

What's Happening?

March 11, 2008



Items of Interest from the Desk of
Honorable Mayor Tom Meyer

Commentary on River Prairie Development

The Altoona City Council has recently been busy working on a development plan for the City's River Prairie property. Discussion in the media regarding the proposed development has centered on how the development will ultimately look and what amenities will be available to Altoona residents and visitors. This is important because one of the primary goals of the development is to provide a recreational and commercial center for the City, well-connected and accessible to all Altoona residents.

However, another goal of the River Prairie Development, which has not received as much attention lately, is the development is supposed to provide long-term tax stabilization for all Altoona residents, pay for itself and not result in short term tax increases to fund the project.

Two years ago, when I became Mayor, the City had already spent over \$5 million to install infrastructure in River Prairie. To pay for the infrastructure the City had to borrow. The result is the City has debt payments averaging about \$600,000 over the next 10 years with additional payments due beyond 10 years.

The plan had always been to pay off the debt with tax revenues generated by new development in River Prairie. However, that goal has become a challenge because the development in River Prairie currently only generates about \$190,000 annually in tax revenue.

It doesn't take an accountant to understand there is a problem when your debt payment averages \$600,000 and your revenue to pay that debt only averages \$190,000.

The City has been able to meet its debt obligations over the past couple of years by using tax increment proceeds from another Tax Increment District (Altoona Business Park) and by fronting the District additional funds from the City's General Fund that will be repaid with interest when tax increment becomes available. The City also structured its debt to allow lower payments at the beginning of the repayment schedule and larger payments later on in anticipation of development and realization of tax increment.

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In 2007 the City's debt obligation was \$494,362, in 2008 it is \$445,603. However, in 2009 the debt payment balloons to \$795,228. This is when the City will have a difficult time making its payment without finding an alternative revenue source or refinancing the debt, which would result in additional issuance and interest costs. This is why I feel it is critical to move forward with developing River Prairie at this time.

Because tax valuations are determined on December 1st of each year and the taxes are not collected until the following January, even if there is new development in River Prairie this summer, the City would not receive any tax increment from the new development to make its debt payment in 2009. However, proceeds from the sale of the property would certainly help with cash flow.

Another issue to consider regarding the timing of the River Prairie Development is the life of Tax Increment District #3. By statute the maximum life of the District is 28 years. The City formed the District in 2001, and every year that passes without development results in increment that is potentially lost, or, at minimum, delays closing the District until such time as all outstanding debt is paid.

Closing the District early is a goal because the tax revenue will then be distributed to the underlying taxing jurisdictions including the School District of Altoona, Eau Claire County, the Chippewa Valley Technical College and the City's General Fund. This will help relieve the tax burden on all Altoona tax payers.

When the challenges facing the financial viability of River Prairie are considered in the context of other economic forces influencing the City and its tax payers, the urgency of creating tax increment in River Prairie becomes clearer.

The City faces significant operating cost increases at a time when State shared revenue proceeds are flat and there is a statutory cap on municipal tax levies. There is a long list of deferred street, utility and building projects to complete. And, the City's reserves only provide three months of operating capital.

But, I believe the most momentous challenge facing all of us today is our limited ability to shoulder any additional tax burden given the deteriorating state of the economy and the rising cost of paying for our most basic needs such as heating our homes, fueling our vehicles and putting food on our tables.

The current development proposals before City Council, which include a mix of retail, office, residential and recreational uses, stand to increase the City's tax base by over \$90 million. This represents a 25% increase in the City's tax base.

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When the infrastructure debt is paid off, this is tax revenue that can be used to pay for deferred maintenance, to make the community safer, to continue to provide excellent education for our children and to generally improve the quality of life for all Altoona residents.

The Altoona City Council has a difficult job in balancing the two primary goals of the River Prairie Development. With each decision the Council faces, they need to consider whether the proposed development will provide a quality sense of place which is accessible and useful to Altoona residents. At the same time each decision needs to consider that the development must not burden Altoona's tax payers in the short term and must also provide tax stabilization in the long-term.

Know that I am mindful of both of these goals and that I am working hard to assure both goals will be met. If you have any questions or comments please contact me at cityhall@ci.altoona.wi.us. Thank you for the opportunity to serve you.

Mayor Tom Meyer