

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: Financial Impact on removal from current TIF district

The City has been asked to adopt an ordinance removing the property on the east side of the 900 block of New Hampshire from the current redevelopment district in order to include this area within a new redevelopment district. Parcels to be removed include 946 New Hampshire (Salvation Army site), 940 New Hampshire (Lawrence Arts Center) and 900 New Hampshire (vacant, undeveloped land).

As 946 and 940 New Hampshire are and will remain exempt from property taxes, there is no impact on property tax revenue as a result of removing these parcels from the current district and placing them within a new redevelopment district.

900 New Hampshire is the last remaining undeveloped parcel within the current redevelopment district. The following presents a brief description of the existing district, tax revenue generation history and an examination of the financial impact of removing this parcel from the current redevelopment district.

As a new, higher base property value would be assessed if the parcel becomes removed to a new redevelopment district, it is anticipated that revenues from new base property taxes would meet the total property tax revenues currently generated in the existing district. Thus, it is reasonable to assume that if left unimproved, the 900 New Hampshire parcel should continue to generate approximately the same amount of revenue if left within the current district or placed within a separate district.

The following analysis for this property's contributions to property tax revenues is based solely on the unimproved value of the parcel. Improved value would substantially contribute to the redevelopment district where the parcel is located. (For data on projections due to improved values, refer to the Springsted feasibility study for the Marriott Town Place TIF District.) However, it is noteworthy that this property has remained vacant since the existing TIF district was created in 2000.

It should also be noted that general obligation bonds were used by the City to finance parking garage improvements within the Downtown 2000 TIF district. From the onset, it was anticipated that district TIF revenues would not be sufficient to fully cover bond repayment and that City at-large funds would also be used. The City currently uses general funds to help pay for the bonds and expects to have fund revenues sufficient to pay these bonds through maturity.

Current discussions are taking place regarding the amount 900 New Hampshire should contribute toward payment to outstanding bond debt within the current TIF district, should the parcel be placed within a new TIF district. Additional information regarding this contribution is provided in a separate memo.

District Overview

The redevelopment district known as the Downtown 2000 TIF district was established August 3, 1999 (via Ordinance 7127) and encompasses the area bounded by 10th Street on the south, the alley between Massachusetts Street and New Hampshire Street on the west, 9th Street on the north, and the alley between New Hampshire Street and Rhode Island Street on the east.

The district was established to support the construction of the parking garage at 10th & New Hampshire and other infrastructure. A development agreement was signed by the City and the “Developer of Record”—9-10 L.C., calling for the developer to complete all building within five years of commencing the project (2005). The parking garage was completed in 2001, with a mixed-use commercial property at 947 New Hampshire completed in 2002. The Lawrence Arts Center was developed and constructed separately.

In addition to these projects, future retail, commercial and hotel components were called for in the redevelopment plan and were anticipated to contribute TIF revenues to the district’s bond payoffs. However, due to economic conditions, 9-10 L.C. did not develop these projects (which were slated for the current 900 and 901 New Hampshire parcels) as originally called for in the district plan. Another development entity recently constructed the mixed-use project at 901 New Hampshire, with substantial completion achieved in late 2011.

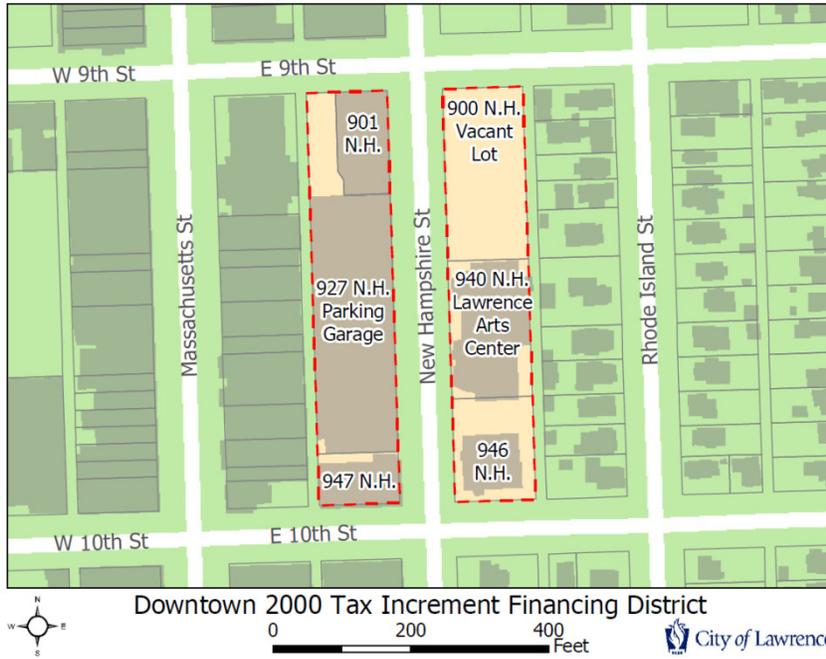
Below is a record of built projects to date and a corresponding district map:

Downtown 2000—TIF District Development History		
Address	Description	Certificate of Occupancy Issued
900 New Hampshire	Vacant—Undeveloped Land	n/a
901 New Hampshire	Mixed-use, 55-unit apartment development	In progress
927 New Hampshire	City of Lawrence Parking Garage	10/9/2001
940 New Hampshire ¹	Lawrence Arts Center	4/6/2002
946 New Hampshire	Salvation Army	Prior to 1982 ²
947 New Hampshire	Mixed Use—Commercial/Residential	9/20/2002

¹ Original permits were issued as 930 New Hampshire, but the address was later changed to 940 N.H.

² The oldest permit found was issued for an addition in 1982 for the Salvation Army.

Currently Developed Parcels within the District



Funding for Public Improvements

Financing of public improvements for the district was provided through general obligation bonds (see Appendix A for bond schedule). According to the original feasibility study for the district, bonds to construct the parking garage were to be reimbursed through TIF revenues as well as City at-large funds.

“The property and sales tax increments from the Redevelopment Project are not, and have never been expected to provide sufficient funds to pay for all public redevelopment costs associated with the Project, particularly the complete cost of constructing the public parking facility. As was noted in the Redevelopment Plan, the City anticipates using property tax-supported general obligation bonds to finance a significant portion of the parking facility and other infrastructure. Therefore, the public improvements proposed for the Project Area are to be funded with general obligation bonds supported by tax increments and general property taxes. The removal from the property tax base of the four lots for the City-owned Lawrence Arts Center facility also impacts the necessity of City at-large funding for this project.”³

While it was not anticipated TIF increments would pay the full price of the parking garage, a hotel was anticipated as a future development as well as retail establishments east of the garage, both of which would contribute to the existing TIF district. However, this parcel remains vacant approximately 12 years after the TIF district was created.

Today, the district brings in revenues from three sources: property taxes, sales taxes, and parking garage revenues. It should be noted that only revenues generated through incremental TIF property and sales taxes are applied toward bond repayment. (Parking garage revenues go to the parking fund.) Further, TIF sales tax revenues to date have been fairly insignificant, and due to State confidentiality regulations, can't be released by the Kansas Department of Revenue. For analysis purposes, TIF Sales Tax revenues are not included within the following calculations.

It should also be noted that in January 2012, the City Commission authorized a reimbursement agreement for the mixed-use, commercial/residential complex at 901 New Hampshire. The agreement calls for a total of \$280,852 to be reimbursed to the developer over a 10-year period in equal payments of \$28,085 per year.

³ Comprehensive Financial Feasibility Study for the Downtown 2000 Redevelopment Project, Springsted Incorporated, February 23, 2000, page 2.

900 New Hampshire Property Tax Revenues

The following table summarizes property tax revenue generated from the 900 New Hampshire parcel through 2011 and provides projections on future tax revenue from 2012 and beyond. (Refer to Appendix B for a history of taxes collected by Douglas County, Kansas by parcel within the district.)

900 New Hampshire									
Year	Full Taxes				Amount Subject to TIF Increment				
	Market Value	Original Assessed Value ⁴	Full Mill Levy ⁵	Total Tax	Assessed Value	TIF Eligible Mill Levy ⁶	TIF Property Tax Revenue	Property Tax ⁶	Total Tax
2001	\$377,910	\$45,349	0.109454	\$4,964	\$0.00	0.087954	\$0	\$0.00	\$0.00
2002	\$422,370	\$50,684	0.104714	\$5,307	\$0.00	0.083214	\$0	\$0.00	\$0.00
2003	\$459,420	\$55,130	0.107102	\$5,905	\$0.00	0.085602	\$0	\$0.00	\$0.00
2004	\$459,420	\$55,130	0.105926	\$5,840	\$1,780.00	0.084426	\$150	\$38.27	\$188.55
2005	\$459,420	\$55,130	0.110057	\$6,067	\$2,370.00	0.088557	\$210	\$50.96	\$260.84
2006	\$459,420	\$55,130	0.115675	\$6,377	\$6,520.00	0.094175	\$614	\$140.18	\$754.20
2007	\$459,420	\$55,130	0.115844	\$6,387	\$7,095.00	0.094344	\$669	\$152.54	\$821.91
2008	\$459,420	\$55,130	0.118366	\$6,526	\$7,095.00	0.096866	\$687	\$152.54	\$839.81
2009	\$459,420	\$55,130	0.11889	\$6,554	\$7,095.00	0.09739	\$691	\$152.54	\$843.52
2010	\$459,420	\$55,130	0.123591	\$6,814	\$7,095.00	0.102091	\$724	\$152.54	\$876.88
2011	\$459,420	\$55,130	0.125323	\$6,909	\$7,095.00	0.103823	\$737	\$152.54	\$889.17
2012	\$459,420	\$55,130	0.1269099	\$6,997	\$7,095.00	0.1054099	\$748	\$152.54	\$900.43
2013	\$459,420	\$55,130	0.1284968	\$7,084	\$7,095.00	0.1069968	\$759	\$152.54	\$911.68
2014	\$459,420	\$55,130	0.1300837	\$7,172	\$7,095.00	0.1085837	\$770	\$152.54	\$922.94
2015	\$459,420	\$55,130	0.1316706	\$7,259	\$7,095.00	0.1101706	\$782	\$152.54	\$934.20
2016	\$459,420	\$55,130	0.1332575	\$7,347	\$7,095.00	0.1117575	\$793	\$152.54	\$945.46
2017	\$459,420	\$55,130	0.1348444	\$7,434	\$7,095.00	0.1133444	\$804	\$152.54	\$956.72
2018	\$459,420	\$55,130	0.1364313	\$7,522	\$7,095.00	0.1149313	\$815	\$152.54	\$967.98
2019	\$459,420	\$55,130	0.1380182	\$7,609	\$7,095.00	0.1165182	\$827	\$152.54	\$979.24
2020	\$459,420	\$55,130	0.1396051	\$7,696	\$7,095.00	0.1181051	\$838	\$152.54	\$990.50
				Tax Revenue to date: \$67,649			\$4,483		
				Total Projected Tax Revenue: \$133,768			\$11,619		
				Estimated Future Tax Revenues: \$66,119			\$7,136		

Source: Tax data courtesy of Douglas County, KS, Treasurer's and Appraiser's Office (March 2012). Full data set for entire TIF district is shown in Appendix B.

=Projected

⁴ Douglas County, Kansas, Appraiser's Office. Although 1999 is the actual base year for the district, a base value of \$55,130 for 900 New Hampshire was set by mutual agreement starting 2003 and extending until district expiration.

⁵ Mill levy projections are based on the average annual increase in mill levy for years 2000-2011 (0.001587 annual increase).

⁶ By statute, 20 mills for USD 497 and 1.5 mills for the State of Kansas are shielded from TIF.

From 2001-2011, the 900 New Hampshire parcel generated approximately \$68,000 in base property taxes. During that same time period, the parcel generated around \$4,500 in TIF revenue as a result of the property tax increment.

Assuming the parcel remains unimproved, 900 New Hampshire is projected to generate approximately \$134,000 in total base property taxes through the 20-year life of the district. Additional TIF revenue generated throughout the life of the district is estimated to total approximately \$11,600.

District Property Tax Revenues

As can be seen from the below table, only three parcels generate property taxes within the district. The remaining three parcels are tax exempt.

As a whole, the Downtown 2000 TIF district has generated almost \$673,000 in total property tax revenues since the district was created. Of that amount, approximately \$316,000 (47%) was attributed to TIF property tax revenues.

Property taxes for 900 New Hampshire have totaled approximately \$74,500 to date, with 6% or \$4,500 in TIF generated property tax revenues. Since that parcel has remained undeveloped, revenues generated through the TIF have been relatively insignificant when compared to developed parcels such as 947 New Hampshire.

District Property Tax Revenues (to date)							
	Subject to Property Tax			Tax Exempt Parcels			Total
	900 NH	901 NH ⁷	947 NH	927 NH (Parking Garage)	940 NH (Arts Center)	946 NH (Church)	
Base Property Tax Revenue:	\$67,649	\$30,286	\$177,793	exempt	exempt	exempt	\$275,728
TIF Shielded (Less 21.5 mills for State and School district):	\$2,365	\$3,546	\$75,309	exempt	exempt	exempt	\$81,220
TIF Property Tax Revenue:	\$4,483	\$16,805	\$294,738	exempt	exempt	exempt	\$316,025
Total Property Tax Revenue:	\$74,497	\$50,637	\$547,840	n/a	n/a	n/a	\$672,973
<i>TIF Property Tax Revenues—% of Total:</i>	6.0%	33.2%	53.8%	n/a	n/a	n/a	47.0%

⁷ As 901 New Hampshire was completed at the end of 2011, increased values due to building improvements were not available or applicable for 2011.

Comparison of TIF District Property Tax Revenues

The below table presents a comparison of property tax revenues (based on unimproved value) should the parcel continue in the Downtown 2000 TIF district (which expires in 2020) or placed within a separate TIF district.

	Year	Based Assessed Value	Full Mill Levy ⁸	Estimated Property Tax Revenue	
				Proposed New TIF District ⁹	Downtown 2000 TIF District ¹⁰
	2012	\$62,227.00	0.12691	\$7,897.23	\$7,897.43
1	2013	\$62,227.00	0.128497	\$7,995.98	\$7,995.68
2	2014	\$62,227.00	0.130084	\$8,094.74	\$8,094.94
3	2015	\$62,227.00	0.131671	\$8,193.49	\$8,193.20
4	2016	\$62,227.00	0.133258	\$8,292.25	\$8,292.46
5	2017	\$62,227.00	0.134845	\$8,391.00	\$8,390.72
6	2018	\$62,227.00	0.136432	\$8,489.75	\$8,489.98
7	2019	\$62,227.00	0.138019	\$8,588.51	\$8,588.24
8	2020	\$62,227.00	0.139606	\$8,687.26	\$8,686.50
9	2021	\$62,227.00	0.141193	\$8,786.02	\$8,786.02
10	2022	\$62,227.00	0.14278	\$8,884.77	\$8,884.77
11	2023	\$62,227.00	0.144367	\$8,983.53	\$8,983.53
12	2024	\$62,227.00	0.145954	\$9,082.28	\$9,082.28
13	2025	\$62,227.00	0.147541	\$9,181.03	\$9,181.03
14	2026	\$62,227.00	0.149128	\$9,279.79	\$9,279.79
15	2027	\$62,227.00	0.150715	\$9,378.54	\$9,378.54
16	2028	\$62,227.00	0.152302	\$9,477.30	\$9,477.30
17	2029	\$62,227.00	0.153889	\$9,576.05	\$9,576.05
18	2030	\$62,227.00	0.155476	\$9,674.81	\$9,674.81
19	2031	\$62,227.00	0.157063	\$9,773.56	\$9,773.56
20	2032	\$62,227.00	0.15865	\$9,872.31	\$9,872.31
Total				\$186,580.19	\$186,579.13

Since base assessed value is not subject to TIF, it is assumed that the revenue generated from 900 New Hampshire's new base assessed value would approximately equal the same revenues currently captured within the Downtown 2000 TIF district.

However, it should be pointed out that the improved value of property is subject to TIF and would substantially impact the district in which the property is located. In other words, if the property remains within the current TIF district and is improved, the increased assessed value

⁸ Mill levy projections based on the average annual increase in mill levy for years 2000-2011 (0.001587 annual increase).

⁹ Calculated by multiplying new base assessed value by the full mill levy rate for that year.

¹⁰ Property tax revenues for years 2012-2020 are based on projected values (projected base property taxes + projected TIF property taxes). After district expiration in 2020, revenues are calculated the same as for the proposed new TIF district (base assessed value x full mill levy rate).

would be subject to TIF, with higher TIF revenues generated to pay off current district bonds. By removing the planned hotel from the district, the improved increment would be lost to the current TIF and the tax payers will continue to pay a larger share of the garage than was planned in the original redevelopment plan.

Conclusion

Since the 900 New Hampshire parcel has remained unimproved, a small, incremental TIF property tax value has been captured on that parcel since creation of the Downtown 2000 TIF the district. Currently, the parcel has generated \$67,649 in base property tax and an additional \$4,483 in TIF generated property tax. Compared to the district as a whole, property tax revenue generated by the TIF increment for this parcel is not substantial, making up only 0.01% of the district's total TIF generated revenues (\$316,025) and 0.007% of the total revenues collected to date (\$672,973) from all property taxes.

When projecting future property taxes based on unimproved value, the 900 New Hampshire parcel is estimated to contribute a total of \$133,768 through the life of the TIF district. An anticipated \$66,119 would be collected in future property taxes ($\$133,768 - \$67,649 = \$66,119$) within the existing TIF district. Of that future amount, approximately only \$7,136 would be attributed to additional TIF property tax revenues.

Thus, it is reasonable to assume that if left unimproved, the 900 New Hampshire parcel should continue to generate approximately the same amount of revenue if left within the current TIF district or placed within a separate TIF district. Since the vacant parcel generates only a very small amount of TIF revenues for the current TIF district, the removal of the parcel from the current TIF district should have no material impact on the TIF revenues to repay the general obligation bonds of the City since the primary source of repayment of such bonds will be other sources from the City instead of TIF revenues.

If 900 New Hampshire is moved to a new redevelopment district, negotiations are underway on the property's fair-share contribution to outstanding parking garage bonds for the existing redevelopment district. Additional details on this topic are covered in a separate memo.

Appendix A—Downtown 2000 TIF District Bond Schedule

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

Table continued on next page.

Appendix A (cont.)

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		

