

Pat Bauer questions dated June 15, 2011

1. Definition of "Material"

The specific terms of the TIF proposal are predicated upon the amount requested. If the amount requested is reduced the Developer will likely first request modifications to the terms of the agreement. For example, a reduction in the amount could result in the Developer proposing a reduction to the size of the proposed community space or its complete elimination.

The project will not proceed as presently proposed by the Developer if the City is unwilling to agree an acceptable TIF arrangement. The impact on the site in the event the Developer does not proceed with the currently proposed PUD is unknown at this time.

2. City exposure to cost.

The Developer has consistently represented that he will incur all of the direct infrastructure costs known to be associated with this project, whether on site or nearby. In addition, the Developer is reimbursing the City for the out of pocket costs incurred by the City for the advisors and professionals the City is using in regards to the regulatory approval process.

3. Basis for determining the request.

The amount requested was recommended by the Developer's financial advisor for the project. Pursuant to the contractual arrangement with the financial advisor, the financial model created for the project can only be used by the Developer and cannot be disclosed to any third party, including the City Council. Factors considered in determining the amount of the request include:

- The value of the amenities proposed to be provided to the City.
- The estimated cost of onsite and offsite City infrastructure improvements and regulatory costs to be incurred.

- The preliminary financial model for the project.
- Comparisons to TIF agreements that have been approved in other communities to confirm that the request is reasonable.

The Developer's financial model projects that it will take just over 13 years to fully fund the TIF obligation using 80% of the projected incremental tax collections. If 100% of the incremental tax collections are used to fund the obligation it is projected to be fulfilled in 11 years. Using a 5% discount rate, the model projects the following present values for the first 15 years of tax collections under each option:

	80%	100%
Developer	\$5,500,000	\$5,825,000
City	\$ 760,000	\$ 650,000
County	\$ 525,000	\$ 450,000
School District	\$1,000,000	\$ 860,000

4. Low and Moderate Income Portion of the Project.

The financial model accounts for the funding of the low and moderate income housing requirement as a separate TIF obligation that is satisfied concurrently with obligation due to the Developer. The 13 year estimated time period includes the funding of both the Developer and projected housing TIF fund.

The \$800,000 projected low and moderate income housing fund amount is based on an estimate of the portion of the Developer's TIF reimbursement that will be allocated to the residential component of the project. The Developer anticipates that the specific cost allocations will be reviewed with the City's advisors to insure compliance with the statute.

5. Possession and Ownership.

"Possession and ownership" means when title has transferred and St. Andrews has moved out. If ownership is acquired before possession (St. Andrews temporarily remains in possession) some limited on-site and off-site work might be possible.

6. Base Property Taxes for Purposes of TIF.

The Developer is proposing that the base be zero for the parcels owned by the church. The use of 80% of the incremental taxes collected to fund the TIF rather than a 100% provides a base source of revenue to the City and other governmental bodies.

7. Payment of Taxes

The property will be assessed as of the first January after it is substantially complete which will be the basis for the property taxes for the following fiscal year, July 1 through June 30.

8. 20 year Time Limit on Reimbursement

The Developer understands that the TIF agreement will not create any obligation on either the City or the County beyond reimbursing to the Developer a share of the actual property taxes collected during the 20 year period. If the collections fall short of the \$8,000,000 (or \$8,500,000) requested, neither the City nor the County will be required to make up the shortfall.

9. Impact of Agreement on Debt Ceiling

This question should be addressed to the City's legal advisor.

10. Property Tax Abatement Period

There are a number of factors that will impact the ultimate value of a construction period tax abatement to the developer making it is difficult to calculate. Significant variables include the start date of construction and the assessors approach to valuing construction in progress. Since the property value is created during the construction period the taxes that might be abated are significantly less than the taxes that would otherwise be generated based on a full assessment.

11. Additional Proposal

The neighborhood market alternative is included in the proposal to give the Council the option to use the TIF tool to create another potential benefit for the community. The Developer has not proposed specific terms of this arrangement. If the Council is interested in pursuing the concept the terms will need to be worked out between the Developer and the Council.

12. Reversionary Interest in City Space

The Developer is using a white envelope value (including land and building) of \$230 per foot for the commercial space based on input from local commercial Realtors.

The cost of the build out is dependent upon the City's intended use for the space and desired level of finish. A potential source of funds to pay for the build out is the incremental property taxes the City will receive from the project under the 80% option.

The reversionary interest is yet to be negotiated but is not intended to result in a transfer of value back to the Developer. The Developer's interest is to insure that the space is used for a purpose that is complimentary to the overall project.

13. Allowable Debt Ceiling

The portion of the City's debt ceiling that will need to be set aside for this project will depend upon the County's willingness to participate in the TIF arrangement.

14. County's Willingness to Participate

The County's willingness to participate in the TIF agreement is yet to be determined.

15. Debt Ceiling

The amount of the City's debt capacity that would be consumed under a joint TIF agreement with the County will need to be determined after discussing the matter with the County.

The timing of when the TIF agreement would first have an impact on the City's borrowing capacity should be addressed to the City's legal advisor.