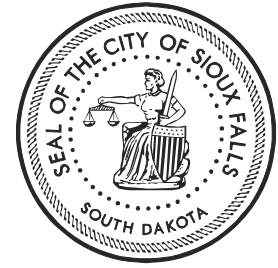


MINUTES

Monday, July 27, 2009



Fiscal Committee

4:25 p.m.
Carnegie Town Hall
235 W.10th Street

Members Present: Committee Chair Gerald Beninga, Vernon Brown

Members Absent: J. Pat Costello

Staff Present: Debra A. Owen, City Clerk; Jamie Palmer, Assistant City Clerk

Guests: Eugene Rowenhorst, Director of Finance; Bob O'Connell, Sioux Falls Chamber; Michelle Erpenbach, Citizen; Sue Aguilar, Citizen; Kermit Staggers, Greg Jamison, and Bob Litz, City Council Members; Steve Van Buskirk, Van Buskirk Company; Slater Barr, Sioux Falls Development Foundation; Todd Anawski, Sioux Falls Home Builder's Association; Clayton Jamison, Site 2; Jerry & Jeanne Gerken, Citizens; Mark Weber, Citizen; Todd Vik, Sioux Falls School District; Gail Eiesland, Assistant City Attorney; Eli Whitney, Kyle Helseth, and Ken McFarland, Minnehaha County; Mike Cooper, Planning & Building Services; and Jonathan Ellis, Argus Leader.

1. Call To Order

Beninga called the meeting to order at 4:25 p.m.

2. Approval of Minutes

A motion was made by Brown and seconded by Beninga to approve the minutes from Monday, July 6, 2009. Beninga called for a voice vote on the motion and all members voted yes. **Motion Passed.**

3. Reports and Updates

A. Discretionary Formula Discussion

- Proposed resolution by Todd Anawski, Home Builders Association; Steve Van Buskirk, Van Buskirk Company; and Clayton Jamison, Site 2

Beninga invited the presenters to come forward to start the discussion. Clayton Jamison (here after Jamison) began by saying that the construction industry is experiencing some very difficult times. The discretionary formula idea evolved from the Community Forum meetings that were held to discuss ways to improve/stimulate the economy for the City of Sioux Falls. Jamison said that they found in their research, that single family houses are excluded from the discretionary formula process. Most of the communities surrounding Sioux Falls use a discretionary formula.

Van Buskirk stated that they also found that there are approximately 84-86 communities currently using the discretionary formula as an economic

development tool. He stated that his company has some personal experience with this because they used it when they built apartment buildings in Mitchell and Watertown.

Van Buskirk stated that they met with the business/finance managers for Sioux Falls, Tea, Brandon and West Central school districts. Harrisburg was also invited but unable to attend. They discussed the how/if this formula would impact their budgeting process. From that meeting, they found that the general formula for the school districts funding through the state, is derived from a population headcount. He stated that they also met with the County Auditor's and the Assessor's from both Lincoln and Minnehaha Counties. Their formula is a lot more complicated because the real estate taxes account for a large portion of their budget. The overall impression they received is that the School Districts and the Counties are neutral to this process.

Jamison stated that the formula would only be a slight, short term improvement option. New projects would not generate much tax with this proposal in place but he feels that there aren't very many new projects to generate taxes right now anyway.

Van Buskirk stated that their original proposal for this formula was a three year time-frame but after meeting with the Home Builder's Association and the Development Foundation, Chamber of Commerce, as well as, discussion with others, they feel that a shorter timeframe of two years is sufficient.

Discussion was held about how this would affect the market long term. This program might entice someone to build but Van Buskirk doubts that the sole decision to build would be based on the tax break incentive.

Beninga invited the City to offer their opinion on this topic. Cooper stated that there have been ordinances in place for years regarding property tax reduction within the downtown area and certain types of industrial land uses. He said that the City has used this option very conservatively. The market has been strong enough that there hasn't been a need to incentivize retail and multi-housing projects.

Beninga asked what percentage of the total cost of a new project is actually property tax. Van Buskirk stated that his largest expense is mortgage and interest and the second largest is real estate taxes. He doesn't have exact percentages at this time, but stated that taxes amount to approximately \$1.00 to \$1.50 per square foot for commercial.

Beninga asked the County to speak to this topic. McFarland stated that it is premature to state that the County is neutral on this issue because the County Commission has not been briefed on this issue. A meeting will be held tomorrow. He said that it is true that the county collects taxes based upon the value of the property. During the years that a property receives tax breaks, the difference paid

and what should be paid is spread among existing tax payers. Brown said, “In other words, property owners would subsidize this tax break.” McFarland said, “Basically.”

Vik stated that a meeting was held about one month ago to informally discuss how this program would affect the school districts. Vik stated that it would not have any effect on the district’s General Fund because the amount would be spread among existing tax payers. It would affect their Pension and Capital Outlay because there would be less of a base to levy on. The School board hasn’t discussed this issue and hasn’t taken any official action.

Beninga asked if the County would make a decision at their meeting tomorrow. Brown asked if the County traditionally takes formal action on topics like this. McFarland stated that there is no need for the County to take action because it is a city decision.

Discussion followed regarding a timeline or start date for this program. Beninga replied that it is only in the discussion stages right now. Brown asked if communities are doing this program on a permanent basis or a temporary basis. Van Buskirk stated that they reviewed many cases and found that it varied. Brandon has been using this incentive since 1993.

Vik stated that he would be available to meet with Anawski, Jamison, and Van Buskirk so that they could provide more information.

Cooper stated that this issue was recently discussed with the Chamber Taxation committee. The consensus was that there isn’t enough quantifiable data to be able to understand the impact that this program may or may not have. A strategic planning process would offer a better idea of what to incentivize.

Beninga asked Cooper for the current occupancy rate of multi housing. He stated that he didn’t have those numbers but did share that the City has issued over 300 permits for new apartments this year and they anticipate receiving another 250 requests in the next few months. Cooper said that there is a lot of construction occurring in the multi-family housing market right now without any incentives being offered.

Brown asked if there has been any discussion about the number of jobs that have been lost due to the fact that construction is down by 50%. Clayton Jamison responded that the numbers are skewed because the unemployment numbers not being specific enough. He shared that there have been a great number of layoffs in his company alone, and the decrease in overtime is the bigger issue for many families.

Mark Weber stated that the Multi-Housing Association is currently conducting their vacancy rate survey now. It is his opinion that Sioux Falls is currently experiencing a high migration and vacancy rate.

Beninga stated that he will wait to hear comments from the School District and the County after they have been briefed on this topic.

- Follow-up information (from June 1st Fiscal Committee meeting) by Bob O'Connell, Sioux Falls Chamber of Commerce; and Slater Barr, Development Foundation

O'Connell and Barr came forward to share information they have compiled regarding the discretionary formula since the meeting on June 1. Barr stated that there have been a lot of meetings and a lot of discussion because it is a very complicated issue. Everyone has the same goal of stimulating the economy but there are many questions yet to be answered. One option is the possibility of sending this idea through a strategic planning process. O'Connell stated that their recommendation would be to cap this program at two years.

Beninga asked about the timeline for the strategic planning process. Barr stated that they will be meeting with a consultant at the end of August to discuss details and stated that the strategic planning process would take about six months. They plan to review all tax incentives and discuss the best options.

Cooper stated that will schedule are scheduling a more detailed briefing for the Council regarding the strategic plan toward the end of August. Cooper will contact the City Clerk's office when an official date has been decided to bring the information forward.

Beninga thanked everyone for their time and input but restated that they will wait to hear from the County and the School Board before making any decision.

Discussion followed regarding the estimated impact this would have on the average tax payer. Whitney stated that there are too many unknowns. Beninga requested historical data for valuation numbers from the County. Whitney suggested that City of Brandon be consulted since they have used this program since 1993.

4. Open Discussion

There was none.

5. Adjournment

A motion was made by Brown and seconded by Beninga to adjourn the meeting at 5:26 p.m. Beninga called for a voice vote on the motion and all members voted yes. **Motion passed.**

Jamie L. Palmer
Assistant City Clerk