

**WORTHINGTON CITY COUNCIL
SPECIAL MEETING, JUNE 19, 2007**

The meeting was called to order at 4:00 p.m. in City Hall Council Chambers by Mayor Alan E. Oberloh with the following members present: Lyle Ten Haken, Mike Woll, Ron Wood, Mike Kuhle, Bob Petrich.

Staff present: Joseph Parker, City Administrator; Brad Chapulis, Director of Community/Ec. Development; Janice Oberloh, City Clerk

Others present: Darrell Stitt, KWOA

ECONOMIC DEVELOPMENT - YOUR WAY TRANSPORTATION

Brad Chapulis, Community/Ec. Development Director, reported that earlier this year Cliff Shreiner, owner of M & M Warehouse and Your Way Transportation, expressed concerns about the JOBZ program meeting his expectations. Mr. Chapulis added that Aldermen Ten Haken and Kuhle had recently visited with Mr. Shreiner, and based on their conversation with them, Alderman Ten Haken had inquired whether there was a possibility of providing tax abatement on the real estate portion of taxes that are still being collected on the property. M & M Warehouse owns lots 24 through 37 in the industrial park. Lots 24 through 30 are currently occupied by the business and the remaining lots are vacant. When the project was on the drawing table an agreement was established for water retention purposes which leaves the City responsible for construction and maintenance of the pond for developments that would occur on lots 34 through 37. The size of the pond would be determined by impervious surface in the development. Mr. Chapulis explained that lots 24 through 33 are covered by the City's retention pond in the industrial park. Consensus was the Mr. Shreiner does not understand this and is under the misconception that Phase 2 of his development will trigger the installation of a pond. Mr. Chapulis noted he will check with the City Engineer on whether NPDS would require installation of a retention pond with the phase 2 addition.

Mayor Oberloh noted that Mr. Shreiner's primary complaint is that the JOBZ was represented as tax free, and that he was told he would not have to pay taxes on the vacant lots. Mr. Shreiner maintains that when he inquired about it to Mr. Chapulis, Mr. Chapulis response was that Mr. Shreiner didn't have to pay taxes on it anyway so don't worry. Mr. Chapulis said he what he told Mr. Shreiner was there is a process on the back of the card he received and he would need to contact the County to deal with that.

Mr. Chapulis went on to explain that under JOBZ, the abatement is on the improvement, the land has always been taxed and includes bonded indebtedness. The amount Mr. Shreiner must pay is approximately 28 percent of the tax bill he would have otherwise had, which means his benefit is approximately 72 percent. The portion of taxes in question now are the amounts the City and the County are getting from the real estate. The question is, can the local units of government abate that amount? Mr. Chapulis said yes, the Council/County/ISD 518 has the ability to abate the portion of the taxes they have control of. State Statute would allow the abatement for up to ten years, and it could be done in a variety of ways. Discussion ensued on the options available. Alderman Ten Haken stated that Mr. Shreiner told him had he known then what he knows now he would never have purchased the extra lots; the City would still own

them and have control over them and therefore would not be collecting any taxes on them. Alderman Ten Haken suggested that perhaps another choice would be to take the lots back and reduce the amount of Mr. Shreiner's loan that he owes the City, based on those lots, as it is a forgivable loan over a period of twenty years. We wouldn't give him anything back, just reduce the amount of his loan. Mr. Chapulis noted that the loan agreement required Mr. Shreiner to complete a 1031 form, and we need to be careful not to create problems with his tax return. Mayor Oberloh suggested that we require Mr. Shreiner have a tax attorney present for any transaction of the property.

Aldermen Wood and Woll agreed they would prefer to get the land back. Mr. Chapulis suggested it could be a clear exchange at the original purchase price (\$.55/square foot) and reduce his promissory note by that amount. He will verify the amount of debt, amount paid thus far and the square footage of property in question. Alderman Kuhle said it is important to get Mr. Shreiner back on good terms. Alderman Wood stated he felt this is a true bailout of someone who did not do due diligence. Alderman Ten Haken disagreed if, indeed, someone at the City said something that was untrue. Mayor Oberloh agreed with Alderman Wood noting the project had been delayed many times because Mr. Shreiner refused to get assistance, including with DEED. Alderman Woll noted these are complicated programs and you really need to have someone sharp.

Alderman Ten Haken suggested the City take the property back, based on Mr. Shreiner's statement, and take that amount off his loan. That way the promissory note goes down and he doesn't pay any taxes on the property after the current year. If we went with abatement, all three entities would need to vote to do so.

The motion was made by Alderman Wood, seconded by Alderman Woll and unanimously carried that the City acquire lots 31 through 37 at the stated value of \$.55/square foot less the forgiven amount, and that amount be taken off the existing promissory note to the City.

ADJOURNMENT

The motion was made by Alderman Woll, seconded by Alderman Ten Haken and unanimously carried to adjourn the meeting at 4:54 p.m.

Janice Oberloh
City Clerk