

Proposal for

**Private Ownership
And
Improvement District**

For the
Council Grove City Lake Park

Submitted to
City/Lake Commission 2006

**By the:
Council Grove Lake Association**

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This proposal is not a legal document, but rather a detailed proposal developed by and submitted from the leadership of the Council Grove Lake Association to the new established special City/Lake Commission. This proposal includes a brief description, rationale, detailed plans and a comparison study with other options under consideration by the special commission.

Brief Description of the Proposal

This proposal encourages the adoption of two initiatives supported by the recent published Council Grove Lake Association Master Plan – private ownership and self-governance. First, on behalf of the lake residents, the Council Grove Lake Association proposes purchasing the real estate property at the Council Grove City Lake Park from the City of Council Grove for the current appraised value of \$2,263,000 (718 acres total). This includes both the residential lots and the adjacent common areas. In addition, each resident will then be encouraged to purchase their residential lot from the Council Grove Lake Association. This action will change the lake residents from leasing their residential lots to private ownership of their lots. In return, the City of Council Grove will receive substantial resources for its general fund and be released of further financial responsibilities at the Council Grove City Lake Park.

Second, this proposal further calls for the establishment of an improvement district (to be named the Council Grove City Lake Improvement District) to serve as the legal governing structure for the City Lake Park. Created under Kansas Statute, an elected board of three district members will govern and be responsible for providing all basic services for lake residents. The Council Grove City Lake Improvement District will establish resolutions (ordinances), serve as an enforcement agency, provide all lake area maintenance, and levy taxes and assessments for improvements. Again, this action removes the City of Council Grove from its governing and maintenance responsibilities at the City Lake Park.

A Brief Discussion of History

How did we get here? What brought us to this point? Three events and conditions have forced the Council Grove Lake Association to move forward with master planning, coalition building and the development of this proposal. First, in the spring of 2005 Council Grove Mayor, Dick Montgomery, called on the City Council to consider his proposal to annex the Council Grove City Lake Park. Second, the current lease arrangement (negotiated and established in 1997) will expire in 2011. Third, an overwhelming majority of lake residents are disappointed and frustrated in the lack of quality maintenance and improvements in the Council Grove City Lake Park. This proposal has the potential to provide a long-term solution to these issues.

Rationale for this Proposal

The Council Grove Lake Association strongly believes that private ownership for lake residents and the establishment of the Council Grove City Lake Improvement District will provide an arrangement where both lake and city residents will *equally benefit*. Lake residents gain ownership of their lake property and the right to govern their own affairs. While city residents will receive new and substantial public resources and be released of the tax burden and the responsibilities of maintaining the Council Grove City Lake Park.

Lake residents will recognize several immediate advantages to this agreement:

(1) **Protect investment.** Under private ownership, lake residents will have long-term protection of their property. Currently, the short-term lease arrangement does not provide security for homeowners. By owning their property, lake residents can protect their investment and feel secure in making future improvements to their lake homes and property.

(2) **Secure financing.** Private ownership of the land also allows lake residents to secure long-term financing and traditional mortgages. Under the current lease arrangement, traditional financing is difficult to obtain. Ownership of the lake home and its property will address this problem.

(3) **Self-Governance.** The development of the Council Grove City Lake Improvement District will provide the structure needed for self-governance. Those who care for and live at the lake will be able to make decisions that impact them directly. All decisions will be made with the best interests of the City Lake Park in mind.

The City of Council Grove and its residents will also receive tremendous benefit from this agreement:

(1) **New Public Resources for Council Grove.** Selling the Council Grove City Lake Park to the Council Grove Lake Association will provide the City of Council Grove a large influx of capital for community needs. In an environment of tight public budgets, \$2.263 million would provide the resources to address several critical needs in the community.

(2) **Increased Economic Activity.** Private ownership of residential lots (which includes protecting investments and securing funding) will increase new real estate investment in the Council Grove City Lake Park. This new investment will encourage new lake residents (especially new permanent residents) who will provide additional economic activity for Morris County.

(3) **Reduction of Tax Burden and Maintenance.** With the purchase of the Council Grove City Lake Park and the establishment of the Council Grove City Lake Improvement District, the City of Council Grove will no longer be responsible for providing the public resources and personnel to maintain the Council Grove City Lake Park. Therefore, all existing resources can be redirected to improve the City of Council Grove. Furthermore, it may be possible to gain additional resources by reducing the overall size of city government.

(4) **Recreational Use of the Lake.** With the transfer of the Council Grove City Lake Park to the newly created Council Grove City Lake Improvement District, there will be no change to the usage access of the City Lake Park. All will be welcome to utilize the

public parks and the lake. This arrangement provides the citizens of Council Grove an additional recreational area free of charge.

(5) **Water Supply for the City.** This proposed purchase of the Council Grove City Lake Park does not include the lake itself or the dam. The City of Council Grove will remain the sole owner and will share control over its water with the Kansas Wildlife and Parks and the Kansas Department of Health and Environment. Therefore, Council Grove City Lake can remain as Council Grove's main water source as long as it desires. In addition, water quality will remain a high priority for the Council Grove City Lake Improvement District. Current water quality guidelines and policies will remain in effect.

Private Ownership: Purchase of the City Lake Park Real Estate

The Council Grove Lake Association would like to join in an agreement with the City of Council Grove to purchase the Council Grove City Lake Park. This includes the real estate surrounding the City Lake and the dam (residential lots, public parks, and common areas). Matching the Morris County Assessor's evaluation of the area, the Council Grove City Lake Association is offering \$2,263,000 million to the City of Council Grove. This equals \$2,059 per household in the City of Council Grove.

To implement this proposal, the following would need to take place: First, both the City Council and the Council Grove Lake Association will need to "agree in concept" on the purchase option, amount, and related conditions. Second, the current Council Grove Lake Association will need to establish and incorporate an LLC to represent all lake residents. This new entity will then negotiate the final details and reach an "agreement to purchase" with the City of Council Grove. Lastly, the newly formed LLC will then seek financing to finalize the agreement.

Once the transaction is completed, the lake residents will then have the opportunity to purchase and privately own their residential lots from the newly formed LLC. If they wish however, the lake residents will also have the opportunity to continue with their current lease arrangement. Because of unknown taxes, legal fees, administrative costs, and the fluctuation of interest rates the exact lot purchase price can not be established at this point. However, we estimate that each lot will probably range between \$7,500-\$10,000. Lake residents will have the option to either purchase their lots in one lump sum or be assessed over several years.

It is further recommended that the City of Council Grove use these new public resources for the benefit of the entire community. The Council Grove Lake Association recommends that the principal of \$2.263 million be invested in a community foundation or other similar structure. Therefore, the interest could be utilized annually for community needs and improvements. (At 6.5% figured using simple interest this would produce an annual income of \$112,750. When considering compounding interest, these figures reach over \$190,000.) This approach would insure that future generations of Council Grove citizens would continually benefit from this arrangement.

Self-Governance: Council Grove City Lake Improvement District

The declining capability of municipal and county governments to provide public services to certain areas has resulted in the decline of infrastructure and stagnation of growth. The creation of the Council Grove City Lake Improvement District presents another option to reverse the trend of rural decline and alternative funding to provide services that would be effective in reducing the unequal distribution of public services. Given the limited funding municipal governments have to initiate programs for regeneration and services, Improvement Districts represent an innovative approach to service delivery in that local collective action, outside of the government, results in the provision and payment for supplemental goods/services desired by those within a district. This powerful tool allows for an assessment on property within a defined area. The revenues from assessments within the Improvement District are directed back to the area to finance a wide range of services, including such things as security, maintenance, sewer/water systems, economic development, etc.

Improvement Districts are quasi-public entities established as a response to this trend, levying assessments for specific improvements and additional services beyond which local governments can reasonably provide. Improvement Districts are formed to make improvements and assess the cost upon the property benefited by the improvements. Improvements may consist of providing fire protection services or for the purpose of installing, or acquiring any improvement, including, but not limited to fire protection facilities, grading, paving, constructing, installing or improving any system for the transmission or distribution of water, for the collection or transmission of sewage or surface drainage systems. Improvement Districts therefore utilize collective action to raise the funds to fulfill the unmet demand for public services, ensuring that locally raised taxes are spent locally and that municipalities, counties and Improvement Districts remain competitive places to locate homes and promote community businesses. The creation of the Council Grove City Lake Improvement District will provide the structure needed for self-governance that is responsive to the Council Grove City Lake Park residents and satisfy community needs essential to promoting the City Lake Park as viable sites for ongoing reinvestment.

Improvement Districts have been quite successful in creating benefits to city residents as well as property owners within the district and have positive spillover effects outside of the district. By engaging in these activities, Improvement Districts can reduce the inequality of public service provision between the county, city and lake, making the lake community more attractive to long term investment, thereby increasing the city's tax base, allowing local governments to improve public services to property owners and tenants citywide.

Financial Comparison with Other Options

Please see attached a detailed financial comparison of the four different options discussed by this commission. Scenario 1 focuses on the current arrangement. Scenario 2 examines the annexation issue. Scenario 3 provides the private ownership option. And scenario 4 examines the long-term lease and maintenance approach. This table outlines the cost/benefits from the lake residents' perspective, from the City of Council Grove's perspective, and provides the proposed Improvement District budget. Finally, to provide the clearest picture possible, this analysis worksheet compares each scenario over a ten-year period of time.

CG City Lake Summary

Individual lot lessee/owner perspective												
Cost to each lot												
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	year cost
1	Scenario 1 - Current 'As Is'											
	Total average cost to lot lessee	\$1,573	\$1,615	\$1,657	\$1,702	\$1,747	\$1,794	\$1,842	\$1,891	\$1,941	\$1,993	\$17,754
	<small>Includes lot rent and county taxes</small>											
2	Scenario 2 - Annexation											
	Total average cost to lot lessee	\$2,176	\$2,233	\$2,292	\$2,352	\$2,413	\$2,477	\$2,542	\$2,608	\$2,677	\$2,747	\$24,517
	<small>Includes lot rent, county and city taxes</small>											
3	Scenario 3 - Private Ownership											
	*Total average cost to lot owner	\$1,520	\$1,327	\$1,361	\$1,395	\$1,429	\$1,465	\$1,502	\$1,539	\$1,578	\$1,617	\$14,733
	Ave yrly pymt per lot @ 8.0% to purchase-paid in full after 10 years	\$ 1,068	\$ 1,068	\$ 1,068	\$ 1,068	\$ 1,068	\$ 1,068	\$ 1,068	\$ 1,068	\$ 1,068	\$ 1,068	\$10,680
	Total cost for 10 years to purchase and maintain	\$2,588	\$2,395	\$2,429	\$2,463	\$2,497	\$2,533	\$2,570	\$2,607	\$2,646	\$2,685	\$25,414
	<small>*Includes county taxes, additional county taxes city currently pays, improvement district assessment of 13 mils, and supplemental maintenance fee of \$225</small>											
4	Scenario 4 - Long Term Lease and Maintenance Agreement											
	Total average cost to lot lessee	\$1,573	\$1,615	\$1,657	\$1,702	\$1,747	\$1,932	\$1,962	\$1,992	\$2,023	\$2,055	\$18,257
	<small>Includes lot rent, county taxes and maintenance fee</small>											
City of Council Grove perspective												
1	Scenario 1 - Current 'As Is'											
	Total income to city - includes lot lease and boat licenses	\$193,735	\$199,582	\$205,436	\$211,649	\$217,868	\$224,402	\$231,132	\$238,064	\$245,205	\$252,559	\$2,219,632
	Total expense to city per city report-includes taxes & insurance	\$250,391	\$257,678	\$265,178	\$272,897	\$280,841	\$287,863	\$295,059	\$302,436	\$309,996	\$317,746	\$2,840,086
	Excess/Deficit to City per year	(\$56,656)	(\$58,096)	(\$59,742)	(\$61,248)	(\$62,974)	(\$63,461)	(\$63,927)	(\$64,371)	(\$64,792)	(\$65,187)	(\$620,454)
2-J	Scenario 2 - Annexation Jones											
	Total income to city -includes lot lease, licenses and city tax	\$406,827	\$418,002	\$429,316	\$441,126	\$453,082	\$465,496	\$478,254	\$491,364	\$504,837	\$518,683	\$4,606,988
	Total expense to city-current expenses, T&I, and cost of services	\$377,389	\$386,351	\$395,568	\$ 405,046	\$ 414,795	\$ 423,665	\$ 432,756	\$ 442,075	\$ 451,627	\$ 461,418	\$4,190,690
	Excess/Deficit to City per year - Jones	\$29,438	\$31,651	\$33,749	\$36,080	\$38,287	\$41,832	\$45,498	\$49,289	\$53,210	\$57,265	\$416,298
2-M	Scenario 2 - Annexation Montgomery (mil levy reduced 1.25)											
	Total income to city-includes lot lease, licenses and city tax	\$401,942	\$412,994	\$424,184	\$435,865	\$447,689	\$459,969	\$472,588	\$485,557	\$498,884	\$512,581	\$4,552,253
	Total expense to city-current expenses, T&I, and cost of services	\$377,389	\$386,351	\$395,568	\$ 405,046	\$ 414,795	\$ 423,665	\$ 432,756	\$ 442,075	\$ 451,627	\$ 461,418	\$4,190,690
	Excess/Deficit to City per year - Montgomery	\$24,552	\$26,643	\$28,616	\$30,819	\$32,895	\$36,304	\$39,832	\$43,482	\$47,257	\$51,163	\$361,563
3	Scenario 3 - Private Ownership											
	Income to City-6.5% compounded on net proceeds from sale of \$2,205,000	\$143,325	\$152,641	\$162,563	\$173,129	\$184,383	\$196,368	\$209,132	\$222,725	\$237,202	\$252,620	\$1,934,088
	Deficit savings from Current - 'As is'	\$56,656	\$58,096	\$59,742	\$61,248	\$62,974	\$63,461	\$63,927	\$64,371	\$64,792	\$65,187	\$620,454
	Excess/Deficit to City per year	\$199,981	\$210,737	\$222,305	\$234,377	\$247,356	\$259,828	\$273,059	\$287,096	\$301,994	\$317,807	\$2,554,542
4	Scenario 4 - Long Term Lease and Maintenance Agreement											
	Total income to city-includes lot lease, licenses and maint fee	\$193,735	\$199,582	\$205,436	\$211,649	\$217,868	\$273,333	\$273,548	\$273,768	\$273,993	\$274,224	\$2,397,137
	Total expense to city	\$250,391	\$257,678	\$265,178	\$272,897	\$280,841	\$287,863	\$295,059	\$302,436	\$309,996	\$317,746	\$2,840,086
	Excess/Deficit to City per year	(\$56,656)	(\$58,096)	(\$59,742)	(\$61,248)	(\$62,974)	(\$14,529)	(\$21,511)	(\$28,668)	(\$36,003)	(\$43,522)	(\$442,949)
Improvement District Proposed Budget												
	Total Income to Improvement District	\$137,675	\$141,154	\$144,721	\$148,379	\$152,129	\$155,932	\$159,830	\$163,826	\$167,922	\$172,120	\$1,543,687
	<small>Includes ID assessment, maintenance fees, and boat licenses from lake</small>											
	Total Expense to Improvement District-	\$137,200	\$140,630	\$144,146	\$147,749	\$151,443	\$155,229	\$159,110	\$163,088	\$167,165	\$171,344	\$1,537,104
	Excess/Deficit to Improvement District	\$475	\$524	\$575	\$629	\$686	\$703	\$720	\$738	\$757	\$776	\$6,583