City Council
Tax Increment Financing (TIF) Public Hearing
July 27, 2004

A Public Hearing on Tax Increment Financing (TIF) was held on July 27, 2004 at 6:30 p.m. in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

PRESENT: Alderman Reynolds, Thiel, Cook, Marr, Lucas, Jordan, Mayor Coody, City Attorney Kit Williams, City Clerk Sondra Smith, Staff, Press, and Audience.

Absent: Alderman Rhoads

Public Hearing on Redevelopment District (TIF): A Public Hearing to allow all members of the public and representatives of taxing entities to present their views on the possible creation of a Redevelopment District around the Mountain Inn on the Fayetteville Square with possible Tax Incremental Financing (TIF).

Mayor Coody: I would like to welcome everyone to a public hearing concerning a Tax Increment Financing district that's been in the news a lot here lately. And I'd like to read a state statute that basically is for the creation of a district. It reads, "The local governing body shall hold a public hearing at which interested parties are afforded a reasonable opportunity to express their views on the proposed creation of a redevelopment district and its proposed boundaries." So that's what we're here to do tonight. We want everyone who has an opinion that would like to express it to make yourselves at home. We would ask that everyone speak your peace but please be as concise as you can because there are a lot of people here who would like to speak and we would like to have everyone speak to express their views. Go ahead, Hugh.

Hugh Earnest, Chief Administrative Officer: Thank you, Mr. Mayor. Members of the City Council, just as a brief introduction and to amplify what the mayor has so well put, what we're here tonight to do is to listen to public input on the possible creation of a redevelopment district. There has been a lot of maps about, floating around and there's one in front of me of the district. There's one also up there. Just to remind everybody what we have done in preparation for this meeting is that we secured from the County tax records, the owners of all real property within this district and sent them all letters informing them of the purpose of this meeting. There are some four hundred and five parcels within the district as we configure it. So what you will be listening to tonight, I suspect, is input from those individuals who will be impacted by the district. In addition, Mr. Knok and Mr. Alexander are here to make a presentation, a brief presentation on the ultimate purpose of the district, which is a development for project plan and addressing an area that has been identified as a serious area of concern by the excellent Downtown Master Plan. I'm in reference to the Mountain Inn and then also the area of College from

6th St. to Maple St. as has been identified on the maps. With that, Mr. Knok is here; he'd like to make a few brief remarks relative to where they think this ought to go. There's one other point that I want to make, from your perspective as a policy group, what you're being asked to do tonight is to listen to input on the formation of the district. That is simply step one in a process. The second step, while this is a difficult step, the more challenging step is the adoption of the project plan, which is required in the state statute and which will require the developer and the City to clearly identify those areas that will be touched by the project itself. That will be the second part in this discussion, which we hope can continue very aggressively over the next several months.

Mayor Coody: All right. When you mean the second part of this discussion you don't mean tonight? You mean, once this is created, once the boundaries; if the TIF district is created and the boundaries are set, the next step would be to have another round of meetings about the plan.

Hugh Earnest: Thank you, Mayor. There's two discreet steps. Two clearly separate steps. The first is the project boundary. The second will be the project plan, which will be where the Council gets to see and approve or disapprove of whatever is going to be done within the project itself within the boundaries itself.

Mayor Coody: All right. Thank you.

John Knok: First of all, City Council, Mayor, I appreciate the opportunity as one of the members of the development team to present the idea, why we're even having a discussion about this particular TIF project, and there's really two parts that you'll see identified in this presentation. I'll try to make my remarks brief. And then of course, the whole opportunity is that we'll answer some questions in this presentation so that those questions that might be generated might be able to be a follow up. First of all, I'll give a very brief discussion of what we have now and I hope you can see these pictures. And if you can't get a good feel of what we're talking about, it's the existing Mountain Inn. If none of you have been in there in the last few years, that's good because you would probably have been breaking the law, but I would recommend that if you would like to, we can certainly do a walk through of the building. This has certainly been an area of blight. Driving by one can see it, the chairs sticking out of windows, the vandalism and other things that are going on.

Mayor Coody: John, I might mention that we have just had our agenda session and one of the things we want to do at our next Council Tour was tour the Courts building and the Mountain Inn. That's next Monday afternoon.

John Knok: Okay. I would recommend that. Just as a side note, if you do, don't wear any soft shoes. You'll want to wear some heavy shoes.
This is what we have now; this is the view off of Mountain Street. This is an interior shot to the right. This is certainly what we see. This is one of the points of interest as identified by Dover Kohl that citizens and visitors alike drive past on a daily basis. And this is the crest of the hill. This is the inside; unfortunately it is difficult in this room to

see these pictures. But as you can see, this upper level is one of the entry points. People are coming in through the upper level. The lower picture there is actually what appears to be some sort of accelerant. There was a fire up there, which we'll show you some pictures of. This was near the fire that was started up in the winter of this past year. This is the entry along College Avenue that was recently vandalized and was recently secured by the Fayetteville Police Department. The upper right hand – or the right hand picture there is the former lobby of the hotel. This is a picture on the left hand side of what looks like what could be some current residents or past residents living in the Mountain Inn, obviously not a safe place for anyone to live. Just this week there was a call of some individuals, two individuals scaling the south side of the building facing the Federal Building. We were notified by one of the Federal marshals and consequently the Fayetteville Police Department came out and did a walk through of the building. This is this week - that picture on the right hand side. This is the inside. Many people in Fayetteville recall Sunday brunch. Times have changed since then inside of the dining hall and we can see the destruction and vandalism that has occurred. This is the upper floor of the Mountain Inn. It's almost not visible from the street side. If you look from the, if you have a building on either the west side or the north side of the building, you can see the smoke outside the windows. But literally the whole upper floor was gutted – it did not burn down because it is a concrete structure, fortunately. It did not spread to the other wood structures to the north. This is one of the courtyards, or what will be planned to be a courtyard. Right now it seems to be at least an artist's workshop. This is another room in other parts of the hotel. The irony on this picture on the left obviously is there. There was a sticker from some time ago that says, "Fayetteville is Fantastic." Perhaps this room was forgotten in the rest of the Fayetteville movement. This is just typical, there are not any unique rooms that were picked, these were just pictures out of several hundred that were captured by the code compliance department of the City of Fayetteville. On the left hand side is the recent "No trespassing", "Warning - Crime Scene". On the right hand side, I have no idea what this is. It has puzzled several people, including police officers. It is a pressure cooker with a hose coming out of it. It certainly seems to be something that is not appropriate or something that would be good to have around. You know, it looks like windows have
been shot out. This is another policeman going through the building. This is the old pool. Not to belabor the point, but there's the elevator. Certainly this is in rough shape. This is on the exterior of the building that you can currently access today. And this is, again, another view that has been boarded up and tried to keep somewhat secure. That's what we have. This is what is being proposed for the project itself. The project itself is anticipated to be razed; the section that faces Mountain Street will actually be torn down. Structurally it has challenges, obviously aesthetically as well. The historical section of the Mountain Inn, which faces Center Street, will be maintained and it will be restored because it really has some pretty good architecture. In fact, some of that architecture is being incorporated into the design, as you can see here. This is a view from, if you're standing at the Federal Building, this is what the view would be from, or from Mountain Street. What you're looking at on the left hand side is a motorcade court, on the lower section will be a total of twelve floors, 144 suites, 18 condominiums on the upper level, and on the uppermost floor is a conservatory. These are some of the facts that we just went through. It also includes 12,500 square feet of meeting space, which will be an

adjunct to what is already on the square for the Fayetteville Town Center. These are some of the potential looks that we are anticipating in the project. And this is a view of the arcade that faces Center Street that will be preserved - fairly nice architecture inside there. Some of the key points on this: the civic importance is that it is obviously an interest to the City's central business district. These are items identified by Dover Kohl. It's an anchor project for downtown and of course, the public interest served by the improvements. A case study that one could look at and we'll show a picture of it here in just a few minutes, fifteen years ago before the Walton Arts Center was built, Dickson Street was a much different place than it is today. When that investment was installed on Dickson Street, even though it was controversial at the time, it has slowly enhanced the ability to put other developments, both public and private. And of course, where we have now a fully renovated Dickson Street is a much different, much safer, much more enjoyable place to go. Economical impact: this is obviously one that one wants to look at. Initial analysis tells us there could be at least a hundred to a hundred and twenty five new jobs. Obviously there will be additional sales tax dollars, new HMR tax dollars, and ability to attract an underserved market segment. What this is referring to is directly the hotel. It's interesting, there was a study done in the last quarter that did an analysis of the hotels in Northwest Arkansas. Primarily it was pointing out what the impact of the new hotel, the Embassy Suites that was built in Rogers, what impact it had on the rest of the hotels in the market. And it was interesting that the occupancy of that facility was in the 70% range. It was interesting that there was no noticeable decline in the other hotels in the region. Which was pointed out that that was serving a part of the travelers that come to this area that was underserved currently. Mr. Hammons, who owns that facility, has recently talked about another one in that same area, up in Rogers. Catalyst for Change: we've remarked on this about the Walton Arts Center. Certainly we can see that from our own case study. We are also talking about, as Dover Kohl pointed out, an addition and a compliment to the existing City landmarks. And I'm going to quote from the Downtown Master Plan, it's important to point out that Dover Kohl points out, "a key opportunity for infill development is the redevelopment of Mountain Inn. The hotel fronting College Avenue has been vacant for a number of years. The existing structure is an eyesore; the location offers the opportunity to create a taller building, a new landmark that signals the revival of downtown". And this is what we're going to talk about are some of the things that were identified in the Dover Kohl study. We've talked quite a bit, and it's been in the papers about the Mountain Inn and how this is somehow going to pay for the whole Mountain Inn. Let me first point that that is not the case. The actual dollars generated from the tax increment is somewhere in the neighborhood of $3 million. The project we're proposing is approximately $22.5 million. As one can see, it's a fraction of the overall cost of the project. TIF districts were not designed to develop whole projects. But what they do is create an incentive to be able to put private money where it should go by removing the blight that's there. Other opportunities: our project, what we are going to be submitting as a project plan, is twofold. One, initial dollars that will be set up in the first five or six years, will go for that $3 million that we've earmarked for the Mountain Inn and removing the blight. All the additional monies, in fact, 100% of the monies from then on, would be spent on infrastructure along and inside of the project corridor, which is primarily the Archibald Yell to College Avenue stretch to Maple Avenue. You can see identified here, this is another section earmarked in the

Dover Kohl study and to be adopted Downtown Master Plan of areas of interest that we should be looking at. What this will allow for and for streetscapes, and I'm identifying success that the City has had, including Dickson Street. This again is some of the streetscapes, other streetscapes that we're seeing there, making it more walkable, more livable and more prosperous as far as for all citizens. Also, when you have a key investment in a downtown area, it invites revitalization. And obviously, that project today, according to the appraisers that we have dealt with in our feasibility tell us that there is a softening of assessments and appraisals because of the blight that is now the Mountain Inn. Once revitalized it will have an impact of higher evaluations and higher values for the downtown area. If you will notice, also in that region, in the last six months two of the restaurants in Fayetteville that have closed have been adjacent properties, two of the three. We also can look at, if we look at office space that is empty or that currently has not experienced the redevelopment that other parts of the city has, it's all very much in that region. Here's another quote by the National Federation of Municipals Analysts: "What is a TIF? Now we're going to get into the TIF. The idea is to remove blight". It is important to note in the State of Arkansas, it doesn't just go for blight – it can be used for what they call greenfield development as well. But here it says, "Tax Increment Financing captures growth and tax revenue by first delineating the boundaries of a project area. Existing tax revenues within the project area continue to be collected as before." So as it has been said before and has been recently written in the press, TIF is not a new tax. There is not a special assessment that a County Assessor goes out and begins to put into place. In fact the County does assessments as normal, as if there was no TIF. However, what begins to occur is the ability to put those tax dollars into project-specific sources. This is a comparison our sister city up to the north – Rogers has recently approved a TIF district which stretches between four and five miles along the I 540 corridor and on the second on the right is proposed the City of Fayetteville TIF. There has been discussions recently about the size of this boundary increasing. And let me also say that that is not the case. What had to be identified was a process. If you will notice on these maps that have been set up, you'll notice the black spots on the TIF. Those are tax-exempt properties that do not and will not collect any tax revenue. Those had to be identified first. Once those were identified, then the boundaries had to be established, and another thing that was taken into consideration were the north, south, and east boundaries of the Downtown Master Plan. So that if we were truly going to identify some of those improvements, it should also match the boundaries as identified in the Plan. Now this is how a TIF works: it's a fairly simple thing that we can make fairly difficult. The year that a TIF is adopted, you establish a base rate, you'll see in the bottom section of this example. As the normal tax, no new tax, but as the normal tax begins to be collected over the space of time the TIF is in place, those incremental growths are captured and utilized for projects as identified in the TIF project. At the end of the TIF period, all those taxes that would otherwise have been collected during that period and that have been collected, to be collected as normal, except now all of them go back to the original beneficiaries. Here's some real numbers for this project, there's been a lot of talk about what they are. The current proposed district total value, this is from the County Assessor's office, is approximately $70 million. Those are the valuations as the County Assessor as of April this year says that all the properties within this district as currently defined is. It also tells us the total assessed value is over $14 million. We also know that the total millage is 52.96. We also know that the largest recipient of that is the Fayetteville School District. We also know that they, by State law, have been guaranteed that their debt service obligations are protected, which is 23.7 mils. Therefore the millage available for reassessment to a TIF is 29.26. I've given you a handout of this sheet because sometimes it's difficult to read upon the board, but let me take you through this real quickly. Before the TIF, we can see that the dollars collected under the mils as we just discussed a minute ago is $750,000 approximately on the total on the right hand side. With a TIF, the first section, you'll see that that base is not changed; the fourth line down also says under the total column that it's still $749,000 and change. With the incremental increase, and the number that I've used in here is the worst-case scenario, or the maximum allowed by State law, which is 10% for commercial properties. That incremental increase is then identified to be, on the section between the blue and the green (I'm sorry, I guess I should have numbered that), you can see then that there is actually new money still being generated, being sent to the school even under this formula of $33,000 and change and new money from the Mountain Inn project. If the Mountain Inn is not built, the school will not get that $90,000 listed on the paper. If the project is built, the schools will be the immediate beneficiary the next assessed year of $90,000. On the bottom, we see the increment to the TIF, and we can see that from the District, parcels that are not related to the project as well as the project combined produces $152,000 to service debt, initially, which will begin to grow over time. This also assumes the first year that the hotel, because it does take time to redo this and it takes time to reassess, that would be approximately in the third year. So Funds Available: initially, the first hurdle is to create money for the catalyst project, which is the Mountain Inn and to remove the blight. Again, keeping in mind that it is $3 million of the total $22.5 million, of which the majority is coming from dollars directly generated from the increase in taxes on the project itself. We can also see that as that begins to have its debt service coverage in Point A, there is money for Part B. That's going to happen somewhere in the sixth or seventh year, depending on collection rates. Historically it ranged anywhere between 5 and 7%. And by State law they are again mandated to not exceed 10%. Irregardless of the District, those are the numbers, whether there is a District or not. And then we see the projected benefit in infrastructure, according to recent calculations generates $7.2 million for sidewalks, streetscape, landscaping and so on in the TIF area. So the majority of the money comes over the longer period of time, because of the growth in the TIF collections, cause you get the most benefit in the later years, you can't add any of those benefits to the project of the Mountain Inn because that has already been secured in the $3 million, so all the growth is then captured and that's for the 7.2. And that 7.2 is not based upon the maximum collection. So, some of the points of misinformation: This is the second to last slide, but let me just point out a couple of these things. Is a TIF a new tax? Taxes are continued to be collected on properties as they have been under State law, no change. The County does that with no special assessment. But the way that those monies are spent are now defined under a project plan through the TIF. How will a TIF affect existing property owners? If the projects go as they normally do, in other words if they stick with the plan as they should be, then we're talking about improved values along the streetscape, landscaping and other places as well as the catalyst project which, just as we look back fifteen years ago: have property owners had improved valuations along Dickson Street after those initial

investments were made in the Walton Arts Center and others, have they seen an increase in their property values? Yes. And because of that, have property taxes naturally gone up? Yes. What about the power of eminent domain? All the powers, as I understand it under the statute are all vested in a City Council under a TIF. There is not a separate TIF board. There has been some discussion about that. In some states it's allowable. But in the State of Arkansas there is not a special TIF board. Developers will not participate in changing TIF programs or TIF practices; it is all governed by City Council. The power of eminent domain is already vested in the City Council. What the TIF statute allows is that power of eminent domain may be utilized in a TIF district, but those powers are not new, they're not different than what are already given, but they are precisely given in case they are needed. In our project, we do not plan on or do not have any request initially to even see any eminent domain and ultimately, that's a question that would be answered by City Council anyway. Can the District abuse public policy? If the City Council elects to abuse public policy, then yes. But I don't think that is where anyone is planning to go, nor do anything different under a TIF. Does a private developer control a TIF? Again, under State law, all the powers vested are in the City Council and adhering to the project plan. Developers may petition initially the project plan, but once that has been adopted, the resolutions are in place, it is up to the City Council to enforce. Does this hurt the schools? We've had recent meetings with staff of the local schools and it has been their opinion that our numbers are correct and that our assumptions are accurate and that as we look at those numbers, in fact the numbers do not hurt the schools but are actually a benefit to the schools. What about the size of the TIF district? There are a couple of things that must be identified in the size of a TIF district. First of all, you want to look at the size and the scope of what the benefits are. Secondly, you want to also generate enough to be able to pay for the improvements that are being discussed. As we pointed out here, the majority of the improvements are of a public nature along streetscapes. We can also see that the project plan, which will be the next step to go through, it will point out that the improvements will go throughout the area. They will not be isolated to one building, but they go throughout the TIF life. And so the benefits would be there for everyone. Again, you don't want to do a TIF district that is too sizable. Not because it's bad in and of itself, but the idea with TIF's is that - let them be project specific to a geographical location. You could do a five-mile stretch, like our sister city is doing. I'm not saying that's a bad idea. Even the Dover Kohl plan pointed out we could do a TIF on the whole downtown. But the idea is – is it better to move forward in incremental steps. And that would be our opinion as well. This is the choice. This is what we are faced with. This is not an economically viable project, that's why it has not been done – the Mountain Inn. It is much more viable to go out and buy twenty acres along the Interstate, put a parking lot in, spend the same amount of money and you'll get higher traffic count. But is that good for our downtown? Is it good for this project? Is it the right thing to do? That's a choice that we have to make. Is it the very reason why TIF's would be put into place anyway, to make projects that otherwise would not happen, an additional incentive to help them happen.
Thank you.

Mayor Coody. Thank you, Mr. Knok. Do we have any questions? Hugh?

Hugh Earnest: Let me just point out one thing, Mr. Mayor and Mr. Knok touched on it. But I think it's important to note that we had a long and very productive meeting with school district representatives and what the district is asking – and by the way, the ordinance that you will see on Thursday night simply covers the green area, but what you see on maps, or will see on a map are additions called Washington and Jefferson areas that the district is asking the City Council to consider as an additional part of the boundary discussion that will occur. The boundaries can be modified at any time. But it gives to the district and, Lisa Morstad from the school district is here in case you want to ask her any questions, it increases their options to deal with certain particular problems surrounding both Washington and Jefferson over the project time. And that's why you see these maps. But again, from our perspective, what you see before you and what you will see in ordinance is simply the area that's the dark green. The other ones are coming from suggestions from school district representatives.

Mayor Coody: Thank you. Please step forward.

Richard Alexander: I just wanted the Council to know I'm not sure John made clear in his presentation, the boundaries of the TIF district were arrived at after much consultation with city staff and even Fayetteville School District staff. The boundaries were picked specifically to coincide with the Dover Kohl master plan. The northern, eastern and southern boundaries are the boundaries of the Dover Kohl master plan. So that's how we came up with those boundaries. Since we didn't do the entire plan area, the only thing that was up for discussion was what would be the eastern boundary. The eastern boundary, as you see, basically follows Archibald Yell from the northern boundary of the Dover Kohl master plan to the southern boundary of the Dover Kohl master plan. So, the boundary was picked to coincide with the Dover Kohl master plan. And it was also picked - I mean in some sense we had to do an analysis of what are the actual revenues generated from the increment. The taxes that are collected by the County now will remain in place and they will go to the taxing authorities and be spent as they currently are. The only thing for discussion in a TIF district is the increase in those taxes. The increase in those taxes, 23 mils of which will stay with the school system, so it's only roughly 50% or a little more than 50% of the increase over what is collected now that actually goes to the District. Again, our plan is to take 100% of that increase and first put it to the $3 million that we're suggesting should be spent on the Mountain Inn project, which is approximately anywhere from 10 to 15% of that project. The remaining monies from the increase which will be collected over time, which John has a slide up there that said $7 million, we've done some recent calculations and it could be as high as $12 million, those monies will go to the College Avenue-Archibald Yell portion of the project for streetscape, sidewalks, lighting, pocket parks, whatever the City decides should be part of that plan. So, it's either going to be somewhere between two and half to four times the money dedicated to the Mountain Inn will actually go to the other part of the project, which is the College Avenue project. So, I didn't know whether that was made clear, but I want to make certain that's the program that we are talking about.

Mayor Coody: Let me ask a quick question, Richard or John, whichever one wants to answer this. Let's just use the numbers you have out right now, the $3 million going toward the project, the 7.2 going toward the infrastructure, sidewalks, streetscapes, etc. How long, what kind of time frame, and how does it play out to where the $3 million, does that get secured first and then after your 3 million is secured, and then the remaining money goes to the infrastructure?

Richard Alexander: Well, what's going to happen is we're going to make an assessment as to the money that's going to be generated by this TIF district. Then we're going to go out and try to find an investor, a buyer of bonds or a private investor. Because, okay, I'm willing to put the money up on the basis that you in the future will collect those taxes. I think John uses the figure - they look for basically a 1.25 coverage ratio, which means 1.25 more than is actually needed for debt service is the ratio. According to John's analysis, we hit that 1.25 coverage somewhere in about the 6th or 7th year. So in the 6th or 7th year, you are bringing in, in collections of the increment, not counting that which is dedicated to Fayetteville Public Schools, enough to cover that debt. That increment will continue to grow because property values rise and if this is a 25-year plan that increment will continue to grow. So after the 6th or 7th year that increase then will go to the other part of the project, because you've already made your debt service. So once you make your debt service on the initial 3 million to the project, anything above that will go to the other part of the project, which is the College Avenue part which, frankly, over time will receive the most money. And the debt coverage happens early on but the plan keeps going and the increment keeps growing. Does that make sense?

Mayor Coody: All right.

Alderman Marr: I'd like to ask a follow up question on that item.

Richard Alexander: Okay, just one thing to that. The numbers also do not assume a couple of things. Any other growth – we have not assumed that there will be other developments in the area. This is just a natural growth of the existing tax base. What normally happens under a TIF is that all of the catalyst project creates a B, a C and a D in new development. We've also not included, with those numbers, we've also not included for instance when something that is tax exempt becomes taxable. For instance, the library building, once it is redeveloped and it goes on line, it will go to receiving zero taxes in the coffers to all of a sudden generating a sizable amount of taxes on an annual basis. Those types of dollars go in there. And if you take a parking lot that's right now generating very little money and it becomes a covered garage with residential or mixed use inside of it, then those numbers are – but none of those are assumed. So, this is a baseline. Anything above that is a raise in projection. And let me just say – one of the slides that John showed was the project itself, just by virtue of doing the project, goes from a piece of real estate that currently generates five thousand and some change in taxes to where if you have a $22.5 million piece of real estate, you will generate, that project alone will generate over $200,000 in taxes. Half of that is protected and goes to the school. But the project itself, by itself, will generate $100,000 in taxes. That's close to half of what is needed to service the 3 million. And that's just in the first year. As that, you know, again the question really becomes, what if somebody goes "Oh, I like what the Mountain Inn did, we're comfortable about doing development," and they put another hotel in the project. That, you will take another piece of property that's generating relatively low income and that will produce tax revenues to go to the project. Which is initially the Mountain Inn, but that gets serviced very quickly. Ultimately I think the numbers in terms of what really could be available for the College Avenue portion are pretty decent, pretty high numbers.

John Nock: Well, if you will look at some of the case studies around the country – for instance Chicago has over 300 TIF districts in central Illinois, that area. And if you'll look at some of the case studies out there, they can actually project, and this is new to Arkansas so we'd have to go outside of our region, you can project what it will spur in additional growth. And what that would then spur in additional taxes being collected. And the number is much more than 10% annually. It's much more than even 15% growth annually. Initially it's slow, but it's like the J curve, it begins to build up steam as the catalyst creates the first step, then the rest of it begins to build up over time.

Richard Alexander: And we're trying to use, for our projections to the Council, we're trying to use conservative numbers. Again, our numbers use a flat 5% or whatever, 5-½% increase. It does not take current taxes, currently appraised values are going up at least 10% a year, and have for several years. So, you know, the real question is what will the real increase be and what will the increased value of the increment be as a result of additional projects. If we had done this district before Walgreens went in for instance, Walgreens would have been an increment increase. If we had done this district before the Mill District went in, the Mill District would have been an increment increase. So every project that comes after becomes an increment increase that frankly isn't even, we're not projecting that.

Alderman Marr: Richard, on the 7.2 million, with these projection numbers, at what point, how many years out before you're generating dollars to go towards the infrastructure component?

Richard Alexander: I think its six to seven years. John says six, but I say lets be conservative and say seven.

Mayor Coody: But that's figuring no other improvement in the district.

Richard Alexander: That's figuring - that's a 5% increase per year? 7% increase per year, which is less than what's actually happening. So it's entirely possible it'll happen sooner than that. Again, the project itself will generate a substantial sum of that in terms of just the assessment that it'll bring on line. You know, again, you're going from a $5,000 producing tax revenue property to a $200,000. And that's not considering that if you look at the district, the black areas on the district are tax-exempt properties. They currently generate no revenues. One of the things this project contemplates is buying the Courts building from the County. The day that that happens, we will be taking a property that currently generates no tax revenues, and if it's incorporated in this property, that property then will start generating value to the tax district.

Alderman Thiel: What about the library?

Richard Alexander: The library, we've included because it's the Dover Kohl boundary and the library, again, currently generates no property values. I happen to know that there's a group of guys out there that want to develop that property and they plan on spending significant money doing it and that's going to go from a zero tax generating property to about $45,000 a year, if it's done the way that we anticipate. So there's an additional $45,000 in revenue – 50% of which the school is guaranteed. So, you know, again, this is the catalyst for a change that we believe that ultimately will benefit – that's in addition to the HMR sales taxes, income taxes, you know, 100 to 125 new jobs. In other words, there's all sorts of new revenue that will be generated by this project, in addition to the real estate taxes.

Alderman Cook: Are we free to just ask for a little bit?

Mayor Coody: Yes.

Alderman Cook: Okay. What's the time line? Is this 25 year or 20 year time line on this district?

Richard Alexander: State law allows for 25 – our projections include 25. The challenge with a TIF is that your real value happens at the end and you have a real difficult time in the early years covering debt service because you don't have the increment there. In fact you have a short fall in the first two years while you're doing the project catalyst, investing the $22 million. Before that you actually have a deficit. And so, the latter years where you get it, and so you counter balance that by taking as long as you can.

Alderman Cook. I know we've heard a couple of different versions on this, but what is the risk to the City on this financially?

John Nock: Well, I always recommend you talk strictly to your financial advisor. However, since I am an investment banker, I'll tell you what I tell other clients. And that is if it is a direct obligation of a city, a general obligation bond, then you're at full risk. If it is a revenue bond, then it is specifically tied to the revenues of the project. And if it goes into default, then the project is what gets the tarnished image. Both Moody's S&P and Fitch, the rating agencies, have white pages that come out and say that there is not an implied advantage or disadvantage from a project-specific faltering in a community. With all that being said, this is not going to be a City GEO (general obligation bond) or a city revenue bond. This will be a TIF district, which will have its own financing, whether it's in the form of a note or a bond. It just so happens that it's governed by the City but it is not a City financing general obligation debt.

Alderman Cook: So it depends on how it's set up, basically.

John Nock: Absolutely. Yes. If it were me, I would set it completely at arm's length so that that exposure is not to the City. And it shouldn't be. I don't believe that the statute allows that to happen anyway.

Alderman Cook: Okay, one last question, please….

Alderman Marr: Actually, the first presentation we heard in agenda session was absolutely, there is no financial risk. And, yet I'm hearing that there could be, depending on structure.

John Nock: The better answer is, no there is none. And so you structure it appropriately.

Kit Williams: The answer is, is that the City really has a choice. You can certainly keep it specifically, totally at arm's length. But there are provisions in the statute that would allow the City to get more involved in this in order maybe to reduce the rates or something like that. And that would be up to the City Council. You certainly can keep it fully at arm's length so it's only an obligation of the tax, period, nothing else. It's like this project also can receive City funds if that would be your choice, but it can also be totally financed by the TIF district as long as there's enough funds in that to do it. So, it's really a question that you all have. I think that the primary emphasis in the statute though was to require that the bonds that are going to be issued will clearly not be the general obligation bonds of the City. The City would have to take affirmative action in order to get any possible liability in this particular project if you decide to go forward.

John Nock: Yes, you certainly have to work harder to make it your obligation than what our proposed plan is. Our proposed plan is that it would be zero obligation to the City.

Alderman Cook: One last question, please. I'm curious how this will affect future projects in this district. What if somebody else comes in and says we want a piece of that pie, too? I mean, how does this affect that?

John Nock: Certainly the statute allows for multiple projects in a district. However, you only have so many opportunities and then you have an opportunity cost. This project as we define it not only has an advantage for adjoining property owners but also those in view and also down the avenue. But keep in mind we're talking about a fraction of the overall dollars that will be generated by the TIF. All those additional dollars will be spent throughout the district. We refer to College Avenue and Archibald Yell because that was referred in the Dover Kohl study. But any areas inside of the project boundaries are entitled to improvements. And you of course make those decisions, you the Council make those decisions as at best at that time as the monies are available or when the funding is used to earmark what those projects are. So if you elect at a future date to put all sidewalks in, then that would be your call. But you would also have to refer to the plan as established and how that would be identified.

Richard Alexander: And I think a partial answer to that question, Kyle, is somebody asked me, "Well, what if I had a project that I wanted to include this in here?" I said, then you'd have to go up to the City Council and convince them that your property was blighted, and it was in the public's interest that that blight be ameliorated, and included in this project. And so, the City Council has the ability to decide how it's going to spend monies within the project district and that's, you know, that's up to you. If you want to spend money on streetscape on Archibald Yell and not up on Maple Street, that's up to you, the City Council.

John Nock: I think it's important to point out that the statute is very clear that you have to adhere to a project plan. This is not a willy-nilly process. Once the project plan is adopted, which is the next step after all this is done, then that plan is a governing tool by which the TIF follows procedures. And at that point, we don't make changes. If there are necessary changes, they have to go through a process even then to make advantages come about. But the idea is that once established, you have a plan that helps govern those ideas.

Richard Alexander: And in that regard, our goal in establishing the district that we're talking about in the plan is we specifically picked the two projects, two of three projects identified in the Dover Kohl master plan: the Mountain Inn, College Avenue and Hillcrest Towers. We're not attempting to deal with Hillcrest Towers but the College Avenue portion and the Mountain Inn portion were specifically picked because they were identified as two areas in the Dover Kohl plan that were, #1 were blighted, suitable for dealing with TIF district financing. So the Dover Kohl plan specifically said those are two projects you should deal within the city with TIF district financing. And that's why they were included. Our project is primarily the Mountain Inn. We believe the Mountain Inn, as redeveloped, would be a benefit to College Avenue and College Avenue, if redeveloped would be a benefit to the Mountain Inn and the rest of the downtown. So it was kind of hard to separate them. If you step out of the Mountain Inn, the first thing you realize is between the wall of the Mountain Inn and Highway 71B, there's no sidewalk. You take your life in your hand when you go left or right. There's no landscaping, there's no lighting, it's an awful situation. So, the truth is, to develop the Mountain Inn right out – you're still going to have to deal with, well what do you do when you, you know, now you bring the convention into town and you've got all the guys going out to all the restaurants to eat and they step out on College Avenue and get killed, because there's no sidewalks. So, it seemed to be a good fit that we would do both in this plan and that's how we came up with it.

Mayor Coody: Is there anyone else?

Kit Williams: We need to make sure and have public comment.

Mayor Coody: Oh, yeah, we're headed there. I'll see if any of the Council has any other questions right now.

Alderman Marr: I had one more question. There was just, again, a difference between the original presentation and this one. Did I understand you correctly to say that there is no TIF district board that addresses or manages the project plan, that that is the City Council?

John Nock: That is the City Council.

Alderman Marr: That is different than what we were told last time. What is, why is that different?

John Nock: I think, as a result of our conversations with the City Attorneys, private attorneys, bond attorneys, Arkansas State Real Estate Commission attorneys, other TIF, you know, projects, that's the consensus. Just like the district, our initial submission of the district was, in our opinion, a draft to be discussed and the subject of discussion at the City Council. So it was never intended as an end – that wasn't the final plan. That was a point of discussion. The statute, I believe, and Kit will give you his opinion on it, the controlling body that makes the decisions with regard to the TIF district is the City Council. Now I don't know that the City Council couldn't appoint an advisory board to deal with it and take recommendations from it, but as I understand the way the statute is constructed, that all power rests with the governing body. That's the City Council. Eminent domain rests with the governing body. Deciding what the district is is with the governing body. Deciding what the project plan is is with the governing body. So, that changed as a result of our – as our understanding of the process grew.

Alderman Marr: Thank you.

Mayor Coody: Kit, do you concur with that assessment?

Kit Williams: Yes. The City Council maintains full control. I think there's something in the statute where you can appoint a city employee to kind of oversee what's going on. But you can do that anyway, and - but the City Council is the one that retains all the authority within this whole area, from condemnation to deciding if the plan is feasible, drawing the boundaries of the plan, all of that resides within the City Council's power.

Mayor Coody: All right. Does that answer that question?

Alderman Marr: Thank you.

Mayor Coody: All right. Anyone else on the board, the Council have any questions right now? Anyone have – from the public – I'm sure that there's some folks from the public that would like to address this tonight. Also, we have the – we'll need to ask everyone to sign in please. Actually, after we hear from this first citizen from Fayetteville – Lisa Morstad – Lisa, I might ask you after this comment to speak to the school district's perspective if you would.

Linda Ralston: Good evening. My name is Linda Ralston, proud new citizen of Ward 1, I'm sorry Ward 3. I'm getting my school zones and my wards all confused. I've got actually several points. I don't know if it is appropriate for them to be answered or if I need to sit down or to take turns.

Mayor Coody: No, we'll try to answer your questions.

Linda Ralson: So you all can kind of guide me, okay? Let me first start off by saying that the idea of this incredible looking building replacing what we have now is amazing. That is a beautiful before and after picture. So as I say that, let me say in the same breath that I don't believe. I'm not convinced that the TIF and the way this is being approached is the way to do it. Okay? And so a few notes that I wrote down involves recent readings in the paper concerning the Arkansas Legislature's intent of passing this legislation in the first place. I do believe, and I'm sure you all are aware that as the legislature meets in the new session in 2005 there is great rumblings that this will be changed or altered in some way. And I think those comments were actually offered after the Rogers TIF district was approved recently. So there was conversation, even a gentleman, one of the representatives stated that this was not really their intent to use the TIF in this way. So that kind of made me aware of some comments on the State level. I don't believe this is the intent of the Arkansas Legislature.

Mayor Coody: Linda, might I address one question at a time? I can address that particular aspect right now if you would like for me to and then go on to your next point.

Linda Ralson: Sure. Sure.

Mayor Coody: I think that the intent of TIF legislation, and I looked at this back when it was first introduced in other states awhile back because TIF is pretty popular around the country. If it's done as intended, and the intent of a TIF district is to take a blighted area, in an old industrial zone, any kind of derelict downtown where you want to breathe life into it, it's a tool for an investment incentive to bring money back into an area that needs redevelopment. It is not intended to go out and be overlaid on a Greenfield site where high-end development is headed there regardless. And that's what they are doing up in Rogers. That's where the Legislature says that's not the intent of what was passed, and they're talking about Rogers. That's because they overlaid a TIF district that's designed to remove blight and redevelop derelict areas and they're applied that legislation to a Greenfield development where they already have $150 million worth of improvements planned even before the TIF district goes in. So that's what that legislator was referring to.

Linda Ralston: So, we'll stay tuned on that one, I'm sure. Recently I'd called, and I know there was a, I guess an article in the paper that talked about calling Hugh Earnest if you had questions. I did try to call Hugh that day and I think he was out at a meeting or something. Imagine that, he's a busy fellow, isn't he? So instead I got referred to Leif Olson in Planning. And we chatted and I actually even encouraged him, or put my vote in that this would be I felt a proper, a more proper setting for us to have this hearing.

And so I'm glad that we are here tonight. And he said, Linda be sure and come down and I've got some information that anybody can come by and get. And I picked up what is called, this first page is called a TIF Primer and it has some very interesting information inside, lots of paper to read through. And I believe part of this is actually from the real estate, national real estate, but this may not particularly. And it actually addresses, Mayor Coody, it addresses the finding of blight and not to take things out of context, but it says, "related to the blight finding is the but-for test. The theoretical idea behind the but-for test is that if the development would have occurred without the expenditure of public TIF funds, then a larger public purpose is not served and therefore TIF should not be used." Okay? So, I'm questioning, well, I know that this project, a Stella from Ohio I know has been, actually kind of sitting on this project and now kind of here we go and yeah it kind of sits and deteriorates as things go and so, I'm not sure that maybe it fits necessarily the but-for test. I think it will ultimately, probably something will happen even if the City has to do something and demolate it and here we go. And that brings me to another point, is I was privy to reading some FOI information where there was actually e-mail dialogue between our City attorney and other legal counsel. And the question was raised that perhaps there may be some interpretation that his building, I guess in this case the old Mountain Inn, would actually need to be owned by the City first. And I was curious about that particular aspect of this project. If that had been concluded, if that is still in dialogue, does the City first need to own this property before we move forward on this?

Mayor Coody: Let's ask that question. Kit?

Kit Williams: That dialogue is continuing. I do think that probably, you know this goes into the project itself, not whether or not the boundaries, what the boundaries are or whether the district should be created. There's several things that the statutes allow cities to do with TIF money. And we have to follow within the things that are statutorily allowed in order to spend the money legally, and one of the things that is allowed is acquiring property, demolishing property, getting it ready for development. That seems fairly logical here for the City to be able to do that. There are also time considerations that we have to work with the proposed developers, they have some federal tax credits that must be used or lost within a certain amount of time. So we're still working on this idea to try to make sure what we are going to do is legal and also functional. And certainly I think, in my opinion in the best of all worlds we would be the owner of this property. We would then demolish it and we would then sell it. And then they would build their hotel upon it so that all of the tax monies would be used to remove blight and to repair a site that right now is not buildable and not usable and a danger to the City and prepare it for someone to come in and put that kind of project on it. And I will say do not rely upon the TIF primer put out by the real estate company. That doesn't deal with Arkansas law, it deals with national TIF law and you must look at our constitution, Amendment 78 and our statutes to determine what we do because we don't do it exactly the same way as all the other TIF districts around the country.

Linda Ralston: Good comment. Okay. Thank you, Kit for those comments. Well, I do, I think probably one of my most concerning aspects as we move forward with this dialogue is actually getting into something, and I may quote this actual papers because there is kind of maybe a broader aspect as far as on this particular page it says, "use of eminent domain as TIF tool," and it says, "as one of the tools to achieve redevelop planning, eminent domain, which is an inherent power of government," and I believe that would probably go across the board, "is often explicitly delegated to local governments or redevelopment agencies. Statutes often permit governing authorities to exercise the power of eminent domain in connection with approved TIF projects," which I understand is certainly, if the Council is the governing body here, it's something that is maybe inherent in the project, "When eminent domain is authorized, it is typically used to clear blighted land for more efficient redevelopment, or to facilitate land assembly in areas where many interests own land. Thus, TIF statutes often specifically, and I'm not sure how Arkansas is, perhaps, TIF statutes often specifically authorize eminent domain to enlarge the governing body to efficiently acquire the numerous parcels that may be necessary for effective redevelopment. I have great concern here. Especially for people as this district grows, as I know things that have happened, as I know phone calls have been made concerning the properties, and this south slope, I'm very greatly concerned of the power of eminent domain and, if I might continue, just one more little section. A question is asked in this, again I'm not sure if we can put some stock or a little stock in the answers, the question is asked, and this is part of actually TIF case law and it may, again, it may only have partial ruling in Arkansas, "Does the TIF authorized eminent domain constitute an unconstitutional taking?" And it says, "In contrast to the outcomes that have favored TIF opponents, plaintiffs have almost uniformly failed in their challenges to TIF with respect to the issues of eminent domain and the public purpose requirement. The courts have resolved that TIF cases on these issues, with the level of deference they accorded general economic or community development on these issues. Thus plaintiffs face a high bar that they normally are unable to surmount. Courts are exceedingly deferential to legislative determinations in this area." And it goes on and quotes some other cases in a couple of other states. So I have great concern here, as I see this map continuing to grow and I'm just, this really is very concerning to me and now, and I'm anxious to hear Lisa Morstad talk about the extra additions of where Washington neighborhood and some of the Jefferson neighborhood is being encompassed by this. I don't know if that she'd offer any comments on that. So, kind of in some closing comments, I'm aware and I'm sure all you all probably read the *Times*, I believe it was in the *Times* that I read a recent story that our developers, which I have great respect for, especially Richard Alexander and all the projects that he and Rob have done, but if the private developers are able to allocate, and I'm not recalling the details of the allocation of $25 million to develop West Dickson and all the properties that are involved there. I mean 25 million. Me and maybe in my naiveté are wondering why is the TIF only being used for $3 million? You know, I know that we're trying to encompass a lot more here and Archibald Yell and things like that but it just seems like this is a wonderful private project to me. And yes, there's other things, I know Archibald Yell I assumed is State Highway, I'm not sure how all of this comes into play and how we can boulevard or street calm, maybe we can sidewalk, I guess, whatever. I'm confused on, maybe the developers' priorities and that we're going to use the TIF and involving what I see already is a lot of the City time and our effort, I see Mr. Earnest everywhere involving this. I mean, he's kind of like part of the team. Maybe it's necessary because the

Council is a governing body with all this and I see us spending a lot of time and effort and there seems to be a lot of hoops and I'm questioning that we're only talking about a $3 million bond here and West Dickson's a $25 million project that apparently no TIF possibilities are coming into. I'll take my seat and if you all want to address, by the way, one last comment, I really expected that there would be standing room only tonight. I really, truly did. I understood that everyone whose property is in this proposed district, I don't know about these newest people that are in this blue and tan areas, if they indeed also received letters, but I don't know that people are understanding that maybe they need to be here and I would like to see, and I hope that the legality of it all would allow us to have yet another public hearing, just like you all read the three hearings for things, three readings. And so, I would ask that, if it's possible, I know that time apparently is very tight and things have to be, monies have to be accepted, but don't we have time to maybe have one more public hearing? So those are my thoughts and I wanted to kind of set some tone for some dialogue on the public side. So thank you for listening to me this evening.

Mayor Coody: Linda, one thing I might point out is that this map here that has the enlarged areas, the map isn't growing. That's just what the school district is asking us to consider, as a caveat to them. Why don't you wait and just make a list of responses you would like to make. Would you like a pen and a piece of paper? Lisa, would you like to address us?

Lisa Morstad: Good evening. I'm Lisa Morstad. I'm the Chief Financial Officer of the Fayetteville School District. And I'll just tell you when this whole project came out I was concerned because we are the largest taxing entity, and so after I learned more about the project I decided to do some homework. And I spent some time talking to the people at the Department of Education. I spent some time reading some of the recent legislation that's been enacted and I spent some time with my counterpart at the Rogers School District to find out how they worked through this project. And what I learned in my homework was that a project like a TIF district will not have a negative impact on school districts. In fact, if a project like the Mountain Inn project could be enticed to develop in a district because of a TIF incentive that the school district would actually come out on the positive side of things and that you would actually see an increase in revenues for the school district. I also was happy to see Act 43 that was passed in the last special session to encourage these TIF's and to encourage school districts to participate, or at least be open to them and it protects our State funding, which is another significant source of funding to school districts. And so, with that information I had decided I needed to learn more specifically about this project and I did spend some time with the developers and heard about their project and the financing strategies. And the conclusion I came to, and that I presented to our school board on the 22nd of this month was that this would have a positive impact on the school district. It would not have a negative impact on the school district. And that, I would also like to ask the City Council and the developers to consider expanding the TIF district to include school properties so that they may also be, or have the opportunity to participate in that additional $7.2 million that you saw tonight to improve things like infrastructure, lighting and access to those particular school properties that are adjacent to the TIF district.

Mayor Coody: Any questions for Ms. Morstad?

Alderman Marr: Mayor, I have a question. When you were looking at those two areas that you are proposing that we consider what parts of those areas do you consider blighted?

Lisa Morstad: What parts of the new areas that we added in?

Alderman Marr: Yes.

Lisa Morstad: Well, I think that there, there is some significant improvements that need to be made in those areas as far as access and infrastructure. I don't know if they technically are a part of the blighted definition or, I think actually most of those areas – well I won't speculate on that. I'll just say that I think a lot the areas around Jefferson School could use the improvement in the infrastructure and would meet those definitions. But I haven't consulted any expert on that or I haven't consulted our school attorney.

Alderman Marr: Thank you.

Mayor Coody: Any other questions for Lisa? Thank you very much for your comments tonight. Who else would like to address us? Oh, Lisa, I might get you to sign in because we're keeping a written record of the people who speak.

John Kerry: Good afternoon. Good evening. Just got the paper here and underlined a few things. But one thing I did hear is that the boundaries can change? I've been here in town for almost 30 years I found. Never been any place that long. So I've seen development and I've seen all kinds of PR going on with them and I see this and I'm just wondering, are these boundaries fixed or can they be adjusted, as more revenue is needed?

Mayor Coody: Kit, once the boundaries would be approved, they become fixed or can they be adjusted over time?

Kit Williams: Well, I gave you my statute, mayor. At this point, of course, we're only looking at establishing one time. I know you can amend the project plan if you have the finances for that. I'm not certain about adjusting the borders and I would look at the law rather than just speculate to you. I do think that this meeting is considering the boundaries and the City Council should certainly think very long and hard about the boundaries and try to make sure you get the ones you want because, even if they could possibly be amended sometime in the future, it would be better to get them right the first time. There are particular provisions also that boundaries cannot overlap. You've heard that there might be more than one TIF district proposed, maybe one around Dickson Street somewhere for other types of improvement down there, none of those districts can overlap. The plan itself, I think, can be amended in the future assuming that there is revenue and something else that can be done. But it can't, nothing can be done that would endanger the bonds.

John Kerry: I see.

Mayor Coody: Let me try to answer let me read this project plan amendment. It basically says here, "the local governing body may adopt by ordinance an amendment to a project plan. Adoption of an amendment to a project plan shall be preceded by a public hearing held by the local governing body as provided in section etc. at which interested parties shall be afforded a reasonable opportunity to express their views on the amendment. Notice of the hearing shall be published in the paper, general circulation…fifteen days prior to hearing. Prior to publication, a copy of notice shall be sent etc. first class mail, all governments having tax… so it goes through the same sort of public hearing process that we're doing tonight to make any kind of an amendment. And it doesn't say if it is specific to the boundaries or just any other amendments to the plan. It basically says amendment to the plan, so it doesn't address the boundaries specifically.

Kit Williams: And if it doesn't address the boundaries, it sounds to me like you cannot amend the boundaries – that you can amend the plan, because those are two different things. The first thing that the City Council will be asked to do is to create a district. And that means you designate what the boundaries are. After the district is created, then you look about going forward to create a plan that must be financially feasible. So amending the plan would not amend the district. Unless there's something else in there that says you can amend the borders of the district.

Mayor Coody: A quick scan doesn't say that.

Alderman Marr: I think it just speaks to the fact that you may have multiple TIF districts. But, so you could designate a new district but not change the boundary of existing ones.

John Kerry: Okay. That sort of answers that. I feel that I must say that I have no profit motive in this thing at all, except to wonder about the boundaries. But, and I'm certain that I have an emotional response to the old building. I used to live there. I was hired by the university that was there at some point, you had your offices there at that point. And I was hired for one reason, to determine the structural integrity of the building regarding future development in site, so that condominiums could be put in there and orchestrated as such, if the swimming pool could stay or not, and probably a conservatory of some nature put in there. I found that the building, to put it bluntly, was designed by the same guy that put in the footings for the pyramid at Cheops and also strawbossed the foundation for the Rock of Gibralter. That thing is a fortress. And the fact that it's still there, you know, must testify to being the grand old girl that she is. And it breaks my heart to see the vandalism that's taking place there. Cause, if I was in a different position financially, I would preserve the building. Cause you can't find that kind of a building, period. It would take some doing, but it wouldn't cost nearly as much as what's going to be expended this other way. I am happy to see, however, that the frontage on Center

Street is going to be kept, I hope, alone. You can't find that kind of tile work at all. Not to mention that cameo on the top of the Courts building. That should be – if the Courts building is going to be demolished, that cameo should certainly be reinstated somewhere. I did find that in the article here in the paper that it says that this will be serving a clientele that is underserved presently. It looks to me like these people are making at least $100,000 a year and it's going to have three restaurants. I can tell you at least six restaurants that you can get underserved in right now. No problem. At least the odds have been cut by 50%. I've got to be optimistic here. At the bottom it says no new taxes will be created but eventually, because your property values will go up, you will be able to recoup this and charge more by the property owners and their estates, because they can now charge more for their property than they did before the TIF went in their estates. So you got to, it looks like you got to die to break even, at this point. Or have a beneficiary already lined up. The only other two things that crop up in the paper is improvement of College Avenue and Hillcrest Towers. Well, I don't know how you're going to squeeze a boulevard in on Archibald Yell, because it's already got a sidewalk around the wall, which in my 30 years here has been repaired three times. So that's going to have to stay. And I don't know what else is going to happen except a boulevard, what else can you do? And, lastly, we have the unique character, it says here, of Fayetteville. But that's character and if it was preserved I guess that would be. You can't find that kind of a building any more, except if you look on the history channel you'll find that they're busily scouring the country for old, vintage buildings that are, like you would find in Europe, preserved and used on a daily basis. That's what people come to me with their photographs, when they come back from Europe, what do I think, John. What is it? They're photographing old buildings with their parents, their uncle, the kids or their wife in front of them. The Europeans have learned long ago to respect their heritage. I'd like to see some of that here. When I'd read that Old Main was about to be demolished, it was unbelievable. I mean it's just inconceivable. I'm glad it was saved. Unfortunately, I don't think this building can be. But I am happy to see that the Center Street entrance will be, if it's just left alone. Don't pick it till it bleeds. Thank you.

Mayor Coody: Thank you very much, John. Come on forward, Sir.

Bill Bosia: My name is Bill Bosia. I live at 139 South Washington. A year and a half ago or so when this, the Mountain Inn was going to be developed then, they showed a parking structure?

Mayor Coody: I believe so. Richard, is there still a parking structure involved?

Bill Bosia: Okay. Also, I don't want to be involved in it. I don't feel that my tax paying money should go to, well someone else's pocketbook. I've got a problem with that. If I wanted to remodel something, you all aren't going to back me and take people's property taxes to fund it plain and simple. I keep hearing $3 million is all that's going to be taken from the City to go toward this project. If that's the case, go out and get three or four more investors. I want to know, and I don't like the intimate domain. You know we got this letter that night and my wife was in tears. Because my house is third generation owned. I owned three lots right down Rock Street. I've been told recently by someone that sold their property that two duplexes are going up, and that's historical district. Is my house being taken? Am I being threatened? I've lived there for nine years after we bought this house. Am I being threatened by my house being taken away?

Mayor Coody: Absolutely not.

Bill Bosia: And I don't want any smoke.

Mayor Coody: Absolutely not.

Bill Bosia: I want – another question is, the way this is designed, you know I talked to Brenda, and my wife said I couldn't run for Council as many times as I call Brenda and Swifty. But to me, this Mountain Inn, it should have been a square block radius or something. The way this is, who's benefiting from the way this is outlined and was the City Council a part of this outline?

Mayor Coody: No. The City Council wasn't a part of the boundaries.

Kit Williams: Well, they will have to be because it's the City Council who will determine what the borders are. This is a suggestion to the City Council. It's up to the City Council to determine what the proper borders will be.

Bill Bosia: And you all had no part in this, correct?

Mayor Coody: These were set, there were two reasons that these boundaries were set the way they were. One was, as was explained earlier, I don't know if you were here at the beginning of the meeting, where the north, east and southern boundaries were basically mirroring the Dover Kohl Downtown Master Plan. The boundaries were aligned to the west side based on the amount of tax revenue that could be generated within that area, with all the black area being non-taxable buildings, tax-exempt buildings, that leaves only the areas in the green that actually pay property tax. So in order to meet the financial requirements of the $3 million to make this project feasible, that's the amount of taxable property that had to be incorporated to make that $3 million number. So is that essentially correct, Richard and John?

Richard Alexander: Yes.

Mayor Coody: Okay.

Bill Bosia: So, that the places in the green, taxes will go up?

Mayor Coody: No, no, no. This does not increase taxes.

Bill Bosia: I mean our property value well, I was told that building this Mountain Inn will raise the property, the value of my home. My house is a hundred years old, Mayor, it ain't gonna, a hotel isn't going to raise the property value.

Mayor Coody: Okay. Well, that's going to up to the taxing bodies, the County Tax Assessor to assess any increase in taxes, just like they, you saw an increase in your taxes this time, didn't you?

Bill Bosia: Yeah. It went up $24.

Mayor Coody: Okay. Well, they will continue to increase just like your taxes are increasing now. Nothing changes. The only thing that changes is they take the existing revenue stream that we've had for the last, I don't know, hundred years, whenever we started collecting property taxes, the tax increases, the rates, all the stuff that's been going on is maintained. Nothing changes. The only thing that changes is the revenue stream that is collected, instead of going to where it is going, now goes to the redevelopment of Mountain Inn, a portion of it, and over time a much greater portion goes to fix up all the infrastructure involved within the district streetscapes, sidewalks, water sewer lines, all that. So your taxes will do exactly the same thing with the TIF that they've been doing without the TIF. And the only people who can condemn property would be the City Council. So it wouldn't be any board to go out and randomly condemn anyone's land. It would be the City Council. And we haven't condemned any property in I don't how long.

Bill Bosia: Well, I mean, you know you guys sent this letter out and there's two names on it, Tim Conklin and Hugh and you can't get a hold of either one of them.

Mayor Coody: Have you tried calling me?

Bill Bosia. No. You get your secretary. She screens your calls.

Mayor Coody: I'm available.

Bill Bosia: You know. It was really frustrating; you know to try to call.

Mayor Coody: I'm available. Do you have any other questions for us?

Bill Bosia: No. Other than I don't want to be involved. I don't want my house in it. And I think you all need to think long and hard before this happens and not rush into it.

Mayor Coody: Okay. Alright, thank you very much. How are you, Al? Could you sign in please? That's just for the record. Any time we do a public hearing, we've got to get a record of the people who speak.

Al Vick: Sign in before I speak? Okay. Phone and all that, too?

Mayor Coody: Just name and address.

Al Vick: Okay, got it. You know, what frightens me more than anything else is when people get too much power. Okay? We're having too much of that in this country now, to the point where the people and the will of the people are being completely circumvented. Alright, I listened for fifty minutes to what Mr. Knok and Mr. Alexander had to say. They've certainly got their ducks in a row, okay? But they're wielding power over you, over my City Council, over our representatives. How are they doing that? Because they're saying this is the plan. We can make you all kinds of money, we can make Fayetteville so good again, okay, the downtown area which I'm not going to argue that maybe we don't need that. But you have to either accept this entire plan or the deal is off. That's power. Look at this. This isn't just the Mountain Inn. This is all up and down North College, you've got families and houses and people over there. They may have the best intentions in the world, people, but when you're giving this power, you're giving it to the office. They're talking about this going on for 25 years. These gentlemen may not even be involved anymore and whoever's involved could be totally unscrupulous. Whoever's sitting on the Council and as Mayor could be totally unscrupulous. What protection do we, the people have? And there's the eminent domain comes in. What protection do they have? Okay? I mean, I'm not naïve, you're probably very razzle dazzled already and considering all the annexations that we've had lately, God knows you need money to finance all this stuff and the infrastructure, okay? I mean, you know, let's just get real about it. What about the people that are living over in here? All of a sudden somebody with this power, partnership with the City, they could have Mr. Earnest or Mr. Conklin or somebody say, okay we're going to work with you. Every recommendation we want, this doesn't look good over here. Is it true that when they presented their case to the Chamber of Commerce at the Radisson that it was said, we don't want our upscale people looking into these neighborhoods? These are neighborhoods where people live and they work and you know what? They can't afford to have their places condemned. Where are you going to move them on the west side of town where the rents are $800 a month or more? What are you going to do with those people? That's why people are living inside the Mountain Inn. Because they're trying to get in from the cold and they're trying to get in from the rain because they've got nowhere else to go and the homeless shelter can't keep them at night and the Salvation Army doesn't have room for them. These are families that get uprooted, okay? I mean, there were a lot of considerations and things like TIF, its happening all over the country. I've read about this, okay? People are losing their homes and they're losing their property to this. Why? Because the power has been given, even if it is through partnerships, only a city can declare eminent domain, but that power is being given to small partnerships of people that can do and inflict these things on everybody else, all in the name of making things look better and prettier and more grandiose. I don't like it. If they want to redo the Mountain Inn, that's fine with me. No argument there, it needs to be done. Okay? I have some problems with it being with tax money, but if there's no other way it's going to work and it's an unsafe structure, okay go ahead and do it. But all the way up and down over here? No, I'm sorry. I don't like it. I don't like it. We're losing our democracy in this country. We're losing the voice of the people in this country. And it's because everybody has figured out how to get all of these legal little loopholes where basically public comment periods like this are just a necessary evil. But it sounds to me like it's basically done. I hope you all just think about this before we go and do all of it. Fix the Mountain Inn, sure no problem, alright, but think about the potential for neighborhood destruction and people and smaller businesses that can be forced out and can't go anywhere else. That's all I've got to say. Thank you.

Mayor Coody: Couple of quick things, Al. The map that you have is the one that was put together with the schools, the blue and the gold in there aren't part of the program. You understand that?

Al Vick: I understand that basically you're talking about the green areas. Yeah, and I was pointing to the green.

Mayor Coody: Alright, and this would not be any increase in taxes other than just what happens normally in daily life.

Al Vick: Well, it can as the past gentleman just brought out - it can potentially raise his property taxes.

Mayor Coody: Well, it would raise the property values.

Al Vick: I mean, because that's outside the City, the sphere of the City. So, you know, that's an entirely different governmental agency that handles that. So that is a concern, but I'm more concerned about eminent domain. Because the people that live in the south and the east side of the City, they can't afford to be bumped out of there. They really can't. Wages are going down in this country, okay. Prices are going up, housing is going up, wages are going down. What are you going to do with those people? And I really hope you all think about that before you go ahead and make any decision on this. Thanks.

Mayor Coody: Thank you. How are you tonight, Kathy?

Kathy MaGuire Bauman: How am I? Pretty good thank you. I'm Dr. Kathy McGuire Bauman of Fayetteville HOPE, Helping Our Public Education System. Strange though it may seem, we have a very large concern about the disadvantaged people who live around Jefferson School. Before I get into that, I want to just clarify a few things. I wish I could see more straightforward total honesty. I feel like there's a lot of hair splitting that goes on in the way that you define things and the developers that makes it very hard for the citizens to really know what is going on. So let me try to clarify what I understand to be at least a couple of things here. One is it's been said that the TIF is absolutely no different in terms of eminent domain. As I understand from reading FOIA materials, eminent domain in a TIF district is totally, absolutely and drastically different from eminent domain anywhere else. It's my understanding from reading the paper, the FOIA materials, that in general the City can only use eminent domain takeover in Arkansas for a very limited and specific list of infrastructure changes. Not just infrastructure changes in general, but a very specific list like roads, sewers, and maybe a few other things. In a TIF district, eminent domain gets on a totally new definition and I don't think this has been stressed, I think you've almost smoothed over it so people can't get it. It's a totally different definition of eminent domain. Eminent domain in a TIF district can be used simply to meet the requirements of the development plan. Not for roads, but to meet the image or the dream or the vision of the development plan. That's where you can say looking out from the beautiful vision of the conservatory on top of the Mountain Inn and looking into yucky old houses does not fit the development plan. Now you can say you're not going to do that. But legally, if you vote this in, you can do that. You can take over someone's home because it doesn't fit the vision of the development plan. That is a totally different definition. There was a recent *60 Minutes* program, or maybe it was made last year, it was recently on TV, *60 Minutes*, this is not the alternative lifestyle indy media, *60 Minutes* did a program on TIF zones. They described a situation where the mayor decided that a certain area of town would generate more tax revenue if it had multi-units, multi-occupancy units rather than single-family homes. And so, for the good of the city, he took it over. She, I think it was in that case, took over beautiful, immaculate, well-kept single-family homes in a whole well-respected area because for the vision of the city and the higher tax revenues, it was really better to have multi-use units there. So this is legally possible. And, you know, I'm not for taking people's word that they're not going to take your home away even if they legally can. I just think we should be totally honest with people so that people can make a decision, and not smooth over things and make it sound like; oh this is not a problem. Also, there is a question from reading the FOIA materials about whether we've clarified the City must own the property, then it's a question of when you try to sell it back to the developer, are you going to do that at fair market value or are you going to be doing that for a token payment. In the papers I read that I got from Kit Williams and others, Kit was arguing that you probably should pay fair market value when you turn it back over to the developers. I believe that the developer's lawyer was arguing that maybe just a token payment could be made. Let's be aware, folks. Again, are we just giving things away for token payments, what has to happen there? But my main thing is that I think the real issue here is not hardly being talked about. And the public hearing didn't even have a chance to address what is really, I think, behind this whole thing. Those of use who have been caring about Jefferson School and the neighborhood around that have figured out, or at least imagined from the beginning that the long term goal was to get those families, get that school out of there, get those families out of there so that you could gentrify and bring in upscale condos for the elderly who are moving back into the cities and like upscale condos so they can walk to the restaurants and the professionals, young professional couples or whoever who can afford to live there and maybe don't have children. This is what we put together in our little minds, that the City and the schools are working totally together, and I have to point out that when Mayor Coody says over and over, we have nothing to do with the location of Jefferson School, we have nothing to do with the school district, he has given his definition in an article called, "School Districts Dispels Myths". Press conference called by the City and the schools together to help us all understand that they have very little to do with each other. That's pretty funny to begin with. The mayor's definition of the schools and the city having anything to do with each other is that their budgets are separate. So this is what he defines. Our budgets are separate; therefore we could not possibly have any influence on where Jefferson School is being located. Well that is the biggest bologna I have ever heard in my entire life. That is bologna. Not that we've never heard about tit-for-tat, I'll scratch your back if you'll scratch mine, where no money has to change hands and you have tremendous influence. That is the kind of hairsplitting that I am really tired of. So the real issue, we've been looking, those of us who care about those poor neighborhoods around, those families around Jefferson School, we keep looking at the footprint. We keep looking and we keep saying, "Well, they're not going after them, yet. Well, those homes aren't in here. I guess, maybe this is going to be okay." I thought, when I came to this meeting tonight, I might not even have to speak because I'd kind of gotten used to this, I used the list of residents being affected, which I got through the FOIA, said you, know, this is really maybe okay. Walk in here and I see, oh this little blue area. This, the area we've been wondering about. These people did not receive letters, did they telling them to be there today. These are the residential people. These are the people who need to be here tonight. They're not even on there. Now, is this like, oh, the schools suddenly, all by themselves came up with this idea? No, you guys have been working together on this from the beginning and it's like, now you're going to accomplish it and the Mayor can say, "Oh, gosh, I didn't do that. The schools did that. It was the schools that wanted to add that." Bologna. And I am so upset that these people have not, not only gotten letters in the mail, but you need to Nock on their doors. You need to provide them with rides because they might not have cars and you need to provide them with childcare so they could ever come to your public meeting. And then you might have some kind of an honest appraisal of what should be done about this. So, for me, I – it might be okay, but the process by which you do things where you do not involve the citizens and you take steps constantly to pull the wool over their eyes, continues to infuriate me.

Mayor Coody: Thank you for your comments. Lisa, could I ask you another question, please? Did you have to ask for this expansion tonight?

Lisa Morstad: The school district did ask the City Council to consider adding this area to the TIF district. And this was the school district's proposal to the City Council.

Mayor Coody: Alright. Thank you very much.

Alderman Marr: I have a question. I want to come back to that blue section again. Wanting the infrastructure improved, which I'm assuming roads and sidewalks and things of that nature, if your plan is not to have Jefferson there, why do you want it in the TIF?

Lisa Morstad: Well, we think that it would improve the infrastructure to the property or offer that opportunity for improvement to that area and would give us a wider range of potential projects and/or opportunities to take place at the Jefferson location.

Mayor Coody: Any other questions for Lisa? Alright, thank you very much. How are you tonight?

David Larue: a Fayetteville resident. Yes, something needs to be done about the Mountain Inn. I think that's a given. I've rancor over whether how the project should be funded. And quite frankly, I don't really think that a lot of the concern about the zone is relevant. Just the fact that any beautification needs to be done at all is going to create a speculative frenzy. I mean, this area is already in a speculative frenzy as has every college town of 50,000 plus in this country, be it Austin, Texas, Lawrence, Kansas, anywhere else it is happening. It is definitely a gentrification plan make no mistake about it. Even if it's not the intention, it's going to happen just by default. You put in some pretty landscaping, a few cobblestones and all of a sudden the place becomes a beehive of activity. Tear down and rebuild oversized houses on large lots, if any houses at all. It's glaringly obvious what's at stake here. It's glaringly obvious. Classism is the new racism. It smacks of elitism to the core. No doubt about it. It is abundantly clear. All this talk of bringing in a better class of people to the neighborhood. Shirley, maybe you should talk to your friend about the feasibility of installing an incinerator in the neighborhood. It would be good for the environment. It would generate some tax revenue, anything for tax revenue in the neighborhood.

Mayor Coody: Thank you for your comments. Who else would like to address us tonight? Yes, sir. How are you? Come on up.

Dave Tackett: I'm an old timer. I'm Dave Tackett. I used to live down on Southwest Street back in the 40's.

Mayor Coody: You've seen a lot of change, haven't you?

Dave Tackett: I have a business at 400 N. College for 40 years. I appreciate the work of the Council members. I imagine the mayor is well paid, but I doubt if the other members are paid very much. You're work is appreciated. I know it's an onerous task. I have some questions about the financing. Beautiful, beautiful thing here. I was here, by the way, when all of these buildings were built. All the buildings that we see around Fayetteville, nearly, except some of the older homes, I've seen them go up. And I appreciate the work of individual entrepreneurs who have come in and built buildings, some of them federal, some state, some owned by the City. I have a question. I believe the Mountain Inn is now owned by the City, is that right?

Mayor Coody: No. It's owned by a woman out of Ohio.

Dave Tackett: Is that a private enterprise?

Mayor Coody: Yes.

Dave Tackett: Okay, so the proposed builders would also be a private enterprise?

Mayor Coody: Yes sir.

Dave Tackett: The proceeds, the profits would go to them I see. I have trouble distinguishing why we have a private enterprise with the profits going to the owners connected to 400 plus other landowners you see what I mean? Who, it may be several years before I, as a land owner out on North College, will receive any benefit from this project. Why are we trying to connect private ownership with City property, with tax money revenue from City taxes, from real estate taxes?

Kit Williams: I think the main thrust of Amendment 78, which allowed this, which was voted in by the citizens a few years back. I don't even know, I can't remember if I voted for it or not, but the main reason for that was to try to alleviate blight. And I think the Mountain Inn is a pretty good example of what blight is. And it's not only blight, but its danger because if, in fact, it should catch fire, it's, you know as you're aware it immediately adjoins other buildings and so it could endanger not only the Courts buildings but other buildings on up the square there. So one way or another, that blight has to be taken care of and it's probably the City's responsibility to take care of the blight and there's a couple of different ways to do it. One way is condemn it, use City money to demolish, get a lien on the property, but we'd never get our money back as you are aware. It'd cost a lot more.

Dave Tackett: Yeah, I think most people who have lived here are aware of the problem. It is a definite problem, but solving it is going to be something else.

Kit Williams: Yeah, so that's one solution. One possible solution is that the City Council could determine that it's a nuisance, it's a danger, it's a deteriorated building and it needs to be demolished and we would pay for the demolishment. We'd probably never get our money back because the land wouldn't be worth what it's going to cost us. The other way to do it is in this particular project where we would do the same thing, but instead of using general revenue from the City, we would use the tax increment financing in order to do the same thing and then at the end, when we had a clear spot that could be built on, we would sell it not at a token price, but at fair market value to the developers and then they would build this project. So that's kind of the two options really the City Council is looking at.

Dave Tackett: I had a question, on those projects; I just can't see the connection of how it's going to help these other land owners that much. I can visualize our taxes have gone up and I can visualize them going up more. The value of property is increasing in Northwest Arkansas in most areas about 12% per year, which is if my property is condemned by eminent domain and I look even if I get a fair market value for it one year, the next year I'm not going to receive any attrition on it. You see what I mean? Or my children and grandchildren will not have the benefit of the accumulated value of the property. So I can understand why many people are concerned about that phase of it.

Kit Williams: Let me talk just one second on eminent domain because you know, a lot of questions have been brought up on that. And it is true that under Amendment 78 and with the implementing legislation the City can do things with eminent domain that it could not in the past. In the past you could get parks and squares, roads, infrastructure for your sewer lines the City could do all of that through eminent domain. Now what Amendment 78 has allowed and what the new legislation has allowed is that you can now use eminent domain for the project plan, for the redevelopment project plan. Not because you think something down in the valley is not attractive, but if you need to build a structure on a particular site, then if you have to, you can use eminent domain to get the site. That doesn't mean that if there are good homes sitting out somewhere that we can tear them down and build new homes on it. I think that would be beyond the power of the TIF district and I don't think City Council would ever consider doing that anyway, but I think that's beyond the power of the law in Arkansas.

Dave Tackett: Right., okay. A great problem in 1960, when I opened up my business here, was parking. Come down to town and you couldn't get a parking place. So they put in parking meters and then you came out and you had a parking ticket. And that – that kind of hurt people and I wonder, are you planning for parking, any plans for parking in the future?

Kit Williams: I'm sure there are. In fact I see representatives of the downtown parking district which has built, as you are aware, many parking lots around the town and you are aware, one of the reason for the Town Center to be built was to increase the parking in its parking deck. This facility also has planned to have additional parking. And so there, I'm sure parking is always something that must be considered.

Dave Tackett: Over the years I've perceived that that was one of the main problems in the downtown Fayetteville area was the lack of parking. And that's why I was glad to see the downtown motor lodge go in because they had some parking; at least it took some cars off the street. I'm very concerned that it's a problem that's hard to solve. What do we do with all these automobiles? They just keep making them and everybody drives. Where do you put all these? Where do you put people, where do you put cars? That's something that I suspect you'll be working on for a long time. I appreciate your work.

Mayor Coody: I suspect you are right. It's an ongoing problem. Thank you for your comments Mr. Tackett. Yes, sir, how are you tonight?

Don Loftis: My name is Don Loftis. I'm a property owner at 17 E. Center St. My property joins the Mountain Inn and it would appear that I'm in the minority tonight because I'm totally for the TIF project. I have attended several meetings and I don't particularly see a down side. There's been a lot of comments and what have you on eminent domain and the eminent domain to me does not enter into this. The way I've got the description of their eminent domain was they put it in there to give you a description of what eminent domain is. And they didn't mention one time about condemning any property anywhere in this district. I think the eminent domain thing is got blown totally out of perspective. But anyway, I'll make it brief. I'm totally for the project. The alternative is as you can see right there, my property joins the Mountain Inn on one corner basically; just a few feet separate us. On nights and weekends, I'm afraid to answer the telephone because I'm afraid it's the fire department telling me the Mountain Inn's afire. And there has been a fire there and we were fortunate that it put itself out and didn't burn. So as a property owner there, I would encourage the City Council to give this very serious consideration and in my opinion I think it should pass.

Mayor Coody: Thank you, Mr. Loftis. Anyone else like to address us tonight? How are you, Tim.

Tim Klinger: Mr. Mayor and aldermen. My name is Tim Klinger and it's really a pleasure to speak after Dave Tackett and Don Loftis, both of whom I have a great deal of respect for. I know Dave's been here for more than 60 years and I've been here for more than half that time. I think this is the first time that I've seen this design and it is fantastic. I couldn't be happier for the proposers and the designers. It's just a true gem of style and historic character. My wife and I own property across the street from the Mountain Inn in the old Washington County Jail in a building south of it. My question has to do with the actual financing. Will there actually be a check that is written from the City to the developers to assist in the work?

Kit Williams: I don't think so. Of course, we're still talking about exactly how this would work out. I would be concerned about doing that. I don't think the City ought to be part of the project. What I would like to see happen is that the City acquire the property, prepare the property for construction and then sell the property at its fair market value. Now that means after everything that's needed to be done and demolition and other site work, we won't get the money back. And that money that we don't receive back I mean when you sell it, you won't sell it for as much money as the TIF district has invested in it. That'll be what the TIF bonds will have to cover is the difference between the fair market value and all the costs the City will have to acquire the property and prepare it for development. I can say that's not final yet either. We're still negotiating and talking back and forth.

Tim Klinger: Well, I guess just one question I have. Is there any provision for example if there are funds that are funneled to the project, public funds that are funneled to the project or public benefit in the form of demolition and so on, and the project is successful. Let's say it costs $30 million and everything goes just as perfect as everybody wants it to go and the project sold for $50 million in five years, is there any provision to recoup any of the benefit that is provided on the public side to the private investors? Would there be any provision to if for example the property is immediately sold for a profit?

Kit Williams: Well, as you are aware, there is a constitutional provision saying we can't really invest with a private entity, lend our credit or anything like that. I don't see any provision that would allow that. I don't know how that would be able to be worked into it. And if we attempted to do that, we might actually be in violation of that constitutional provision to keep us from being a member of some investment group, kind of. I think the only thing the City really can do is get rid of the blight and get rid of the danger that the Mountain Inn is right now and then it's up to the private developers to build the project and see if they can make it a success.

Tim Klinger: And getting rid of the blight, is that the $3 million number that has been thrown around?

Mayor Coody: No.

Tim Klinger: Okay. What is the $3 million contribution?

Mayor Coody: Basically, the way that it has been described, and correct me if I've misunderstood this John, let's just say we start the day and the tax is frozen where it is today and all the new growth in taxes that is naturally occurring with time, that increment goes toward the project. Every year that would probably grow a little bit as our property taxes continue to grow. That increment every year would go toward the beginning of the payment for a $3 million investment in that property to where at the end of say, four, five, six years, if that increment is $300,000 a year that would pay for a $3 million note. So anything above that $300,000 a year then would go back into the infrastructure, streetscape, sidewalks, water, sewer, etc. Is that right? Alright, but one thing I want to go back to something Kit said, that I don't want to see the City have any out-of-pocket expenses out of the general fund in this project. I know we're still talking about how to make this work, but maybe there's the possibility that, we have some economic development funds, maybe there's a way we could – just like we talked about earlier. I don't want to see the public have any general fund monies in this project.

Kit Williams: Well, that's the whole design, is that it would not have any general fund money - that it would all be paid by the tax increment financing bond.

Mayor Coody: Okay, good. That's the part that makes me more comfortable.

Kit Williams: I don't know if I indicated that it was going to be City money, then that was a mistake. It would be the money that we would get from the tax increment financing bond that would be used to acquire and demolish the property.

Alderman Thiel: So the City would get reimbursed before the developer started getting funding toward building the project?

Richard Alexander: The City would never have any money in it.

Alderman Thiel: Well, no. Kit has already said that the City would have to buy the project.

Kit Williams: It would be using tax increment financing.

Mayor Coody: Richard, I might get you to, if there's somebody watching this at home so they can hear you, I might get you to step up to the microphone. Tim.

Alderman Thiel: We need to take the advice of the City Attorney. And so I was asking….

Richard Alexander: Our proposal is no City money. No City taxes, no City money. The City establishes the district; the City establishes the project. The developer goes out and finds a party to buy the bonds, which will be repaid from County revenues that would otherwise not go to the City. That bond then finances the project, buys the project, the project is given to the City if Kit believes that is what is necessary to comply with the statute, the buildings are acquired and tore down and then the developer comes back in and reacquires it from the City, but at no time does the City use its own money. I mean that's the beauty of the project. The beauty of it is no money from the City, no City tax dollars. The only tax dollars that are otherwise generated by the County, which would not be spent by the City now gets to go to a project of the City's liking. So the State has specifically given the City an opportunity to take money from the County and spend it on a City project. That's what they are doing up in Rogers. The City of Rogers will never spend a dime on that I-540 corridor.

Alderman Lucas: Then the first 3 million from the increments would go to pay for the bonds?

Richard Alexander: The first 3 million that (inaudible) you would sell the bond, the bond would have a monthly amount to service it, tax increases up to the point that you're servicing that debt would go to service that debt and then any increases thereafter would go to the other portion of the College Avenue redevelopment. So, again, the City never puts up a dime, never spends a dime, there's no City taxes, there's no funds.

Mayor Coody: Tim, does that answer your question at all?

Tim Klinger: Well, I think I'm more confused now than I was before because I think what Kit says was that we were prohibited from investing in projects, in essence and you said we were going to be writing a check for $300,000.

Mayor Coody: No, no, no. That would be the property tax collected, that's the property tax increments. That's not the City writing a check.

Tim Klinger: So the County's writing a check? Is somebody writing a check?

Richard Alexander: The monies come from the bond issue or a financial note as the State statute says. The money is monitized; the stream of income comes over a number of years. Those are coming from the increase in property tax, but not a new tax. The City doesn't write a check. The County doesn't write a check. It is simply the normal tax collection process that has always been going on continues to be going on. However, the difference is as Lisa was here earlier saying about what they normally receive from the collection, they still receive their amount because it is equalized by the State, however all the amount is earmarked as I've put in the presentation of 20 plus mils, that is then reallocated, it's simply a reallocation to service the note of the bonds.

Mayor Coody: It goes through the Tax Assessor/Collector.

Richard Alexander: Absolutely. There is no check written from the City. There is no check written from the County.

Mayor Coody: The Tax Assessor/Collector, they are the ones that disburse funds to the…

Richard Alexander: Kit, would you agree with that?

Kit Williams: To some extent I would. Obviously when the TIF bonds are sold, this is a City TIF project. This will be a redevelopment project approved by the City Council and the City Council will then use the tax increment bond money that we receive from selling the bonds to complete the project. So that is City money, even though it didn't come from our general revenue, it came from selling bonds on taxes we normally can't collect anyway. So that way it looks real good for the City because we're using funds we don't usually get in order to finance this. However, I do think that since it comes through the City, it has the same constitutional controls on how it can be spent. And the tax increment financing legislation tells you what you can spend it for and the State Constitution tells you that if you own property then you have to sell it at fair market value for adequate consideration. I think we can work it all out. As it was explained here, I'm not disputing what Mr. Alexander said, he's saying it in a different way than I'm saying it. It's not any of our general fund revenue. That is all safe. That's over to the side. We're not using it. It's all new money from the tax increment funding bond issue.

Richard Alexander: That would otherwise not be there. That would not otherwise be there would it not be for the TIF district.

Kit Williams: That's right.

Alderman Jordan: So we're basically floating a bond with other people's money and in six and seven years, we'd pay off the bond and then we'd begin to make money.

Kit Williams: No, I think at six or seven years you reach enough of a bond payment to service their debt. The bonds will not be paid off.

Alderman Jordan: What does service their debt mean?

Kit Williams: That means at the first few years, there won't be enough of a tax increment difference to pay the interest and pay the bonds. Not until seven years will that amount be large enough that you can adequately pay the bonds. At that point in time, you can either pay off the bonds quickly or you can try to do other projects.

Alderman Jordan: Right.

Mayor Coody: How are you tonight, Ed? Did you sign in?

Ed Knight: Yes, I did. My name's Ed Knight and I do own some property along Archibald Yell. Some people would call that a blighted area, including my restaurant at the old B&B, now currently called Penguin Ed's Barbeque. The *Democrat* at one point called it ramshackle charm. It's probably blighted. I find myself being in a very confusing position of agreeing with almost everyone who's come to this lectern tonight, including the people who spoke passionately about some of the people who live there now and perhaps this movement to move them out in favor of higher incomes and people with greater means. I had intended, in and around the barbeque restaurant, I'm sure you're all familiar with that to build some housing, either attached or not attached. I had intended to move there as part of my commitment to being in that neighborhood. I tried to support the Jefferson School over the years. I thought that was a worthwhile cause. I am a little bit like you, not understanding why that area would be included in an area they're vacating. That really makes no sense to me. That being said, the property values in that area, of which I've been a recent beneficiary, have gone up in the last six months alone by my reckoning at least 20 to 30%. I'm not sure for that exact reason, but I can assure you that I keep an eye on everything that's sold down there and what its value is and what it gets sold for. And clearly, everything is gone up a bunch. I'd like the Council to consider this notion. I want to know if there's any way TIF money or some commitment could be put into helping create affordable housing in that area. Maybe that goes contrary to our capitalist system. Could some TIF money be used to create housing that would help support people of lower incomes?

Mayor Coody: I think that it can. Can it not?

Kit Williams: It probably can. I haven't really studied that. It does say in the General Amendment 78 for the purposes that this money can be done, it says, "The term redevelopment project means an undertaking for eliminating or preventing the development or spread of slums or blighted, deteriorated or deteriorating areas." So I think under that scenario, probably you could in fact, use some funds for that but I don't want that to be the last word. I haven't studied that issue like I've been studying the Mountain Inn issue.

Ed Knight: I would encourage some kind of further discussion in that area and try to be sensitive to the people who have actually lived down there and worked down there for many years. I'm relatively new to that area. I purchased the restaurant from the Bassett's about six years ago. As I said, I intended to move there and to build not only my house but some additional housing there with the notion of trying to keep it affordable. But, that notion is kind of slipping away. The property values are coming up and it just – it seems to me that we could possibly consider doing something just like that. I don't know the mechanics of that but I'd like to. I know they're up against some time restraints in availing themselves of some monies. I don't know what those deadlines are; I don't know how much money is involved in that. If there is any way of getting some more public comment and exploring that issue I could call you independently to ask if that could be done, how it could be done and I'd really like to see that explored. The second issue I want to ask you Mayor and the Council, do we have a promise of any kind or any kind of word that eminent domain will not be used to usurp some of these other properties down there, mine and others along Archibald Yell? Is there any promise that that won't happen?

Mayor Coody: I think I can speak for the Council. I will speak just for myself, though. The reason that I think – and disagree with me if there is anyone who disagrees with this idea; the reason that we're considering this TIF district at all is to repair to rebuild that Mountain Inn into something that will be a jewel for the downtown instead of an eyesore, to revitalize the core of our downtown area to more reflect what the Dover Kohl Downtown Master Plan presented for us as a possibility as a vision for the downtown. We've got a lot of hotels here in town that are not A grade hotels. A lot of people come to Northwest Arkansas that only want to stay in A grade hotels. They all go up to Rogers. We're missing a real economic boom for our downtown area. The idea for the whole time has been to revitalize the core downtown area of Fayetteville, which the Mountain Inn is like a huge anchor and it's holding us back and we've got to do something about it.

Ed Knight: I'm personally not opposed to the project. I think it's a gorgeous looking structure as it's drawn right there. I'm sure it would be a blessing to the downtown area. I'd just like to see some more things included along with this. In other words, is the TIF district designated to create just enough money to support this project and this project alone? I know money goes to the school.

Mayor Coody: Well no, the $3 million that we talk about goes to the project itself – the Mountain Inn. But after, we're going to say between four and seven years, depending on how things go, everything above that note, what it takes to service that debt would go into infrastructure, which would be streetscaping, sidewalks, signalization, road improvements, the city infrastructure for the – all the work within the dark green area right there – sidewalks, streets, you name it, landscaping…

Ed Knight: Is there a prioritized list of what exactly those things would be…

Mayor Coody: Not yet.

Ed Knight: If not, when is that? When would that be forthcoming so people would know and set their sights on that.

Mayor Coody: There are two things we have to go through to make this real. One is to do what we are doing tonight which is to consider the formation of a TIF district and set the boundaries. After those two things have been done, which is what we'll do tonight, then the next meeting we have is to solidify a plan and in that plan are those things that you are now talking about. Its two separate steps that we have to go through and the second step is the one you're talking about right now. And it's a meeting just like this one.

Ed Knight: Okay, that's good. I would just like to see a sensitivity to all the people that live there. I really would like to see that in a real way. Thank you.

Mayor Coody. Yes. And we agree with that assessment. Thanks, Ed. Anyone else want to address us tonight?

Ron Woodruff: Mr. Mayor and members of the City Council. I did come in late; however I would have been sitting less than two blocks away, watching my television. I appreciate very much the notice that I received and an opportunity to come and to now address you concerning this project. And I also appreciate the service you make to the city and to the citizens by doing it on television also. I suspect there's a lot of people that sit at home and watch this and maybe are moved to perhaps come down here as I did. I come in support of the project. I come particularly after hearing my neighbor Don Loftis come forward. I do have an ownership interest in commercial property on Center Street. One of the reasons I'm in favor of this because the whole area is going to be blighted if we don't do something now. And if this project is not given the support of the City and with the developers we have here, if we don't do something now, this whole area's going to go down. You can go down Center Street now within a block of where this hotel is and there are four or five or six buildings that are now empty. Some of them have been empty for several years. A.D. McAllister's law office is right there. The one next to the alley there, I think Lynn Wade owns those buildings, they're both essentially empty. Hoffbrau's now closed. Santa Fe's out of business there now. 40 East Center Street on the corner there, owned by Tom Pearson or his family trust, that building is now empty. Bronson building's been empty for what, more than a year now. I have empty spaces; I suspect Mr. Loftis does for rent. The whole area is in need of help. And that's just the center and just the core. We'll have to suffer through the construction more than anybody, we will suffer through that, there's no question about that. But when this project's done and when we have something there that people are going to come back downtown, this whole area's going to develop and the private people are then going to want to put their money in it. We're going to have renters. We're going to have people who are going to hire folks and they're going to pay their taxes, both property taxes and income taxes and everything else that helps us. So I think this project is a tremendous project, it's a tremendous opportunity and we need to take advantage of it.

Mayor Coody: Thank you, sir. Anyone else like to address us? Hello Rob, we might get you to sign in please.

Rob Sharp: My name's Rob Sharp. I'd like to talk, rather than specifics about this project, just talk in general about TIF districts. I spend a lot of time at these meetings and at Planning Commission meetings and I spend a lot of time reading the Unified Development Code. Fayetteville spends a lot of time talking about quality development – how can we encourage quality development and there are really two ways to do it. Historically, we've used the stick. We've put a big book out that says what you can't do. It involves everything from grading and drainage to tree preservations to signs to commercial design standards. We then hire a staff to enforce all these rules, all that costs a lot of money. It's one way that we encourage quality development and I certainly support that effort. There are other ways to encourage quality development and one of those ways is to look for public/private partnerships, try to identify projects that are a benefit to the public at large. In other areas of the country they've used this tax increment finance to good effect. They've taken old shopping malls that have become defunct and turned them into living neighborhoods. They've taken neighborhoods where the infrastructure is broken down and they've redeveloped streets and sidewalks and sewer. We're really lucky in Fayetteville that we've got a downtown to preserve. It may not be headed in the right direction in all ways, but it needs the attention and the imagination of private developers. It needs the attention and imagination of the City Council and it needs everyone working together. I would just encourage you to look at a way of doing a project that has not only a stick but also a carrot. That there's a way that we can not just condemn things and tear things down and take property from people but also to encourage the kind of things we want to see. So it's just – I think in general Fayetteville needs to look at not just prohibiting certain development types but encouraging the kind of things they want.

Mayor Coody: Thank you very much. Hey Jim.

Jim Bemis: I hoped I wouldn't have to speak tonight, but there's one item that I read that Mr. Williams wrote back in May called, "Determining the Borders of a Redevelopment District," and I want to read you the first paragraph because I don't think we've touched on these yet and I don't think we've talked about your legal reservations on the extent of what is now drawn. You did say the major issue in the public hearing will be the proper boundaries for the redevelopment district and I think we've seen that discussion tonight. We haven't heard your reservations, I guess I'd call them, Kit, that you expressed on extending the district beyond, much beyond Center, College, and over to the Federal building. In other words the footprint would remain much around the Mountain Inn. If anybody builds the Mountain Inn I want it to be Mr. Alexander. I think he does beautiful work. I think that's a beautiful structure. My concern is on the extent of the district. I hope you all have read this, it's in your packet and very well put. Thank you.

Kit Williams: Thank you, Jim. I want to just tell you a little bit more. The reason that I could support a district that would be this size would have to be that it would have more than the Mountain Inn as an improvement. The statute requires that the real property within the redevelopment district will be benefited by the project. So the issue is if you only do the Mountain Inn, are you actually benefiting that entire area from Maple Street down to Sixth Street? I'm not sure if you are. Therefore, in order to encompass this entire district there must be infrastructure improvements, be it only sidewalks or whatever, that would certainly benefit every piece of property in this redevelopment project and I think that's going to be the plan. So it's not only College Avenue but it's probably on this side of the square also, because as you see, the redevelopment district goes all the way down beyond the City Hall. And so I think that it would be much better from our perspective as City Council to make sure that the capital improvements that are planned in the future will include this, all areas within this redevelopment district so that we are sure that every property is going to be benefited by what you are going to do with this redevelopment plan.

Jim Bemis: Thank you. I would just have you read what Kit has already written; the reservations on, the way I read it, the legal reservations he has for extending it beyond Center as I see it, and beyond the Federal Building and a little bit on the other side of College and then up the alley behind the bank. That's the original footprint as I understood it and I think that's what Mr. Woodruff said, I agree, I think that property would be included, just talking about the original footprint. Thank you.

Alderman Marr: Kit, while we wait for the mayor to come back, I have a question that it seems you have a public hearing on the boundary. And then you have your step two, I guess, your hearings on the plan.

Kit Williams: Well actually after this particular hearing, then we go into reading the ordinance and at that point, as you are aware, the ordinance has as an attachment - this map and of course the map is subject to any kind of amendment the City Council would want to make.

Alderman Marr: Right, but I guess when I think about making decisions on the proper boundary; you're taking into account what, to some degree what you expect the plan to be which is what's difficult. I hear people come up to the podium tonight to talk about attainable housing as an option or whether College Avenue is the right place to spend the $7.2 million or whether it's a different project or whether it's the Mountain Inn project. And so, when you're looking at this boundary, you almost have to have some idea of what you think the plan is going to be and whether the boundary is encompassing that. Otherwise, if it were only the Mountain Inn, I think is where your memo came in to – the fact that College is on it now as a infrastructure redevelopment is why the boundary is back to, I guess, the original map that we were presented. Like a citizen, if I'm sitting at home watching this, I can't look at them independently. I can't look at them and say I want to establish the boundary. I'll come back and talk about what we're going to do later, because what we are going to do later determines how comfortable I get with what the boundary is going to be.

Kit Williams: I think, obviously, you have to have some idea of the plan before you're ever going to do a district, because there has to be some reason that you're going to form a district, and so you have to have some idea. And of course the principle one we know of is the blight for the Mountain Inn and Courts Buildings, they're both fairly blighted. But then again, if you're looking at what the borders are, then I would ask that the City Council really commit themselves to ensure that you follow the statute, which says that the property must be benefited by the redevelopment plan and therefore that you would commit yourselves to wherever yourselves to wherever you would draw the boundaries to ensure that infrastructure improvements are going to be near, if not adjoining virtually all the property within the district. Which doesn't mean that you spend all your money on College and Archibald Yell and the Mountain Inn when there is land all the way down to Locust Street, I guess down there, and without anything close to it. I think you have to have infrastructure improvements throughout your district in order to ensure that all the property is in fact benefited.

Mayor Coody: Bob, are you finished speaking yet? If you're going to speak, come on up to the microphone, Richard, if you're going to speak.

Richard Alexander: The point about the initial plan, you know, we initially discussed the Mountain Inn, but the plan is two parts and I think you have a plan in place. One is the plan that the developers are going to propose specifically as to the Mountain Inn and the redevelopment of that project. Part two of the plan is the Dover Kohl master plan. And that's a plan where, I mean, I'm a little bit – you hear the debate here tonight – I attended multiple charettes with hundreds of citizens and they were almost unanimous in what they wanted the plan to be. And the plan was to address the blight that is College Avenue and the Mountain Inn. And so I think you have a plan. You might not have the detail, how wide is the sidewalk or where exactly are we going to put the light poles, but the plan is the redevelopment of the Mountain Inn and redevelopment of College Avenue. That is – that was the process of hundreds of hours of meetings. So, there's a big start….

Alderman Marr: Richard, I don't disagree with you. My comments are, when we – we're looking at two maps in front of us tonight we've had a map that's been proposed as the original TIF district and then we have what the school board has asked us to look at. When I'm making a decision on what boundary I'm more comfortable with, I can tell you I'm less comfortable with the newly shaded areas as a result of what I think the plan is going to be because I don't think that's applicable to it.

Richard Alexander: Yes. And here was our dilemma. We weren't entirely enthusiastic about at the last minute proposing a new plan. But, when you establish the district, assuming there will be excess funds above and beyond debt service to the Mountain Inn, whatever that is, you have two dilemmas. You have to establish the plan, but your biggest dilemma is you may only in the future spend excess monies and that includes monies you didn't count on getting because property values went up way faster than anybody thought and that increment went up way faster. You may only spend those monies on the district. When we were talking with the school district about how comfortable they felt with we thought the big bugaboo about the plan would be to convince the school district that they weren't negatively affected. It turns out they are not negatively affected. In fact they may be positively affected. They asked us the question, well if you can only spend improvement monies in the district, would you consider expanding the district. We said I don't want to do that; we're having a big enough battle as it is. So, I couldn't figure a reason to say no, we wouldn't suggest that to you. That's a suggestion. The suggestion is if you are comfortable with the plan, the redevelopment of College Avenue, and you see that as a City Council you might want to include some infrastructure in and around Jefferson School or some infrastructure in and around Washington Elementary School, then in order to spend that money at a later date, it has to be within the plan. The State Legislature has given the City an opportunity to spend money it currently does not enjoy for whatever purpose it deems fit. But you may only spend it within the district. That's the dilemma. So, am I comfortable about expanding the plan? No, I understand the confusion, but we also didn't feel comfortable in telling school system no, we wouldn't ask you to consider it. It's your decision whether to expand it. The only reason it was considered is because if you want to spend money in 2015 that you didn't currently know you were getting because assessments went up any faster, then you must spend it within the district that you have approved. So you're kind of hamstrung. You have to make a decision ahead of time. Here's where I can spend it.

I don't know how much it will be or what I will completely spend it on, but I have to make that decision ahead of time. And I hope that answers your question. That's why the district was initially proposed, because we wanted to be able to spend money on the Dover Kohl master plan from one end of College to the other, in the master plan area. The blue area is an addition for you to consider in the event that at some point we had money, you would have already made the step that would have allowed you to spend that money in that district. Does that make sense?

Bob Kohler: Real quickly, I'd like to make a point that I've been thinking about during this dialogue. One of the things that came up with me is that, you know, if conventional financing would have done the trick, it would have done it already. The current owner has had several years to put this deal together – and it's going to take some alternative ideas, some alternative funding and financing to do this. That's on the private side and the public side as well. You know, there's this alternative financing for the future on the public side as well, funding which may not have been available otherwise. So, I just wanted to bring that point up. And, I want to applaud these guys for sort of paving the way for that. You know, there's opportunities for other TIF districts in town. And so, this will set the process to go through that. And so we sort of have a longer range beyond just this TIF to think about that. But, I'm just thinking this is going to get it off of dead center. If we want a new look to downtown and a new crown jewel, it's going to take some alternative thinking, some alternative financing to get this done.

Mayor Coody: Thanks Bob. Hey Jeffrey.

Jeff Erf: Hi. My name's Jeff Erf., 2711 Woodcliff Rd. A quick question, I guess. I'm interested in knowing if there's any idea of knowing what the projected amount of taxes that will be collected in the TIF district over the period however long it is we're talking about.

Mayor Coody: The total tax or just the increment?

Jeff Erf: The increment. What the total amount of money that would become available to the TIF district.

Alderman Thiel: 10.2 is the conservative estimate.

Mayor Coody: $10.2 million would be a conservative estimate.

Jeff Erf: Okay, 10.2.

Alderman Thiel: Twenty-five years, yes.

Jeff Erf: Okay. Who's not getting that money? Who is not receiving that money?

Mayor Coody: Where's that money diverted from exactly, John?

Jeff Erf: I'd rather hear from someone who's paid.

Kit Williams: It's obviously the taxing entities that would have received it, assuming that that same tax increment would happen without this project. And I think that's one of the beauties of a TIF project is that in fact you are creating new revenue, you're creating new value. However, if there was no TIF district and if property taxes went up anyway, that money would be going to the regular people that receive millage, which include the County…

Jeff Erf: Do you have any idea what percentage? Let's say if there's ten million…

Kit Williams: No, I don't know what the percentage is. The schools would get most of it because they have the most millage that is affected by the TIF. The City at this point doesn't really have any millage except for our pension plans, and that's less than 1 mil. The city library receives one mil.

Jeff Erf: So then is the State making up the difference then for the school district?

Kit Williams: You'd have to ask the school district that.

Jeff Erf: Okay, the money's coming from somewhere if it's not coming from the millage.

Kit Williams: I don't know how the school-financing bill works. That's not for me to know. It's for the school district to know.

Jeff Erf: Okay. Then I guess thank you for that information. And I guess, one other thing you had mentioned, this is, directed to the City Attorney. You had mentioned that the City was looking at two options. I think everyone agrees that the Mountain Inn – something needs to be done. Second option is condemning the property, razing it and putting a lien on the property and then, I guess when it's sold then the City will get that money back. Do you have any numbers for that?

Kit Williams: I would assume, just like if we did it through the TIF district, that the city would suffer a loss on that. I think the costs…what?

Jeff Erf: Have you done an appraisal? Has there been an appraisal done or…

Kit Williams: Not that I'm aware of, but if the developers are anticipating an approximately $3 million investment by the TIF district into acquiring the property, demolishing it, getting it ready for development and then selling it to them, if that's going to be $3 million loss to the TIF district, then I would assume it would be the same $3 million loss to the City in general revenues if we had to do it. Also, and it might be very difficult to find a buyer. Right now, we have a buyer, if everything works out, a buyer that not only will buy it but build a 20 plus million dollar hotel on the project.

Jeff Erf: So the City couldn't just condemn it?

Mayor Coody: Yeah, let me. I think I know where you're going. John, let me ask you some questions here because I bet you've done homework on this. If you might step up to the microphone, I think we might be able to answer Jeff's question. If we were to buy the purchase price on the building right now is roughly how much?

John Knok: It's over a million dollars.

Mayor Coody: Over a million dollars. And then to demolish the building, have you done numbers on that?

John Knok: It depends because there are some environmental issues in that old building – the range is anywhere from four hundred to six hundred thousand dollars. That is an in-bid number. In other words, if you go out and have someone just bid that separately, it's going to be a higher dollar amount than, the contractor is going to come in and build the project is going to include that into their total price.

Mayor Coody: So let's just say a million for the building and half a million for tearing it down. We'd have a million and a half …

John Knok: That doesn't include the parking deck okay? Revitalization of the parking structure, because it only has on a good day if you're all driving Yugo's, 96 parking spaces.

Mayor Coody: That would not be a good day.

John Knok: Right, Yugos, okay, so you really only get about 70 usable spaces. Our additional spaces, we're talking about at least doubling that count. That's another minimum of $600, 000 to $750,000 depending on the load count for the parking deck.

Mayor Coody: But I think I've got the answer to Jeff's question. Let's just focus on the building itself right now and ignore the parking deck. If we had a million and a half dollars and purchasing the building and tearing it down and we would have essentially a million and a half dollars in a vacant lot with a footprint of the Mountain Inn. So, if we were to put a million and a half dollar lien on that piece of property, no one I don't know of anybody that would buy that piece of property for a million and a half dollars.

Jeff Erf: You're saying the City has to buy property before it condemns it?

Kit Williams: That's what you do when you condemn it, basically. You're taking their property. Now you wouldn't necessarily have to pay their asking price. It might be just the price that it's actually ….

Jeff Erf: The City would have it appraised like it normally…

Kit Williams: You could do one of two different things. We could just condemn the building and just take the building down. They would still own the land then.

Jeff Erf: My point being, let's not just focus on one option. The one that's being presented by the developers…

Mayor Coody: Sure.

Jeff Erf: Consider that option and perhaps there's even a third or fourth option out there. Let's not just take the first thing that comes before you. That's all. Thank you very much for your time.

Mayor Coody: That's a good point well taken Jeff. Thanks. Anyone else want to address us tonight?

John Knok: I'd like to take a quick opportunity again to thank you for the opportunity to talk. And also, I think it is important to clarify a couple of points. I will be brief. It's been a long meeting. But I think there's a couple of things that are just beyond the ballpark beyond left field that I think need to be addressed. Everyone's entitled to their opinion, but I think there's a couple of points that just need to be pointed out. First of all, the but-for provision that was spoken of before, if there's some ideas that we're floating out there with hundreds of millions of dollars as private developers throw at projects that are economically unviable, that's erroneous. You don't pick projects because they are a neat idea. You do them because there is economic viability to it. And this project, without the economic incentive provided both through the new market tax credits and through the provision of a TIF, then the but-for will not be met, we will not do the project. The other question about power of eminent domain; it is still being considered by members of the community as something that we're considering as a proposal to the City Council to adopt some sort of eminent domain in this process. Light of day will show that there is nothing in our proposal whatsoever to consider eminent domain. The next thing that I just need to correct; a clarification about there has to be $3 million collected in the TIF and applied to the Mountain Inn before any dollars would go to other infrastructure. That's not correct. It's actually numbers required to cover debt service, which is approximately $275,000 under the most recent scenario. There is also this issue about class warfare. I didn't realize that we were going get into that type of scenario. This idea is simply to remove blight and hopefully will have a positive impact upon the City of Fayetteville and it will be an economic generator for the developer. Developments are typically not done for free. But they are certainly done when they make sense and that's why this project has not been done before. The other issue about somehow lacing someone's pocket, the idea with TIFs is all around the country have been to remove blight and also promote economic viability. Not just blight as spoken of in the statute, but it's the ability to bring it economically. And then, a much larger issue, if I might address this or maybe I shouldn't say it, there's been some connections of connecting dots here in the community with some individuals referring to the idea that there are conspiracy theories or back room dealings being dealt with. I most recently, last Thursday, was told of one that I was involved in. Unfortunately the other person that I was involved in I'd never met before. Conspiracy theories are great to think about but often enough, I'm not smart enough to consider them. And I think anyone is available at any time as a member of the development team to call me, both members of the City Council or the public. I'm open at any time. I'll talk about any points of discussion as relates to this project and I'll be as straightforward as I possibly can. If the facts don't speak loud enough, I don't have anything else to say. I would also say that it's not a legal loophole. This a provision set up by the State constitution. I would also say that the opportunity is timely. I would say this in conclusion, it's been a two and half-year process; for those that say to slow down, we've been working on this for several years. We've not started this process in a week and said let's bring this to the City Council. Also, it was just recently the State statute allowed, not the TIF statute, but allowed it actually to be workable. Especially so it did not damage the largest recipient of the taxes currently, which is the school district. Of the 50 plus mils, 45 go to the school and so that was a main concern. The idea of including them in the TIF plan was something that they promoted and pointed out to us and I quite frankly think it's a good idea. I believe neighborhood schools, I've said it before on the record and I'll say it again I think neighborhood schools are good for cities and all neighborhoods. I would like to see something; my son goes to Washington. I would like to see the access points created there. If it doesn't work well in this district, we understand. But we would promote that as a consideration item. The last thing is that in looking at this it's great to have a public dialogue. But I think that it's very important to remember this is a hearing. We should come and listen to one another. Reason with one another. If the concerns are valid, they're great. If they're ones that are being generated that are unfactual or that are perhaps not quite on track, it's our opportunity to educate one another. There are many things that I have learned throughout this process and there will be yet things I will learn through this process. I would just support the idea to those in the community that may be watching tonight or those that read the paper, let's get all the facts, look at all the pictures and see and then we make the decision. If this is the right thing to do as a public private partnership, then that decision can be made. But I don't think it can be based upon pure emotion or reading one memo or looking at one item in time or one moment in time, it has to be a complete process. I thank you for the opportunity to present this tonight.

Mayor Coody: Thank you, Mr. Knok.

Alderman Thiel: Mayor, I would like to point out something. There were some members of the audience out there that live in this area that we have not heard from yet and I just want to make sure that if they are not getting up simply because there has been a lot of repetitious people or people coming up, I hope they contact me individually because I am concerned about your concerns about this, whether or not you're for it or not. So I do hope you contact me individually since you aren't going to get up and speak probably.

Kathy MaGuire Bauman: I would love them to get up and speak. I assume that if the developers can repeatedly come up that some other people … I'll just take a moment…

Mayor Coody: Kathy, go ahead.

Kathy MaGuire Bauman: I'm Dr. Kathy McGuire Bauman. I found, really I don't have that much issue with – I'm not sure the Knok's are the center of the conspiracy if there is one. However, I found Mr. Knok's last statement completely insulting to the intelligence and the time and energy that citizens have put in. Both myself and Linda and many others made points from our reading of FOIA and other documents that had not been clearly made by other people. I found it extremely insulting to imply that the citizens were not capable of understanding the big picture enough to have input. I think that was really a mistake.

Mayor Coody: Thank you.

John Nock: There's one thing I wanted to say with respect to one of the questions that was raised early on was whether or not that's blight. I think if you look at the definition of blight in the dictionary, they got that picture next to it. This project I would compare to what happened at Carnall Hall. In addition to the TIF monies, what's important for the City Council to know is, in addition to the TIF monies there are significant other monies by way of new market, Federal new market tax credits, monies that will be available to this project that would not be available but for the doing of the project, the TIF district. We have an investor in place that is willing to come in and put up $22 million if the TIF district is established and if we can secure new market tax credits. And the reason is, just like at Carnall Hall, Carnall Hall was an $8 million project. You would not spend $8 million for a 50-room hotel and a restaurant. What you would spend is the $3.6 million that the private investors put up to make that project work. In addition to those $3.6 million, $1.2 million worth of Federal tax credits were brought to the project, $2.1 million of ANCRC grant money was brought to the project and $2.3 million of University money was brought to the project. University determined that $2.3 million was a nifty amount to spend for an $8 million building that they ultimately got to keep. They got an $8 million building for $2.3 million. The investors determined that $3.6 million was what the debt can service so that was the debt that they were willing to put up. This project will not service $22 million. It will service about half that. One of the things we've been working on is securing the new market tax credits. The new market tax credits allocation came out just this year. Over the last two years we have worked with a CDE, Community Development Enterprise in Little Rock who specifically submitted this project for an allocation. They were awarded an allocation for this project and other projects. We convinced that CDE to spend all of their allocation on this project, the practical effect of which is to bring $5 million in equity to this project. That allocation expires if not used in December. As a practical matter, the CDE that wants to give us the allocation would need to know something firm before then because otherwise they will look for another project to spend their allocation, which will expire if not used. It was a similar situation with Carnall Hall. The ANCR grant of $2.1 million had to be spent within the first six months of coming to agreement with the University to do the project. We're under a similar deadline here. Again, for the City to consider that you could get a $22 million project with approximately half of the money with State – other incentives plus new market and TIF, that is no obligation to the City, goes to create and hundred to a hundred and twenty five room jobs, the HMR taxes that will be generated, the sales taxes that are generated, the revenue, the jobs that will be generated for the people that live down the hill in the part of town that we want to protect, the people that are going to be working in that hotel are going to be living downtown. They're going to be working for that hotel. That's going to be their job. Those monies evaporate if not spent, so we have a time crunch. We could debate this forever. The real question is if you like what we've got, do nothing. Do nothing, and let me just say, walk around the area, the store fronts are abandoned, the restaurants are out of business. I own land adjacent to that, I own as much land downtown as anybody. I'm telling you, this project is good for the City. Its money that the City gets to spend that otherwise is not there. The Legislature has given you a gift. Rogers is going to take advantage of that gift and do hundreds of millions of dollars worth of infrastructure at no cost to the city because they're going to do a TIF district the length of I-540 and the school district is perfectly happy with it. So this won't last forever. I think it's important; mostly from our perspective after two years of it, we just want an answer. We've got other projects. But this is an important one for the City and it's free money to the City. And it will generate way more in revenues, taxes, jobs and income than what you've got there now. Thank you.

Alderman Thiel: I don't suppose we're really going to debate this tonight because tomorrow night we'll read the ordinance for the first time, but I would like to throw something out that …

Mayor Coody: Thursday night we'll read it for the first time.

Alderman Thiel: I would like to throw something out that might be considered before the ordinance reading. It seems like business owners support this district and this project. I support this project; I mean I think it definitely needs to happen. What concerns me are the residential areas that are included in this district. They are concerned about the increase in their property taxes, which will happen and while their property value will also go up, a lot of these people aren't necessarily interested in selling their residences. It's all they can afford but they are concerned about the increase in property taxes. That's always been the debate about the TIF project. That was the debate in the legislature whenever this was being hammered out there. They are also concerned about eminent domain, and while I don't think this Council has that as an intention at all, there are future councils and that might consider for some reason, you know, taking some property. I don't know, of course, they're compensated for the value of the property and by that time it will have increased in value, but they might not want to move. So, I can understand their concerns about that. That's why I'm concerned about the residential area. Personally, I would rather see this area narrowed down, but I know you have to provide revenue generated by the current map and that's all been calculated. If this were narrowed down, I would like to see it go all the way down to Cato Springs Road because then we would be working toward fulfilling our #5, A Revitalized South Fayetteville. I think we're all concerned about the area around Genesis improving and I know that the City Attorney has pointed out that the area has to be close – the TIF area needs to be within an area of the improvement. We're talking about improvements on Archibald Yell and those improvements could go all the way down. In other words there is one improvement, but there are more. I don't understand why it has to be right by the Mountain Inn if we are suggesting improvements down Archibald – infrastructure improvements down Archibald Yell. My biggest concern with this is the residential areas that are almost all in Ward 1 and the citizens that have contacted me that are concerned about this. I wish there was some way that we could reconsider another configuration, but I guess that's not the process. I guess the process - we will consider this because this is the map that we are looking at and the ordinance that we are going to be discussing Thursday night.

Kit Williams: Well, this will be the map that we'll be discussing Thursday night, but it is the City Council who decides what the border will be. And so, if you or any of the City Council members wish to amend the borders, you may certainly do that. You are the decision-making, policymaking body of the City, not the developers, not the staff, no one but the City Council. So it's certainly within your power to look at these borders, keeping in mind the proposed project and how much resources must be there in order to make this project work.

Alderman Thiel: Right. That's why I say the areas that we would take out we would add back if we went, narrowed the corridor down and went farther south.

John Nock: For our part, we wouldn't have any objection to that. I mean this was just a proposal. In fact we tried to draw this map originally to not include very many residential areas.

Mayor Coody: All right. Just to point out once again, you were mentioning the residential areas within the area that the green area that has been designated for consideration. If just to restate, just being in this tax increment district doesn't mean that property taxes would go up any more than they would if they were on the other side of the street, outside the district. But the benefit to the folks being in the district is that there would be money available to do infrastructure on their sidewalks and streets that we wouldn't have available to us if they weren't in the district. So, it could be misread that being in the district means that your taxes are going to go up. That's not necessarily true. It won't go up any faster than it would if you were outside the district.

Alderman Jordan: Well, after hearing all this tonight and it's been very informative. I was getting somewhat comfortable with the original plan. I guess the questions I would like to ask this – letters were all sent out to this original green map?

Mayor Coody: Yes.

Alderman Jordan: Now, this blue section that has been added, has there been any letters sent out?

Mayor Coody: No, this is the first time I've seen this tonight. No public input on that.

Alderman Jordan: Okay. Personally I don't like this and I'll tell you why because I like to hear a lot of public comment and I think that people should have a say in if we're talking about including them into the border of this. Without letters being sent out to these people, there would be no way I would support that blue zone at all until I hear from the people in that area and letters have been sent out.

Mayor Coody: Well, let me add this, if the school district wanted to come back another time and ask us to form another TIF district and go through the process over again, with this more fully thought out, that is an option. But I too don't think this…I agree.

Alderman Jordan: I mean, because some of the biggest contentious remarks that I've heard tonight has been because of that blue zone.

Richard Alexander: Lioneld, that again, the developers were letting you know what the school district requested. That was just something we were giving the Council to consider. If you don't like it, that's fine.

Alderman Jordan: I don't like it, Richard. I mean, maybe later – maybe later but not now.

Richard Alexander: We didn't want to tell the school district; no we won't even just tell them.

Alderman Jordan: I understand. I understand, but until I get some more on that, I won't be in support of that.

Mayor Coody: Sure, understandable.

Alderman Jordan: So, that's about all I have to say.

Mayor Coody: Swifty.

Alderman Reynolds: Yeah Mr. Mayor, thank you. The area in blue that the school district put in there I don't understand it. Jefferson School is moving. Those people down there have been hit with a big hammer. I don't think they need this and I will not support the blue area at all. In fact I'd like to see you take the green area all the way down School Street to the airport. We got a lot of areas in South Fayetteville along 71B that needs lots of help. And that would make our entrance to Fayetteville look great all the way up to the hotel. So that's what I would support if I'm going to support TIF at all. Thank you.

Hugh Earnest: Mr. Mayor, if I may. It's very late and we're all tired but there has been the beginning of conversations with individuals from the University of Arkansas and Genesis about exactly what several aldermen have talked about, which is a different TIF. If you want to expand it, that's fine. But we have had the beginnings of conversations. As I think someone has said, we're all beginning a process. This is our first process.

There will be, in my humble opinion additional opportunities for TIFs to service specific areas where we have particular problems to address. I totally agree with the comments you have made Mrs. Thiel that this is an area we ought to focus on. Those conversations have started.

Mayor Coody: What that would allow us to do is have different plans for different TIF areas, if we had different TIF areas, more specifically suited to them.

Alderman Marr: A couple of comments. One is that I'm not interested in expanding this boundary at all, because I think part of the research that I'm able to get my hands around are that the larger this boundary gets, the more complicated it gets to manage. And I think when we're talking about our first attempt; we need to keep it manageable. I also think when we're using what I have felt has been the largest public process that I've been involved with at the City, with the downtown master study, and the charettes and the number of people involved with it, that we have good foundation for what we'd conceptually talked about. That being the Mountain Inn as a place keeper, identified in the plan, and College Avenue from Archibald Yell to Maple. If I remember right, of the nineteen groups that presented their own table drawings, all nineteen had College Avenue from Archibald Yell to Maple Street on their plan. So I feel comfortable with that boundary. I'm not interested at all in the blue area. I may be a little more interested in the yellow area, because I think we still have a school there and it makes some sense to me. In eminent domain, I mean, what I would say to citizens is that I believe that this Council has communicated our intent not to support eminent domain to be used in the ways that it has been wrong and I saw the same program that Dr. Bowman saw and was horrified. I thought the first thing they should do is somebody should run against that mayor. So I think the best way to ensure that protection is longer term is to reelect the council that's sitting up here telling you that they don't support that. The third part of it is I like the Mountain Inn project. The part I don't like about the Rogers overlay is I think that they are misusing TIF. I think they're using Greenfield developments to do something that the law was not intended for, and I think that we have an example to show how to use it successfully, the right way. And that this is the right project. I do believe that we have to work harder in a fast growing region to do private/public partnerships because I think that that's the only way we're going to be able to long term finance the kinds of things that are coming before us, because we can't do it individually and the private developer can't do it all. So, I think there's been some great feedback tonight. I agreed with the residential concerns. I know that when this was first talked about I had people from Washington Avenue and the historic district concerned that we were going to be jumping over to a historic street and what would happen with those. And so I certainly recognize the issues that the Ward 1 aldermen are faced with. Because, as you look at this, this is really in Ward 1 and Ward 2 and Ward 2, we're looking that it's primarily business areas of our ward and primarily residential in Ward 1. And I think the more we limit it to narrow that down to the better we are. Conceptually, I like the project and I think it does allow us to begin to implement something from our downtown study.

Mayor Coody: If you're going to speak, Richard, you're going to have to come to the microphone, if you must speak.

Richard Alexander: I must speak. It's the developer's proposal just so it's clear – that the green area is what we're proposing. We were asked by the school district to let you look at that. You can do with that whatever you want.

Alderman Marr: I think you can tell from most of us tonight that we're not interested.

Richard Alexander: That's why I wanted to stand up and make clear that it's the developer's proposal.

Mayor Coody: Yes, that's been made clear. Yes, ma'am?

Alderman Thiel: The person that has contacted me that was here tonight that is concerned about his property being in it is not in the blue area. He is in the green area. And unless that area is taken out, I cannot support this. I may be contacted by some more people that live in these little jog outs that are residential on the south side of Archibald Yell.

Richard Alexander: And we can except it's up to the Council if you want to except out every residence. I think though that you will find that some of the residents, certainly the ones that I own, I want in there. So I think that it would be certainly appropriate for the City Council to go, we're redrawing the border, I'm taking this guy out if they don't want this, its okay with us. It's only to spend that money in that district.

Mayor Coody: Anyone else on the Council have anything? Yes, ma'am?

Alderman Lucas: Well, I just wanted to say that I like the concept but I was concerned at first, actually I was thinking of maybe making two or three TIF districts, but I understand now after hearing tonight that we need to make a larger area in order to service the bonds. I learned some new language tonight. I thought we should stick to the downtown square like Archibald to Maple but we have needs on South School to really do some work down there. And so I would support going to Cato Springs Road or even further. I think the residents, if they don't want to be in, I'm not in favor of the blue area, and like Don said, I'm not in favor of eminent domain at all, forget that. We're not going to take anyone's homes or anything. But, I do like the project. It looks good. And I'd be happy to see the Mountain Inn like that.

Mayor Coody: Hello, Joe.

Joe Alexander: Hello, Dan Coody. I would like to make a suggestion here. Joe Alexander's my name. Okay, it sounds like this is a big issue of public concern, in which case it sounds like it would be a good idea to me to bring in the public much more on the decisions. There's a general election coming up in November, just a few months away. Why not put it on the ballot and get the people to vote on it.

Mayor Coody: Thank you very much. And so it sounds like there are two prevailing schools of thought here. One is that people generally like the original plan, with the idea of either extending it on down to Cato Springs or the airport or some way further south to the Genesis building. That we have that option or we have the option of forming a second TIF district, that would be more specific to that area and with a plan more well designed to what those needs would be down there. That would be my preference. Get what we have here, what we're been working with, get this one done, take this step, get this behind us and then look carefully at what we would need to do beyond here instead of trying to cobble on something that we haven't studied for quite awhile.

Alderman Thiel: I just want to urge the people of Ward 1 to contact either Swifty or I if they have some concerns about their residences being in this and we'll discuss it with them and if they are still committed, we'll try to get them excluded at least, well probably not the first reading but whenever, Thursday will be the first reading of this ordinance.

Mayor Coody: So, when would we accept the boundaries and the need for the...

Kit Williams: Well, the boundaries don't become final until the ordinance is finally passed by the City Council creating the district and designating the boundaries. So they can certainly amend the boundaries all the way up to the passage of the ordinance, assuming it is passed.

Mayor Coody: Okay. Is there any other further public comment on this item before us? Is there any other comment from the City Council? There's no other business for us to do tonight, is there?

Kit Williams: No. We just have to adjourn and remind everybody that we're going to have a Special Meeting on Thursday.

Mayor Coody: We are going to have a Special Council meeting on Thursday. We will read this TIF ordinance for the first time.

Meeting Adjourned at 9:15 pm

Sondra E. Smith

Sondra Smith, City Clerk/Treasurer