

**CITY OF COLUMBIA  
WORK SESSION MINUTES  
SEPTEMBER 9, 2009 – 8:00AM  
CITY HALL - 1737 MAIN STREET**



The Columbia City Council met for a Work Session on Wednesday, September 09, 2009 on the second floor of City Hall, 1737 Main Street. The Honorable Mayor Robert D. Coble called the meeting to order at 8:12 a.m. The following members of Council were present: The Honorable E.W. Cromartie, II, The Honorable Sam Davis, The Honorable Tameika Isaac Devine, The Honorable Daniel J. Rickenmann and The Honorable Belinda F. Gergel. The Honorable Kirkman Finlay III arrived at 8:30 a.m. Also present were Mr. Steven A. Gantt, Interim City Manager and Ms. Erika D. Salley, City Clerk.

**CITY COUNCIL DISCUSSION / ACTION**

1. Columbia Renaissance Redevelopment District Plan – The Honorable E.W. Cromartie, II, The Honorable Sam Davis and The Honorable Tameika Isaac Devine

Councilor Devine invited Mr. Dan McLeod, Esq. to explain the legal process of having a redevelopment plan.

Mr. Dan McLeod, Esq. explained that the Resolution that was to be considered today was to set the public hearing date, prescribing the form of notice of public hearing and prescribing the notice to the taxing districts has been delayed until next week.

Councilor Rickenmann said that he needs to understand the procedures. He stated that they voted to approve the study area, but the boundaries have changes since then. We are supposed to present the redevelopment plan for public consideration before we vote to approve the area, because all of the affected tax payers, businesses and residents have a right to understand what the plan is. I don't understand.

Mr. Dan McLeod, Esq. said that the first step is the designation of the redevelopment project area; that's the geographic boundaries, which has to be in the plan. The plan is then approved by ordinance by City Council. The geographic boundaries are part of the redevelopment plan; the redevelopment plan is sent to the taxing districts 45-days before the public hearing; and they can comment on the redevelopment plan. The public is given notice of the public hearing and they are entitled to comment on the plan at that time, but it's your plan that you are formulating. We, along with City staff have been working with COG representatives in developing the redevelopment plan to ensure that it incorporates the requirements of the tax increment statute. It is an evolving process.

Councilor Gergel asked what is currently being worked on.

Mr. Dan McLeod, Esq. said revisions to the redevelopment plan; it is still a work in progress.

Mr. Tony Lawton, Director of Community Development explained that there have been questions about the total assessed value of the project area and we've updated that information. The financing piece in chapter 5 now contains more data from a numbers standpoint. We provided assessments for 2004 and 2008 and we are waiting for more information from Richland County. We have provided a comparison of the area. We should have the data by Friday and we hope to have the document completed no later than Monday.

Mr. Dan McLeod, Esq. referred to a letter he drafted on September 9, 2009, which outlines the requirements of the statute that must be in the redevelopment plan and some of those were omitted from earlier drafts, but have been included now. On September 16, 2009, City Council will adopt a Resolution that orders the public hearing, sets the public hearing date, prescribes the form of the notice and provides for the notice to the taxing districts.

Councilor Rickenmann said that the way he reads the Resolution, it commits us to authorizing up to \$40 million worth of TIF and we're not close to that. We can't vote on this.

Councilor Devine asked if the Resolution has to say what the financing will be. She clarified that there must be a vote on any TIF bonds issued.

Mr. Dan McLeod, Esq. clarified that the redevelopment plan must set forth the nature and term of any bonds to be issued. The redevelopment plan would state that the City would issue bonds in whatever dollar amount Council decides on and any bonds that are subsequently issued would have to come back before City Council and approved by Ordinance.

Councilor Rickenmann said that it also locks in the boundaries and we haven't held a public hearing to get input on that. Also, we haven't been provided the numbers on the long-term effect. We are running a deficit and we have to understand how we will service the area.

Councilor Cromartie stated that the assessed value of all of the property from North Main Street to Millwood Avenue has been static. The property from Sumter Street to the river has escalated in value and has carried the City of Columbia. The east part of this City has simply remained static for years, because there has not been huge economic development in that area. The Innovista property has the highest value and it will result in the highest tax base for the City of Columbia.

Mayor Coble asked if it is possible for all of the taxing authorities to agree that some portion of the increment would be rebated to the taxing authority.

Mr. Dan McLeod, Esq. explained that the statute contemplates that after the Ordinance has been adopted to approve the plan; the County Auditor has certified what the assessed value is; you have to issue a bond to get the increment; and the growth can only be used for redevelopment project costs as outlined in the plan and debt service on bonds. The City would have to use their increment for those two items; debt service or redevelopment project costs. The statute has been amended and the taxing district, which is primarily the County and School District, has consent rights, which allows them to say that the City can have a portion of their increment and the remaining increment would be free for them to use as they please, but I don't know if the City can do that. We will be glad to research that.

Mayor Coble said that the issue is the fact that the Innovista has been added and that has lead to people questioning whether stuff for North Columbia would go to the Innovista and vice versa. Is it possible to have separation to the extent that you could have two TIFs or two districts within two TIFs so that monies are separated.

Mr. Dan McLeod, Esq. said that the easiest approach would be to have one (1) plan, but two (2) distinct districts. As the plan is written now, the district is one, but it is Council's decision as to what is a redevelopment project area. We had a conference call on yesterday with the Midlands Business Leadership Group and their preference would be to have two (2) districts. We asked them to send their request in writing. It boils down to the Innovista wanting some percentage of the overall TIF bond monies or increment. They talked about

receiving 60% of the bonds and 60% of the increment, but that is a legislative decision for the Council. The easiest thing for the lawyers is having two (2) separate districts, but there are hurdles when you are talking about whether or not the Innovista meets the statutory requirement. It would be a burden for the COG and City staff to redraft the plan for two (2) districts.

Councilor Cromartie said that under the present law, the Innovista area doesn't meet the requirements of blight. It would be problematic, unless it is linked as one (1) district.

Councilor Davis said that where we are now in terms of the plan is no different than what occurred with the original TIF. The bottom line is to deal with identifiable blight. This will be a problem for me and the people who are really expecting benefits from this. We would be bringing in an area that doesn't meet the criteria, but would be receiving a substantial portion of the revenue.

Councilor Devine explained that in December they approved the original plan; in January Mr. Cromartie and I started going to the Waterfront Redevelopment District meetings that you all appointed us to; and we met with County and USC representatives to talk about Innovista and that plan. At the very first meeting, it came out there was going to be a request for a TIF for development for Innovista. I shared with them that we had already been going down the path of looking at a redevelopment plan to include potentially a TIF for these areas and that because of where we were if they wanted us to consider a TIF for that, it might be easier in these discussions to include that. We never told them that City Council would definitely do a TIF for Innovista, but we met on a monthly basis to discuss Innovista and what could happen. We asked staff to start including the Innovista Plan that was done by Sasaki in their plan for the redevelopment plan and they put it in there as one. In the very beginning, there was some apprehension from the Waterfront Development District on sharing a TIF and they never really articulated why. Two months ago, there became a huge concern of a Robin Hood feeling in light of articles in various media outlets. There was a huge concern that we would use the increment from the Innovista to develop other areas of the City and they would not get a fair share of the increment. We told them that that was never the intention and the reason we included it was to help them move their project along, because they hadn't gotten much farther. There was a serious concern on their part so I asked Dan and Michael to speak with their attorneys to see how we could address those concerns without making any promises. I would suggest that we separate the redevelopment districts.

Councilor Gergel asked why they were moving so fast.

Councilor Devine explained that if this is not done now, it will be another year before we can collect the increment. Another year would potentially kill some of the projects that are ready to go.

Mr. Dan McLeod, Esq. explained that assessed value of the redevelopment project area is based on January 1<sup>st</sup> or December 31<sup>st</sup> and the increment changes. It's the assessed value of each individual parcel within the redevelopment project area. The increment is the increase of the assessed value on each parcel. The only way the City can get the increment is to issue bonds. Until the bonds are issued, the increment is still available for general municipal purposes.

Councilor Finlay said that if none of these projects have broken ground we can't increase the tax value until a permit is pulled. None of the projects will be completed in the next three (3) months.

Councilor Gergel asked if they would be better advised to take the sentiments behind this redevelopment plan and break into a project by project redevelopment initiative. I agree that we have blighted areas that we must address. We could do much smaller TIFs as needed. Mr. Dan McLeod, Esq. said that their experience has been to try to envision the public improvements within the redevelopment project area that City Council needs to invest money in, make decisions on to alleviate the blighted conditions. It would seem to me that it's far easier to do it as a comprehensive plan as opposed to specific individual plans.

Councilor Gergel suggested that they would be better served to start with the North Main Street corridor instead of two-thirds of the City.

Councilor Davis said that even in North Columbia, there is a portion of residents that say that we are doing everything down on North Main by Eau Claire. Everybody has a need and that is the purpose of a comprehensive plan. The other parts of the City that are encapsulated in this plan were not included in the Vista plan. We have widespread blight, because somebody chose not to include them. This is our one opportunity to take advantage of widespread concerns for addressing parts of this City that have been neglected.

Mr. Dan McLeod, Esq. said that Council has to decide which areas are and are not in the district. The process is cumbersome, but it's required by law. To do a comprehensive plan on the areas the Council deem as necessary to start with and then putting in the public projects that will be done to stimulate growth and alleviate blight is best handled in a single plan in my opinion as opposed to multiple smaller plans.

Councilor Rickenmann asked if a non-rated TIF would be viable in today's market.

Mr. Brent Robertson, Financial Advisor / Merchant Capital said that it depends on how long the TIF has been in place or how much history do we have to show what the incremental growth has been and how much you are looking to borrow. It is an option for a small financing component. In today's market it would mean a couple million dollars. Let's assume that there's no track record, it's all speculative, it's all based on what the projections are going forward, to be able to place a bond without any sort of backstop, it's going to need to be a private placement meaning a local bank, investor or group of investors. The bigger you get, the harder it's going to be without a backstop. If you come out of the gate looking to do a sizeable bond with no history, there has to be an existing source of revenue that demonstrates adequate coverage for any obligations that are already being paid out of that source of revenue and any new obligations you're looking to add on. If you start with a very small funding component, you might find a local investor who would buy that. Establishing the TIF area and creating the potential for you to go in and draw the baseline doesn't immediately create a concern, but as soon as you create that funding by issuing bonds, it's going to raise questions from any investor or rating analyst. They will want to see the impact of that. It is a little bit of an overstatement to say that it will have absolutely no impact on your General Fund.

Councilor Finlay said that if we intend to jump start development, we will have to spend the increment or issue bonds. If we're going to hold back, then we won't have any money to start development. It is fair to assume that we are going to be either in the bond issuing business or using that full increment to pay for project costs.

Mr. Dan McLeod, Esq. clarified that you must issue a bond, but the amount is not specified.

Councilor Finlay said that the Vista TIF would not have happened without the work that was done in the late 1970's and early 1980's to get the railroad tracks underground and that took

ten (10) years. There was no recognition of the Vista as a viable form until the mid 1990's. That project area was 400 acres and it took 20 years. The TIF that worked for Columbia was very long in scale, it took a long time to reach critical mass and it was very focused in comparison to this TIF. It appears that we are approaching it in a very different way this time.

Mr. Dan McLeod, Esq. said that the original Congaree Vista Plan was approved in 1986; it was primarily for parks and streetscaping. In 1994, it was amended to allow for the plaza at the Columbia Museum of Art and it was amended again in the late 1990's and 2001 for EdVenture, the Convention Center and the Three Rivers Greenway.

Councilor Davis noted that the initial projects changed and the plan evolved as different developers came in. He said that they communicated with the County and the School District since day one. One of the safeguards is that the three entities will have to make a decision as to which projects are viable. We will look at other resources such as Community Development Block Grants and Empowerment Zone funds to enhance what we want to do.

Mr. Brent Robertson, Financial Advisor / Merchant Capital said that it's a double-edge sword; they like to see that you are not just riding in one horse like TIF bonding, but at the same time, some of the funding components included in this plan are not city driven funding components. The City of Columbia will need to backstop anything they are selling. This is based on the past performance of the City's TIF, but also in my review of current releases from the rating agencies and discussions with individual credit analysts.

Councilor Davis stated that this is recruitment. We have the North Columbia Master Plan and the East Central Master Plan as our vision. This TIF is not the only vision for this area; it's an investment. People are waiting to see us put our money where our mouth is. The same thing has to happen on Two Notch Road, Farrow Road, Monticello Road and Fairfield Road. We are doing the due diligence to make this happen. The plan is first and foremost and we have enough time to answer and deal with the financial questions.

Councilor Rickenmann sought clarification on the pay-as-you-go process. If we issue any form of TIF bonding, can we use anything that's left over to pay-as you go from that point, if everybody agrees.

Mr. Dan McLeod, Esq. said that's correct as long as the pay-as-you-go projects were described in the plan. We are talking about redevelopment projects; publicly owned and publicly funded projects, not private projects.

Mayor Coble asked what happens if a project isn't listed in the plan.

Mr. Dan McLeod, Esq. stated that if a redevelopment project is not in the plan as adopted, you have to go back through the process.

Councilor Finlay said that even when a TIF is done properly, there was an impact on the backend. He added that when it's not done correctly, there's a big penalty to bear.

Councilor Gergel inquired about the projects listed in the plan.

Councilor Devine explained that the projects in the plan are vague, because we don't have control over them. We can discuss those in executive session. This is a long range plan and we need flexibility in that.

Councilor Gergel asked Mr. Robertson to explain the impact on the General Fund budget.

Mr. Brent Robertson, Financial Advisor / Merchant Capital explained that by creating the redevelopment area, if you don't issue bonds or you don't trigger that baseline to be drawn, everything operates the way it normally would. If and when you issue bonds and you establish your base assessment; all of the incremental growth goes to pay off bonds and any remaining funds might flow back to the taxing district. From an investor standpoint, I only have the increment to pay me back. In the absence of any history, you need to show me another revenue stream. If for some reason, things don't work out as plan, I still need to be paid back at the end of the day. From a General Fund standpoint, it's really a function of how much you are borrowing and where you are backstopping it. A credit analyst will look at the fact that you've frozen base assessment; this is what you have to rely upon to continue generating taxes to provide services. Is this area producing enough money to carry itself; to cover all of the essential services that are in that area? Show me the projects that will be coming online as far as business licenses and any other source of revenue that can go back into the General Fund to help pay for the increase in services that will naturally occur as the area grows, prospers and redevelops. The bigger your bond is out there, the bigger the stress is on an existing cash flow stream and the more concern I will have a credit analyst.

Mayor Coble said that we have to assume that the Water and Sewer Fund will backstop this as it did in the 2001 TIF. In 2001, you could definitively show a history of collections that clearly produced more money and there were no national or local credit issues or a recession. The issue then, was what to do with the surplus, which was used to pay the bond off earlier.

Councilor Rickenmann agreed with Mayor Coble, noting that the City is the only entity on the hook for this whole deal and that's why it's so important to understand all of the numbers.

Councilor Gergel asked what is happening in the TIF market today.

Mr. Brent Robertson, Financial Advisor / Merchant Capital explained that in a lot of instances, tax allocation districts and tax increment financing districts are increasingly becoming the only option that a lot of entities have, because they don't have an existing revenue stream coming in. It is attractive to think about how the economy will take off in the next couple of years; it's all speculative; and we want to be able to capture that growth going in. That's the vision shared by elected officials from a practical standpoint. It doesn't matter how great the plan is. It doesn't matter how much research has gone into it. There is no history there to back it up and if you're an investor and someone is asking you to put a substantial amount of money into buying their bonds, you will extract a huge rate of return or you will have to backstop it with something that's already there. In the past, you backstopped it with the Water and Sewer Fund.

Councilor Gergel asked if TIF bonds are selling across the country now.

Mr. Brent Robertson, Financial Advisor / Merchant Capital said yes; if they have a backstop in place. Very seldom do you see a standalone TIF without history in place. If the history is in place, you must have nice revenue streams in terms of history and you will get a lower rating on that transaction with a higher cost of funds resulting in less efficiency in leveraging your revenue stream; you can borrow less.

Councilor Finlay said that we in essence will be holding all of the contingent liability in our water and sewer system.

Mr. Brent Robertson, Financial Advisor / Merchant Capital said yes, if there is no other backstop.

Councilor Finlay asked what would happen if the other jurisdictions default on the payments.

Mr. Dan McLeod, Esq. explained that if the taxing districts do not object prior to or during the public hearing then they are deemed to have consented to the use of their increment for the term of the plan.

Councilor Finlay asked if the taxing districts could default.

Mr. Dan McLeod, Esq. replied no; once the special tax allocation fund is created, the County Treasurer is required to deposit the increment of the taxing districts into that fund. The way the law is now written, those taxing districts can opt out. The increment is determined on a parcel by parcel basis. If and when the City issues bonds, the increment is pledged and if that's insufficient, the City has to repay the shortfall from the water and sewer system.

Councilor Finlay stated that we generate 28% of the projected revenue, but we are accepting 100% of the contingent risks.

Councilor Gergel asked Mr. Robertson to assess the risk on a \$40 million bond.

Mr. Brent Robertson, Financial Advisor / Merchant Capital said that he would structure it the same way as they did the last TIF deal in 2001 and I would need a water and sewer backstop on it. It is a very sizable bond on a TIF with no track record behind it. Without that history, \$40 million represents 20% of what your CIP is, going forward. We should expect there to be some concerns.

Councilor Gergel reiterated that the smaller the bond the less risk.

Councilor Rickenmann said that there are \$11 million in soft costs, which must be bonded. We have to carve this up in a different way. Let's start with something achievable and more forward.

Councilor Devine agreed that they would immediately go out for some kind of bonds. We all recognize that this is a big plan. There are several financing tools available that sunset at the end of next year. Could we use Build America Bonds to finance the project and then use the increment to pay the debt service?

Mr. Brent Robertson, Financial Advisor / Merchant Capital added that different types of funding mechanisms have been created under the Stimulus Act and among those is the creation of new types of bonds. He said that Build America Bonds is the financing of what could otherwise be financed on a tax exempt basis, with a taxable bond. You either get a subsidy from the federal government or a tax credit extended to the ultimate buyer and that pass that cost savings on to you. That's great in terms of mechanics and yes they do sunset, but at the end of the day, it doesn't resolve the fundamental question; what's the revenue source you are going to pay it back from; do you have any history? If not, what are you going to back stop it with? Having new types of bonds doesn't answer the question of where are you going to pay it back.

Councilor Devine said that we can implore those types of bonds under the big umbrella of a TIF.

Mr. Brent Robertson, Financial Advisor / Merchant Capital said that the Build America Bond doesn't fit anything; it's another way of accessing investors.

Councilor Devine said that the plan needs to clarify the types of bonds that can be used

versus new funding.

Councilor Davis said those aren't new, but they are resources that we've never used. He inquired about the Publix Project and how it was started.

A follow-up discussion is scheduled for Tuesday, September 15, 2009 at 8:30 a.m.

- **Council recessed at 10:40 a.m.**
  
- **Council reconvened at 11:07 a.m.**

Councilor Gergel asked if we have a set of TIF guidelines that we generally go by.

### **AUDIT COMMITTEE**

2. Timeline for Audit Process / Outline of Steps in Audit Process – Mr. Bud Addison, Senior Manager for Webster Rogers LLP – *This item was deferred.*
3. External / Internal Auditor Report – Ms. Jackie Breland, External Auditor for Jackie Breland & Associates – *This item was deferred.*
4. Treasurer's Report - Jeff Palen, Treasurer – *This item was deferred.*

### **CITY COUNCIL DISCUSSION / ACTION**

5. Holiday Pay Policy – Mr. Steven Gantt, Interim City Manager – *This item was deferred.*
6. GovQA Citizens Response System – Mr. Michael A. King, Assistant City Manager for Public Safety – *This item was deferred.*
7. Nixel Community Notification / Information System – Mr. Michael A. King, Assistant City Manager for Public Safety – *This item was deferred.*
8. Council is asked to approve a Professional Services Contract for Lobbying Services, as requested by the Office of Governmental Affairs. Award to McLeod Butler Communications, LLC in the monthly amount of \$1,491.00 for a total annual amount of \$17,892.00. This firm is located in Columbia, SC. *Funding Source: 1011103-638300 – This item was deferred.*
9. Council is asked to approve a Professional Services Contract for Lobbying Services, as requested by the Office of Governmental Affairs. Award to The Grant Group, Inc. in the monthly amount of \$1,491.00 for a total annual amount of \$17,892.00. This firm is located in Columbia, SC. *Funding Source: 1011103-638300 – This item was deferred.*
10. Council is asked to approve a Professional Services Contract for Lobbying Services, as requested by the Office of Governmental Affairs. Award to the State Capitol Group, LLC in the monthly amount of \$2,982.00 for a total annual amount of \$35,784.00. This firm is located in Columbia, SC. *Funding Source: 1011103-638300 – This item was deferred.*

11. Council is asked to approve a funding agreement between TN Development, Inc. and the City of Columbia for funding in the amount \$1,038,350, which money shall be used to pay the costs of demolishing Blighted Structures located in those portions of the City or Richland County identified by U.S. Postal Service Zip Codes 29203, 29204, and 29205 at no cost to the property owner. The agreement is to be in a form and terms approved by the City Attorney. - *Approved*

Upon a motion by Mr. Rickenmann and seconded by Ms. Devine, Council voted unanimously to approve a funding agreement between the TN Development, Inc. and the City of Columbia for funding in the amount \$1,038,350, which shall be used to pay the costs of demolishing blighted structures located in those portions of the City of Columbia or Richland County identified by U.S. Postal Service Zip Codes 29203, 29204, and 29205 at no cost to the property owner. The agreement is to be in a form and terms approved by the City Attorney. Mr. Cromartie was not present for the vote.

### **ORDINANCES – FIRST READING**

12. Ordinance No. : 2009-107 - Amending Ordinance No. 2009-030 to adjust millage rate – *Approved on first reading.*

Upon a motion by Mayor Coble and seconded by Ms. Devine, Council voted unanimously to give first reading approval to Ordinance No. : 2009-107 - Amending Ordinance No. 2009-030 to adjust millage rate.

### **APPOINTMENTS**

13. Columbia Museum of Art - *This item was deferred.*

### **EXECUTIVE SESSION**

Upon a motion by Mr. Davis and seconded by Dr. Gergel, Council voted unanimously to go into Executive Session at 2:03 p.m. for the discussion of **Items 14.** and **15.**

14. **\*\*Discussion of negotiations incident to proposed contractual arrangements**  
*This item was discussed in Executive Session. No action was taken.*
15. **\*\*Discussion of compensation of an employee**  
*This item was discussed in Executive Session. No action was taken.*

- **Mr. Finlay left the meeting at 3:17 p.m.**
- **Council adjourned the meeting at 3:51 p.m.**

Respectfully submitted by:

Erika D. Salley  
City Clerk