feasibility of the project, the $1.5 million dollars of public improvements could not be supported without TIF assistance.
    - Review pro forma of development with and without assistance to determine potential return to Developer – the way we look at that is:
        - Level of return without assistance
        - If project is not feasible without assistance; it's unlikely to occur
        - Use the level of return with assistance as a measure of the amount of subsidy needed

As a reminder of the TIF Plan and TIF District -

- TIF District was established and certified in 2013
- TIF Plan and District:
    - Provides City with authority to use tax increment to assist with financing of public improvements
    - Does not obligate City to use tax increment or provide tax increment assistance
    - Does not obligate City to issue bonds – simply provides the authority to have the discussion we are having tonight.

- TIF Plan as Approved
- Projections based on known assumptions
    - Subject to change as new information becomes available
    - Estimated project costs include on-site and off-site improvements
        - Total budget of $3,426,257

2. EXCELSIOR HOTEL – *Continued*

    - Public Utilities, Site Improvements/Preparation Costs and other Eligible Improvements of $1,579,063
    - Estimated interest costs of $1,504,567
    - Estimated administrative costs of $342,627
  - Subject to change as new information becomes available
  - Estimated revenues – must match expenses
    - Tax increment of $3,426,257

- Financing structure could be upfront or as reimbursement
  - Initial assumptions as reimbursement (PayGO)
  - Subject to feasibility and need

- Summary: Next Steps
- Determine project budget
  - Sources and uses of funds
  - Estimated public and private improvements
  - Estimated taxable market value and tax increment revenues

- Related to that is to review developer financial information
  - Verify and determine estimated gap
  - City need for public participation

Beattie asked if there is a standard for determining the need for public participation and if that a legal or a financial standard.

Mary Ippel, Public Finance Lawyer, Briggs & Morgan, addressed the Council and said the City is required to adopt the but-for test. She said the financial advisor's role is to determine how much financial assistance is necessary to proceed. Ms. Ippel said the next layer is to determine how much public assistance is necessary.

Ms. Huot said the initial but-for test was the basis for the approval of the plan, based on the information available at that time. Mayor Gaylord asked how that was determined and how it's quantified. Ms. Huot said it is hard to quantify because there is no exact right answer. She said when they look at a project from their standpoint, there are several ways it can be met. She said it's a redevelopment project which generally makes the but-for test easier to understand. She said the development has a defined project budget to move forward, which includes everything related to the cost of the project. If the City is adding additional costs, it could be understood that those are costs the property owner could not bear on their own without public assistance. She said that would be filled with TIF. Ms. Huot said when the district was approved, it was understood there were costs related to this project, but it wasn't determined how much would need to be filled with TIF and how much the project could support on its own.

Ms. Ippel said the resolution would establish how much financial assistance is needed when it was adopted. She said that Springsted will run an analysis of greater return for the developer and that the developer's agreement meets the but-for test and what is financially reasonable and necessary for the project.

2. EXCELSIOR HOTEL – *Continued*

Miller said that when this project was first approved, the cost was approximately $11 million dollars or so and the developer said that he could provide $1 million dollars, but now the cost is almost doubled to $21 million dollars, with a gap of $3 million dollars. Miller asked how that effected Springsted's analysis. Ms. Huot said they have not received the information needed to do the analysis, but that Springsted will look at the total construction budget and how the costs increased.

Ms. Huot said that what they look at to determine the need for assistance is the operating performance, the sources of funding, how much debt and equity they can attract for the project, and if they can attract enough equity, or whether or not they generate a return on the investment. Using a 10-year period, she said they would be able to determine the cash flow of the project. Ms. Huot said they use all of this information to determine if the gap they presented is reasonable and if the additional $1.5 million dollar gap is feasible and supported, based on the performance of the project. Ms. Huot said there is a limitation on how much debt financing they can get on a project. She said the rest would have to be filled in with investor equity and that the developer could take the City's pay-as-you-go note to an investor and get additional equity up front.

Miller asked if Springsted will need the County Assessor's value before the analysis can be done. Ms. Huot said part of what they need to know is an understanding of what the Assessor will place as the market value of the property. Miller asked if the valuation of land is considerably lower, whether this is also something they look at. Ms. Huot said, from a value standpoint, when this district was created, the value included the existing land and building value before it was demolished. If the value goes below that, she said it will negatively impact the incremental value. She said that Springsted has to look at the total of the existing value and what they're creating for new value. Ms. Huot said it is based on the initial assessed value, which was $1.65 million dollars before the building was demolished. Caron asked what year that was determined; Tumberg said it was 2010.

Beattie asked if Springsted looks at the proposed capital structure that the applicant is using to determine if their numbers are reasonable. Beattie asked if Springsted determines if the $3 million dollars the Applicant listed for the land value is correct. Ms. Huot said that is something they will review. Ms. Huot said that Springsted looks at the individual line items to see what type of categories they have and what's driving the gap they're indicating. Beattie asked if the applicant has to show that they have financing for this. Ms. Huot said that is one piece that hasn't been discussed. She said, when the City is agreeing to participate, then the developer must provide a letter of commitment and also a letter of financing. Mayor Gaylord asked if the developer has that letter of intent.

Charlie James, Developer, 10 Water Street, addressed the Council and said that he has a letter of intent from a while ago, but it is not current.

2. EXCELSIOR HOTEL – *Continued*

Mayor Gaylord said it seems unusual that the developer would ask for TIF financing but the capital sources are not secure nor established. Ms. Huot said that often times they will see that financing is subject to the receipt of TIF and, if we're basing assumptions, she said those are things that have to be vetted out to determine if they have the financing. Ms. Huot said it is all part of the analysis Springsted will have to do and work with the developer.

Carl Kaeding, Operator, Kaeding Management Group, addressed the Council and said that they generally know what the marketing conditions are. He said they know what it takes to place debt on a project and what the market needs to see, which is speaking more to the debt market. He said the equity market is how well you can sell it to investors.

Mr. James said that they have run an analysis based on hotels that Mr. Kaeding has financed. Mr. James said he needed to find out if this will get through the Planning Commission and City Council. He also said that part of the financing is knowing if TIF will be available and how much. Mr. James said that Mr. Kaeding has used numbers based on the rate of interst on his most recent deal, along with amortization, to come up with how much debt service they are going to need to pay. Mr. James said it's a simple matter of leverage. Mr. Kaeding said they need to push that number up for land value because they want to gain as much debt as possible and use as little equity as possible.

Beattie asked if the developer needs the City to bond in order to get their leverage. Staunton said that's exactly where the Council needs to focus.

Jay Lindgren, Attorney, Dorsey & Whitney, addressed the Council and asked if, conceptually, there is a $3 million dollar issue and they go through the process that Ms. Huot has layed out, then how do they solve it. He said if the only source of funds to solve the $3 million dollar gap is the pay-as-you-go, there would potentially only be $2.3 million dollars available to solve the $3 million dollar problem. However, Mr. Lindgren said not only does a pay-go note not solve the problem, it is short by several hundred thousand dollars. Ms. Huot said, to clarify, it's $3 million dollars before any interest repayment, so it is actually $3 million dollars plus interest, which would be approximately $3.5 to $4 million dollars after 26 years.

Mr. Lindgren said that TIF projection is based on a valuation of $8.5 million dollars and a working assumption that this is the realistic value. Ms. Ippel said it also includes a three percent annual inflation factor over the 26 years. Mr. Lindgren said if there is an $8.5 million dollar valuation and the three percent increase is assumed in valuation over the life of the district, that still generates insufficient TIF to meet the required public improvements. He said, assuming all those assumptions are correct, it's not sufficient to solve the gap. Mr. Lindgren said one way to get to $3 million dollars is to have a TIF note that is structured the way the first one does, that pays for the $1.5 million dollars worth of private improvements and then have the City bond, which he said would need to be a general obligation bond, intended to be paid for by the TIF proceeds. Mr. Lindgren continued and said that one way to

2. EXCELSIOR HOTEL – *Continued*

get to $3 million dollars is for there to be an interest savings by the City issuing a TIF bond. Mr. Lindgren asked what level of risk the City would be comfortable with. He said the City would be issuing general obligation bonds, intended to be paid for by the TIF. He said, if all the assumptions would be correct, and the three percent increase was correct, the increment received would be sufficient and the City wouldn’t have to levy to pay back the bond. Mr. Lindgren also said that the development note would be paid first out of the available increment. He said the reason for that is because the market will respond positively to the City’s general obligation bond, which assures the bond will be paid back. Mr. Lindgren said if we were all ready to solve the problem today, that’s the kind of place we may have to go to, once all this analysis is done.

Ms. Ippel said that what is being proposed is that the $1.5 million dollar TIF note would be paid first because it makes the private development TIF note marketable.

Caron asked if this assumption is over the 26 years. Ms. Ippel said the TIF note would get paid first, the general obligation bond second, and the security is the tax increment, so we cannot have a guarantee of TIF shortfall. She said an assessment agreement signed by the Assessor. Ms. Ippel said if the TIF is not sufficient, the City will have to levy for the portion that cannot be paid from the TIF. She said thre are many reasons taxes may not be as anticipated; the market may not be increasing, or the property tax law changed, as in 2001, it could be anything that comprises the taxes. Mr. Lindgren said if it were ten percent inflation, both notes would be paid off faster.

Beattie asked what the developer’s response would be if the City said they are not doing the general obligation bonds but do the pay-go note. Mr. Lindgren said, going back to their assumptions, they would have a project that is short in the range of approximately $700,000 and they wouldn’t be able to do it. He said they wouldn’t have a solution.

Ms. Ippel said the numbers only work in this scenario if the note is tax exempt.

Miller asked why the developer wouldn’t be interested in pay-go if the general obligation bond is obviously risky for the City. Mr. Lindgren said that there are other subsets of this and they don’t know what the numbers will generate. Mr. Lindgren said that they know now that if this is done on a tax exempt basis for the $1.5 million dollars, that it will get them to a total of $3 million dollars. He said this would be done through the general obligation bond because the pay-go doesn’t achieve as much money.

Mr. Lindgren said for the developer to sell this note in the marketplace, the market will ask for security devices, and that drives down the revenue, also.

Beattie said the other policy decision the City has to make is how much to finance and questioned how many improvements the City wants to have. He said if we keep the improvements discreet to the project, that will effect this, also. Beattie said that instead of $3 million dollars, it could be $1 million dollars. He asked how this would

2. EXCELSIOR HOTEL – *Continued*

effect the project. Mr. James said he thought the interest on the note would not be tax exempt. Mr. Lindgren said it's not an issue to worry about and that it would be between Mr. James and his investment banker.

Ms. Ippel said, based on the current projection of TIF and the current numbers, they wouldn't be able to do a pay-as-you go basis, solely.

Miller asked if $1.5 million dollars is pay-go and the other $1.5 million dollars is general obligation bonds, what covers the other $18 million dollars. Mr. Kaeding said that the first mortgate is 65 percent of loan value and the rest would have to be in cash and equity. Miller asked what the rate would be. Mr. Kaeding said construction notes are 4.9 to 5 percent on the first mortgage and that equity and cash are an at-risk investment. He said they will borrow and invest money.

Beattie asked about the capital structure of $14 million dollars in cost of construction, $7 million dollars in land and public improvements, and $800,000 for the developer. Mr. Kaeding said they were discussing today that they will need to bring more debt to the project.

Mr. Kaeding said that this project would be different if it were built on the corner of two interstates, but this one has a unique story with it, so it won't gather as much interest on the institutional market. He said it will be somewhere between $14 to $14.5 million dollars in debt equity.

Beattie asked if Springsted will provide debt scenarios for the City. Ms. Huot said the next steps are: if there is any interest in pay-go, then vetting the $3 million dollars, and ultimately getting to a feasibility of $3 million dollars, and how we can close the gap within a risk realm the City would want to be within.

Miller said that he is not interested in a general obligation bond. Mr. James said that's not what they're asking for. He said they had assumptions about costs and, early on, they talked about doubling down their debts. Mr. James said it needs to be an iconic structure and a destination for people to come here. He said that, originally, the $8 million dollars was just the cost of construction. Mr. James said now the City is asking them to make $1.5 million dollars in improvements and that they are now at the point where they know the building will cost more and he doesn't want to build a cheaper structure. Mr. James said that what he's trying to figure out is if this will work because it has to be quality architecture. He said if we split this and we do TIF and there's a true but-for test and we had one TIF note for $1.5 million dollars, then if the City did the waterfront improvements on their note, it would be a general obligation anyway.

Mr. Kaeding said the answer is that they're not asking the City to approve a general obligation bond for the hotel, but that they're asking for the City to approve TIF for the hotel. Miller said the story has changed from when it started and that there was no TIF needed. Miller said if we didn't have TIF, the City wouldn't do those improvements because a City of this size wouldn't be able to do it without financial assistance. He said the City can't raise the levy by 30 percent if the hotel fails and

2. EXCELSIOR HOTEL – *Continued*

that's why the City's policy is pay-as-you-go only. Beattie said that's correct and also said that the narrative has shifted since this started. He agreed with Miller that it would be a pay-go deal. Beattie said that, without doing a detailed survey of everyone to get everyone on board, he doesn't see how we could eliminate 26 years of risk to the City. Unless there's a way to convince the City of that, Beattie said that Miller's statement is correct. Beattie said that Mr. James stated that he was going to fund the project all by himself and that was the basis upon which, in a very controversial vote and very contested split within the community, the City marched ahead and embraced it. Beattie said he doesn't know if the City is prepared to take on that risk. Caron agreed wth Miller and Beattie and added that, with regard to the public improvements, should the City elect to issue bonds to make those priorities, that there are other priorities on the Council's list. Caron said that 26 years is a risky proposal for the City. She said this is not something she could support. She said she cannot support the non pay-go. Beattie said it's also the level of support, how much the City would need to support, and not just the method. Mayor Gaylord said we could wait for the financial analysis. Beattie said that's why he asked Ms. Huot for a scenario with different levels.

Mr. James said that what he was trying to say is that their proposal is for $1.5 million dollars pay-as-you-go and that what Miller said is true. Mr. James also said that, when he got into this project, he didn't know what the pay-as-you-go option meant. Mr. Lindgren said that Mr. James didn't hire him to work on the pay-go option, but that Mr. James hired him to explain the pay-go process to him.

Staunton said the policy question for the Council is: a) is the Council willing to have any risk for any portion of the project; and b) if there is some TIF necessary, even pay-go, to complete the private portion of the project, is the Council willing to consider it?

Miller said he thinks the council supported Mr. James and the project up to this point because it's an historical use, but finances can often bring down a project. At some point, Miller said that Mr. James will need to provide a pro forma so the costs and debt service is known. Miller said that, even as a pay-go for $1.5 million dollars, he still has a problem with a project that has now doubled in cost. Miller asked if the same revenue stream will support that cost and said that he doesn't want to be part of a project that fails in general. Miller said that pro forma and analysis is very important. Miller said the other thing is that one of the conditions of approval was to do public improvements and that's why the City approved the PUD. Miller said he is not receptive to the notion of approving this without any public improvements. Miller said he is not interested in the general obligation bond risk and not interested in a project that doesn't provide the benefits that were set up in the PUD.

Beattie asked if the pay-go note has stops for the City, in terms of liability, or if it is in effect an obligation for the period of time. Ms. Ippel said if the development is at fault, if the developer fails to pay the taxes, or even if the project goes bust, the City is not liable. She said if the developer is bankrupt, he's probably not paying the taxes. Mr. Lindgren said the bottom line is the City wouldn't have to pay anything. Mr. Lindgren said if they fail to construct or pay taxes, those are all in default, and it

2. EXCELSIOR HOTEL – *Continued*

would terminate the obligation. Beattie asked if it's a private contract; Ms. Ippel said yes.

Beattie said that about a year and a half ago, the City heard from Hennepin County and the Assessor that this would bring in about $4 million dollars in value and now it's at $8.5 million dollars. Beattie asked if they've had any discussions with the Assessors. Mr. Kaeding said the $8.5 million dollars comes from the shift of what they're using to set the valuation of the property. He said in the first two or three years they have to use a construction cost basis, which he said is give or take $12 million dollars. Mr. Kaeding said the Assessors can't necessarily answer what the value may be, so it has to be determined by construction costs.

Mayor Gaylord stated that the Council is consistent on their thinking that the pay-go policy was set up and it makes sense and that the Council doesn't want any risk much beyond that, especially since we don't have the numbers yet. Mayor Gaylord said we made a promise to the residents to build a hotel and port improvements and if we back off from that, we're not keeping a promise to the community. Beattie asked Mayor Gaylord if his assumption is that the development is paying for the improvements, not the City; Mayor Gaylord said yes.

Mayor Gaylord excused himself from the meeting. The Special Work Session continued with Miller as Acting Mayor.

Mr. Lindgren said by the developer taking on the TIF note, the developer is taking on a role for public improvements that would otherwise be covered by general obligation. He said the $1.5 and $1.5 million dollars are not equal. He said where he's going with this is that this has the potential to be done through a TIF note, but probably not a TIF note that would satisfy the full $1.5 million dollars of public improvements. He said if it continues to be a full $1.5 million dollar obligation, then they just wouldn't have a project that's viable or that they all want.

Miller said the Council will listen to options and that the City does want to do improvements. Miller said it may not be $1.5 million dollars but that maybe the developer can work out an "x" amount and we work through the numbers in the pro forma and work out some details. Miller said the conversation of value from $4 million dollars to $8.5 million dollars is a big piece of the puzzle.

Neil Weber, Architect, Weber Architects & Planners, addressed the Council and said that he has talked with the Assessor and said he's not sure if the Assessor understood what the project was. Mr. Weber said he called to set up a time to talk with him about it but that the assessor is unavailable until February 1st. Luger said she had talked with the Assessor. She said Hennepin County is switching over to electronic data and they have a date to get all of their files into the system by February 1st.

Staunton said there needs to be some certainty of the proposed assessed value.

2. <u>EXCELSIOR HOTEL</u> – *Continued*

Beattie said he is concerned about what Mr. Kaeding said about the marketability of the bonds. He said that doesn't give him much comfort about the long-term viability of the project. Beattie said we need to find a way to thin down the scope of the project, from the public perspective, and we need to do this as a pay-go rather than a bond. Beattie said he agrees with Mr. Lindgren's analysis that the City could bond for the public improvements but that wouldn't happen. Beattie said the City would find ways to support it in another way that wouldn't encumber or burden the City for a long period of time.

Mr. Lindgren said he would hope that as we go through the options, that we ought to have each scenario in front of us, so the City could see that there is a way to do the general obligation bonds. Beattie said we need to look at a full range of scenarios. Caron said a part of that is to also look at cutting down the project itself to make it work for all involved. Caron stated that, as Mayor Gaylord said, the City made a promise to the community as to what this project will look like. She said the community is very vocal about the progress of this project.

Fulkerson said that she is new to TIF but it sounds like we don't have the numbers to make any type of decision. She said that the residents and business owners that she has talked to are anxious to get the project costs down. She thinks something can get done if we get the right numbers in front of us and analyze it.

Miller asked if there is anything else that needs to be discussed or if there are any other comments.

Staunton said that confidentiality agreements need to be executed. Staunton asked Mr. James if the schedule is workable for them; Mr. James said yes. Staunton said the scheduling of a Work Session for March 4, 2015 can be put on the Council's consent agenda for approval.

Miller asked what the application deadline is now. Staunton said March 1st or 2nd and that it could be extended to April 1st or some period of time.

The Council agreed to schedule a Work Session for March 4, 2015. Staunton said there will be another Work Session with more hard data and scenarios to discuss. Beattie asked if all of the financial analyses will be done by then; Staunton said yes.

Mr. Lindgren asked, as a part of that assumption, if there may be other tax benefits. He said this should be a part of that conversation. Miller said the City is currently pursuing a lodging tax, food and beverage tax, legacy funding, and other options. Miller said the Council is here to listen and there are currently a different set of assumptions. Miller suggested that the developer use their creativity to find other ways to make this work without a general obligation bond and that risk. He said the other message is that the City is willing to compromise off of the $1.5 million dollars of public improvements but is not willing to go down to zero.

Mr. Lindgren said that they know today, based on the assumptions discussed, that something in the range of $2.3 million dollars is available on a pay-go basis. He said

2. EXCELSIOR HOTEL – *Continued*

there is a cash flow stream and, if that stream needs to provide $1.5 million dollars to the developer, that stream could also provide $800,000 in public improvement dollars through the TIF pay-go note. Miller said that staff will look at that to see if it covers all of the public improvements. Ms. Ippel asked if the developer pays and the City reimburses the developer; Mr. Lindgren said yes. Beattie said the scenarios will help the City figure out what it will look like.

Miller thanked everyone for the discussion.

3. ADJOURNMENT

Beattie moved, Caron seconded, to adjourn at 7:14 p.m. Motion carried 4/0.

Respectfully submitted,

Shirley Johnson
City Clerk