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DID POLITICS KILL THE TIFA?

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SPECIAL ADDITION

Your input is urgently needed. A survey was done several years ago, and that survey said that the residents believed that the Michigamme River Basin was the most important asset in the North Republic area. Property values, recreational opportunities and outside investment depended on the water level staying the same. The Board has tried to do what the residents wanted, but events have been forced on us that we couldn't control. What does the "silent majority" want? No input from you, no further action from us.

In 2008, Board Trustee Chuck Hurst came to the Board, and asked if the Board wanted a way to be able to purchase and maintain the dam, without the taxpayers having to pass special assessment or other types of direct taxation methods. He asked the Board to think, how could the local leaders find a way to purchase the dam, upgrade the dam, and keep the future generations from being saddled with debt? Chuck had read that President-Elect Obama was pushing green credits banking through a proposed center in Chicago, to help force pollution control on the big air polluters. Big polluters would have to lessen their carbon dioxide output, or pay fines. The polluters could buy "green credits" to partially offset the pollution effects.

An acre of trees absorbs 1.4 tons of carbon dioxide. If people wanted to sell the credits, they just had to grow trees on 40 or more acre parcels. The Paper Companies owned large tracts of wooded land along the river. They stood to make big profit windfalls, even though they paid little taxes, because the property was in Commercial Forest Reserve, a special tax system that only charges \$1.20 per acre. The inside belief was, if the Paper Companies had a tax windfall by selling the "green credits" for each acre they had in CFR that was absorbing carbon dioxide the government would definitely not let them keep the windfall profits. Some would go to the local units. The original Basin Authority was set up as a Tax Increment Financing Authority, banking on that windfall. Once an Authority is established, all the tax units get the same tax dollar amount as they did before the TIFA was put in place, they just don't get any tax increases from the TIFA area. The Authority gets to keep any increases above that amount in taxes collected. The School is not affected. And no tax payer in the entire existing district can show any impact on their taxes by being in the TIFA that they are in. There is none.

One trivia note, Republic Township was the only unit of government in the entire state that used the "Invasive Species" TIFA act, and we received a lot of notice and attention for being innovative. The Governor's UP representative, Greg Andrews, commended us for doing it.

Once the initial idea was in place, and in addition to the green credit idea, several individuals started working on other parts of the plan, including how would the structure be additionally financed, maintained, and what would keep future generations from inheriting a huge bill. Eventually about 15 people were involved in the overall planning and work processes.

One other idea was also reviewed, and that was the idea of a spillway, instead of the dam. A spillway has been discussed for years, and most of the "history" is just that, history. Who did what to whom is irrelevant to resolving the present issue. However, from that history came the actual documentation of the two proposed earth construction spillways, with costs estimated at that time, based on engineered plans with time and materials identified. Interim Twp Supervisor John Ulrich, a very good engineer, calculated the upgrade of the original 1880's rock dam next to the current dam, to be in the neighborhood of \$450,000 to \$460,000, based on the documents in the files. A second spot on the river, just down river from the Township's TV tower, was estimated by UP engineering at \$350,000. Both sites are owned by the owners

(Continued on page 2)

of the mine. A simple review of the tax map shows that the only parcels owned by the Township on that entire portion of the river, from the Kloman Bridge to the dam, are a point below the TV tower on the west shore of the river, and the Munson Park area on the east shore. There is no place on the river between Kloman Bridge and the dam that a rock crib dam can be constructed, that will not be on old mining company property. Any rock crib dam had to include the purchase of the land to site it. Neither of the plans in the file included that purchase price. The present dam was also looked at, for modification to become a spillway. The existing dam at that time was the cheapest route, and had the best potential for future monetary return.

Ownership/control of the dam or land was critical. Everything hinged on having ownership of whatever was being worked on, because all grants, bonds, any type of funding, needed collateral. Money is not given without something held hostage in return.

Next, what was the real value of the dam? The Township can not make large purchases without appraisals. No choice. The Township Board is responsible for the public's money, and does not buy anything of size without an appraisal or a bid process. Very few dams are sold at any time anywhere in the United States for comparisons, so an appraisal was needed and was done. Turned out to be about the price of a new home on Lake Michigamme. It was cheaper than the cost of the 1880's rock spillway, and would not require the extensive application process to build the slightly cheaper upstream spillway, that didn't have the purchase price of the land included in the calculations.

Could we get any external help? Rio Tinto was contacted, and asked if they would want to become part of a "green" electrical generating system. They are known for supporting "green" ideas. That request has been advanced to the second level in the company. Also, The Governor's office was contacted about the purchase/electrical generating idea. The front page article in the Mining Journal on October 8th, was the Governor's office response to our request. DNR Grants are now available to renovate old dams.

How would we keep the future generations from having a big expense? This is a big issue. Yes, ways to purchase the dam were available, but what happens after the TIFA ends? Generate electricity. Lease out the dam or own the dam in partnership with an established electrical generation company, taking the TIFA's portion of the profit and putting it into a sinking fund for future repairs and needs.

With the green credit idea slowly fading because of politics, two ideas wound up being the front runners in how the TIFA would raise enough money to do the job. An assisted living facility was one. Secondly, a "Michigamme Point Development" was proposed to a local developer. The "MPD" would be a restaurant, bar, conference center type overnight system. A travel trailer campground eventually would be included. That project would require about \$650,000 in initial investment, and the investment possibly be upgraded as business warranted. The local developer agreed with the site and concept and was willing to invest, but had two things that had to happen, first the economy had to turn around, and secondly, the water level in the basin had to be guaranteed by ownership/operations of the dam. Without the water level being guaranteed, no development. After that developer's tragic accident, a second developer, later, said the same thing. No water level, no building.

The cornerstone of the entire project had come down to the assisted living facility, in South Republic. The taxes raised from that construction would pay for the purchase of the dam, and nothing could happen without that ownership. That would then allow the "MPD" to be developed, which would take care of the repairs needed. Tom Sandblom volunteered to take the lead on that assisted living project and spent a full year working on it. He found a builder from Eagle River Wisconsin who was willing to do the construction. The builder needed investors. The first phase of this was a planned \$1.2 million dollar development. It took time, but Tom found the investors, also.

As soon as the project looked like it might happen, the Township Board expanded the TIFA boundaries, so the new construction would be included. Legal boundaries were needed, so on the south end the boundary went well past the project, to the section line at Bengston Bridge. If a major east/west survey line would have

been more northerly, the boundary would have stopped there. The critical parcel was right behind the township's sewer lift station, east of the school, on the river.

As construction time approached, the economy was slowing down considerably. The investors told us they had to take time to restructure their resources, to make the million dollars available. Tom tried to push them, but it still wound up taking several months. This period of time turned out to be critical, because it coincided with a completely unaccounted for activity. All of Tom's work turned out to be for naught.

A recall action was started on the Township Supervisor. Eventually, with the web site issue, the green sheets flying, and all of the other negative publicity, the investors decided the local atmosphere was not right for them to invest a million dollars in, and those investors backed out. The committees involved realized that the TIFA was in trouble. Million dollar investors do not hang out in trees waiting to be picked. There was a lot of help after the dam was secure, but all of that help required the collateral of the structure. Even the Michigan Economic Development Corporation couldn't put anything into it, without structure control. The TIFA and EDC tried their best to find a replacement investor, but finally gave up.

The downturned economy, which had caused the original investors to have to restructure their finances, also put the TIFA collections back better than one year. The economy actually went backwards. Instead of making money the first year, the TIFA lost money. The cost of living was .9988. No money came in until the second year, 2012. The TIFA Board received the first collection and that wound up to be a minimal \$4,517.46. There has been virtually no construction in the entire TIFA area. That construction tax value would be captured, and would help at least create enough money to sign a short term lease, with a potential of an included purchase agreement. Also, there have been virtually no sales in the entire TIFA area. The difference between the taxes paid by the old owner, and the increased taxable amount would have belonged to the TIFA, also.

As the matter stands, this next tax collection will pay the Township back for all expenses owed it by the TIFA. Those costs had to be put together by a CPA, to get the records straight.

With no meaningful money to bargain with, the Authority Board has no reason to meet. There are already two documented studies in the files for spillways, with preliminary sketches. The electric generation potential has been studied. The repair needs, which are gradually getting worse, are listed. Business owners, salaried and hourly employees and retirees were all volunteering valuable time from their lives and adjusting their schedules to either be on the TIFA Board or to assist on the committees. They are working for our community and agree that the future of our community is most important. However, the majority of the TIFA Board have indicated that their time is being wasted with meetings when things are at a stand-still or irresolvable. We are facing resignations of valuable and important members. If the Authority (TIFA) Board were to call it quits, the Township Board would have to discuss options. Either to fold the TIFA, fill the TIFA vacancies with qualified people, or restructure the bi-laws to allow quarterly or bi-annual meetings (so as to not waste valuable time on "show" meetings that can accomplish nothing—but still allow the committees to continue working to try to attract additional money/support).

Each choice has its own set of problems that would have to be dealt with.

If the public doesn't respond, all of this work will go for nothing and the future of the basin will be out of our hands. The Township Board does not have money to put into the dam, so the TIFA is the only way money is available to maintain the structure. This is one time you cannot sit back and let someone else do the talking.

If we don't hear from you, we'll interpret it that you don't care if the Basin issue dies.

We'll let you decide on this article's headline.