

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager
CC: Diane Stoddard, Assistant City Manager
FROM: Britt Crum-Cano, Economic Development Coordinator
DATE: June 20, 2012
RE: 900 New Hampshire: Estimated bond payoff contribution

Below is a summary of the estimated bond payoff contribution for the 900 New Hampshire parcel. Analysis utilizes data provided in the Gilmore & Bell transcripts for the original redevelopment plan (Downtown 2000) submitted in 2000.

Analysis assumes that the contribution share is based on the percent of the area occupied by 900 New Hampshire as compared to all TDD & TIF revenue generating parcels within the existing district.

Public Improvement Expenses: Estimated Contribution Split Between City and Developer

60% is the suggested Developer contribution toward public improvements within the district. The original Developer proposed that up to 60 percent of the parking garage would be paid by 9-10 LC and tenant taxes.¹ In addition, this percentage is further suggested by the following estimates provided within the presentation materials and feasibility study contained within the transcripts.

Total Incentive Contributions to District	
	2000
Estimated Incentive Eligible Expenses for all of District (with hotel) ²	\$4,943,123
Estimated Cost of Bonds for all of District ³	\$8,188,488
% of Incentive Contribution	60%

¹ Developers presentation materials, pages 16

² Springstead Feasibility Study, Exhibit V

³ Developers presentation materials, pages 17

Public Improvement Expenses: 900 New Hampshire parcel, estimated share of Developers contribution

The contribution for 900 New Hampshire is based on the area it occupies as compared to the total area occupied by TIF revenue generating parcels within the Downtown 2000 District.

TIF & TDD Revenue Contributing Parcels		
	Size (ac)	% of Total
900 NH	0.671767	60%
901 NH	0.253257	22%
947 NH	0.201581	18%
Total	1.126605	100%

Analysis on Contribution Amount

The above percentages were applied to two models to estimate the amount of contribution due from the 900 New Hampshire parcel. Note that in both models, the estimated amount is only applied when the parcel is anticipated to be on the tax rolls (November 2014) and does not include estimated amounts for previous years.

Estimated TIF Tax Revenue Model

This model relies upon annual estimates of TIF revenues generated throughout the Downtown 2000 District based on data provided within the transcripts by 9-10 LC. Annual TIF tax revenue is estimated at \$467,707 per year.⁴ Amounts for 2014 are prorated to only include two months worth of revenue (November and December). Refer to Appendix A for model details on estimated contribution amounts.

Bond Debt Model

This model relies applies the applicable percentages to the outstanding bond debt when construction on the 900 New Hampshire parcel is expected to be completed and the property is on the tax rolls (end of year 2014). Refer to Appendix A for model details on estimated contribution amounts. Refer to Appendix B for the bond debt schedule.

⁴ 9-10 LC presentation, "Estimated Taxes Generated Yearly within the Redevelopment District with a 100 room hotel", page 12.

Suggested Contribution

Based on model results, a suggested amount of \$1,228,355 is proposed for the 900 New Hampshire share of public improvement expenses for the Downtown 2000 Redevelopment District. (Note this amount does not include applicable interest charges on outstanding balances.)

Contribution Summary	
Model	60%
Revenue	\$1,038,310
Bond Debt	\$1,418,400
AVERAGE	\$1,228,355

Suggested Funding Sources

As TIF law does not allow expenses in one district to pay for expenses within another district, neither TIF property tax nor TIF sales tax revenue can be utilized for the 900 New Hampshire contribution.

However, since TDD revenues can be applied across neighboring districts, these revenues could be a source of contribution funds.

Additional Considerations

The methodology for the allocation of a fair share toward the parking garage from the 900 New Hampshire parcel was discussed with the developers. The development team pointed out that the original district projected approximately \$830,000 in total non-parking garage TIF-eligible expenses. Approximately \$200,000 of this was spent prior to the construction of the 901 New Hampshire building. The developers of the 901 New Hampshire development also requested reimbursement of TIF-eligible expenses in the amount of \$280,000. This was approved by the City Commission in late 2011. Considering the original budget of \$830,000 and expenses of \$480,000, approximately \$350,000 was not spent from the original budget. If this amount is credited to the developer, the contribution amount would equal \$850,000 ($\$1,200,000 - \$350,000 = \$850,000$).

Another issue is determining the projected participation from non-city sources at the time the Downtown 2000 TIF District was established. The bond transcripts indicate a range from 50-60% non-city contribution, depending upon whether or not a hotel were constructed at the 900 New Hampshire site. The bond transcripts do not have a break down of the estimated revenues by parcel. If the estimated non-city revenues were presumed to contribute 50%, rather than 60%, the number would be approximately \$865,258.

Given these two factors, it appears that \$850,000 may be an appropriate capture of revenue toward the existing parking garage. This figure also appears to be acceptable to the development team.

Recommended Action

Should the establishment of the TIF district proceed, within the development agreement between the City and the new developers of 900 New Hampshire, specify a required contribution share of \$850,000 toward the existing parking garage structure.

It is recommended that the following provisions be made within the agreement:

- Allow TDD revenues to be diverted for the entire period of the new TDD district (22 years), until the total principal and interest due for the 900 New Hampshire contribution is received by the city.
- Require the Developer to make up any shortfall in annual TDD revenues in order to make the minimum annual contribution payment to the City.

Appendix B

Downtown 2000 TIF District--Bond Repayment Schedule

Fiscal Year	Coupon Date	Principal Payment	Coupon Rate	Interest Payment	Periodic Debt Service	Fiscal Debt Service	Outstanding Debt
2001	3/1/2001	--	--	\$95,729.65	\$95,729.65		\$8,645,000.00
	9/1/2001	--	--	\$226,728.13	\$226,728.13	\$322,457.78	\$8,645,000.00
2002	3/1/2002	--	--	\$226,728.13	\$226,728.13		\$8,645,000.00
	9/1/2002	--	--	\$226,728.13	\$226,728.13	\$453,456.26	\$8,645,000.00
2003	3/1/2003	--	--	\$226,728.13	\$226,728.13		\$8,645,000.00
	9/1/2003	--	--	\$226,728.13	\$226,728.13	\$453,456.26	\$8,645,000.00
2004	3/1/2004	--	--	\$226,728.13	\$226,728.13		\$8,645,000.00
	9/1/2004	\$320,000.00	5.750	\$226,728.13	\$546,728.12	\$773,456.25	\$8,325,000.00
2005	3/1/2005			\$217,528.13	\$217,528.13		\$8,325,000.00
	9/1/2005	\$340,000.00	5.750	\$217,528.13	\$557,528.12	\$775,056.25	\$7,985,000.00
2006	3/1/2006			\$207,753.13	\$207,753.13		\$7,985,000.00
	9/1/2006	\$365,000.00	5.750	\$207,753.13	\$572,753.12	\$780,506.25	\$7,620,000.00
2007	3/1/2007			\$197,259.38	\$197,259.38		\$7,620,000.00
	9/1/2007	\$385,000.00	5.750	\$197,259.38	\$582,259.38	\$779,518.76	\$7,235,000.00
2008	3/1/2008			\$186,190.63	\$186,190.63		\$7,235,000.00
	9/1/2008	\$405,000.00	5.625	\$186,190.63	\$591,190.62	\$777,381.25	\$6,830,000.00
2009	3/1/2009			\$174,800.00	\$174,800.00		\$6,830,000.00
	9/1/2009	\$425,000.00	4.700	\$174,800.00	\$599,800.00	\$774,600.00	\$6,405,000.00
2010	3/1/2010			\$164,812.50	\$164,812.50		\$6,405,000.00
	9/1/2010	\$445,000.00	4.750	\$164,812.50	\$609,812.50	\$774,625.00	\$5,960,000.00
2011	3/1/2011			\$154,243.75	\$154,243.75		\$5,960,000.00
	9/1/2011	\$470,000.00	4.850	\$154,243.75	\$624,243.75	\$778,487.50	\$5,490,000.00
2012	3/1/2012			\$142,846.25	\$142,846.25		\$5,490,000.00
	9/1/2012	\$490,000.00	4.900	\$142,846.25	\$632,846.25	\$775,692.50	\$5,000,000.00
2013	3/1/2013			\$130,841.25	\$130,841.25		\$5,000,000.00
	9/1/2013	\$515,000.00	5.000	\$130,841.25	\$645,841.25	\$776,682.50	\$4,485,000.00
2014	3/1/2014			\$117,966.25	\$117,966.25		\$4,485,000.00
	9/1/2014	\$545,000.00	5.100	\$117,966.25	\$662,966.25	\$780,932.50	\$3,940,000.00
2015	3/1/2015			\$104,068.75	\$104,068.75		\$3,940,000.00
	9/1/2015	\$570,000.00	5.150	\$104,068.75	\$674,068.75	\$778,137.50	\$3,370,000.00
2016	3/1/2016			\$89,391.25	\$89,391.25		\$3,370,000.00
	9/1/2016	\$605,000.00	5.200	\$89,391.25	\$694,391.25	\$783,782.50	\$2,765,000.00
2017	3/1/2017			\$73,661.25	\$73,661.25		\$2,765,000.00
	9/1/2017	\$635,000.00	5.250	\$73,661.25	\$708,661.25	\$782,322.50	\$2,130,000.00
2018	3/1/2018			\$56,992.50	\$56,992.50		\$2,130,000.00
	9/1/2018	\$670,000.00	5.300	\$56,992.50	\$726,992.50	\$783,985.00	\$1,460,000.00
2019	3/1/2019			\$39,237.50	\$39,237.50		\$1,460,000.00
	9/1/2019			\$39,237.50	\$39,237.50	\$78,475.00	\$1,460,000.00
2020	3/1/2020			\$39,237.50	\$39,237.50		\$1,460,000.00
	9/1/2020	\$1,460,000.00		\$39,237.50	\$1,499,237.50	\$1,538,475.00	\$0.00
Totals		\$8,645,000.00		\$5,876,486.60	\$14,521,486.56		