

Request for Economic Development Support:

Vermont Place (800-815 Vermont Street)

Vermont Place

- **Project Overview & Request (Applicant)**
- **Eligibility & Analysis**
- **Considerations & Conclusions**
- **Recommendations**
- **Next Steps**
 - **City Commission Public Hearing:**
 - **Receive AHAB and PIRC Recommendations**
 - **Consider & vote on IRB Resolution of Intent**
 - **Consider & vote on 1st Reading of NRA Ordinance**

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Project:

- **Mixed-Use, Commercial/Residential**

Vermont Place Project			
Level	Type	Size (SF)	# Units
Floor 1:	Commercial	7,788	Tenant Dependent
Floor 2:	Office	6,504	30
Floors 3-5:	Residential (condominiums)	17,276	12
Underground	Subterranean Parking		22

Project: Affordable Housing

	Total	AH	% of total
Residential Units	12	1	8.3%
Residential SF	17,276	600	3.5%

Applicant's Affordable Housing Subsidy			
	Affordable Unit	Market Rate Potential	Applicant's Subsidy*
Sales Proceeds (net of broker fee)	\$89,000	\$127,000	\$38,000
Finishing Costs at \$100/sf	\$60,000	\$0	\$60,000
Total Applicant Affordable Housing Subsidy:			\$98,000

*Note: Unit includes an underground parking space – prorated cost is \$51,728 per space.

Request:

- **10-Year, 75% Neighborhood Revitalization Area (NRA)**
- **Industrial Revenue Bonds (IRB) for sales tax exemption on project construction materials (aka stand-alone IRB)**

Request:

- **NRA is a Property Tax Rebate Program:**
 - Rebate on incremental increase in property valuation due to improvements.
 - Base property value (value prior to improvements) shielded from rebate.
 - Property owner continues to pay property taxes on the base value and the percentage not awarded a rebate
- **IRB for sales tax exemption on project construction materials (stand-alone IRB)**
 - Conduit financing mechanism
 - No liability on the part of the City
 - State administered sales tax exemption

Eligibility:

NRA:

- As per the Staff memo dated July 27, 2016 (**Addendum B**), Staff believes the project as proposed will meet State NRA eligibility criteria.
- Staff believes the project as proposed will meet City NRA eligibility, meeting a majority of City policy criteria.

IRB:

- Staff believes the project as proposed will meet City IRB eligibility, meeting a majority of City policy criteria.

Analysis Required for NRA:

- **Cost-Benefit**
- **“But For”/Pro Forma Gap Analysis**

Cost-Benefit Assumptions

Assumptions	
Total Capital Investment	\$9,275,979
Property Valuation for Property Tax Revenues	\$7,539,853
Net New Full-Time Jobs Created	n/a (part-time only)
Average Annual Salary Per Net New Full-Time Position	n/a (part-time only)
Total Estimated Sales Tax Exemption Savings (City, County, State)	\$272,011
Total Estimated NRA Rebate (10 years, 75%)	\$1,013,295

Cost-Benefit Assumptions:

<i>Summary of Estimated Sales Tax Savings: Vermont Place IRB</i>			
City	Tax Rate	Estimated Sales Tax Amount	Total
City Sales Tax	1.55%	\$46,930	\$64,276
City Portion of Countywide 1% Sales Tax	0.57%	\$17,346	
County	Tax Rate	Estimated Sales Tax Amount	Total
County Portion of Countywide 1% Sales Tax	0.36%	\$10,930	\$10,930
State	Tax Rate	Estimated Sales Tax Amount	Total
State	6.50%	\$196,805	\$196,805
Other	Tax Rate	Estimated Sales Tax Amount	Total
Other County Municipalities Portion of Countywide 1% Sales Tax	0.07%	\$2,002	\$2,002
Total	9.05%	\$274,013	\$274,013

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Cost-Benefit Assumptions:

2016 Base Property Tax Information							
Property Address	Appraised			Assessed			Property Tax (est.) 0.134522
	Land	Improv ements	Total	Land	Improve ments	Total	
800 Vermont Street, Block 2	\$234,000	\$0	\$234,000	\$28,080	\$0	\$28,080	\$3,777
800 Vermont Street, Block 3	\$222,300	\$0	\$222,300	\$26,676	\$0	\$26,676	\$3,589
Total	\$456,300	\$0	\$456,300	\$54,756	\$0	\$54,756	\$7,366

Cost-Benefit Assumptions

- Property tax projections from NDC gap analysis

	Property Tax Revenue Comparisons														
	NRA Term										After NRA Expires				
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15
Tax Revenues: Unimproved	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366	\$7,366
Tax Revenues: Improved	\$42,952	\$43,911	\$44,894	\$45,901	\$46,934	\$47,992	\$49,077	\$50,189	\$51,329	\$52,497	\$192,682	\$197,592	\$202,624	\$207,783	\$213,070

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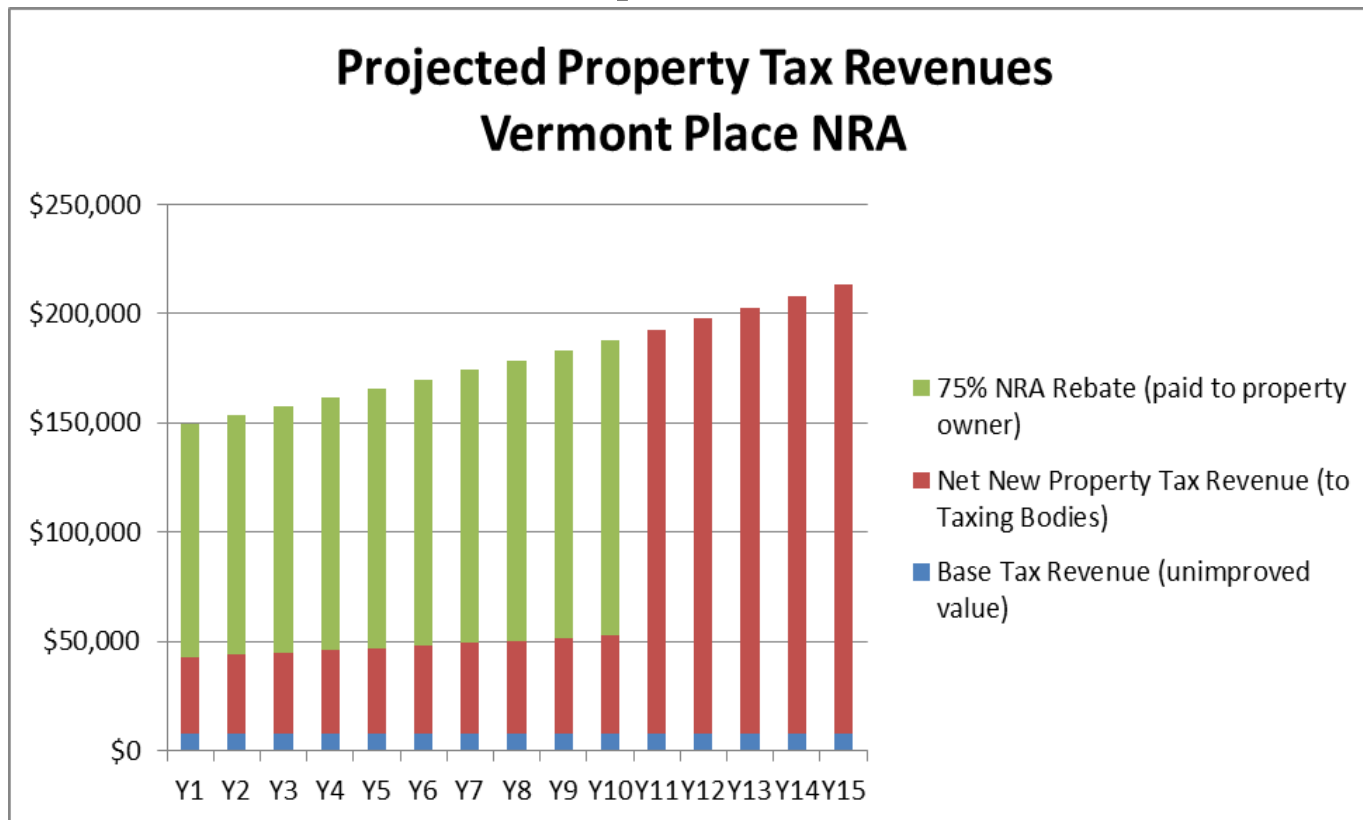
Cost-Benefit Results:

Vermont Place					
Description	City	County	USD*	State*	Total Value
10 Year, 75% NRA Rebate	1.78	2.56	n/a	n/a	\$1,013,295
Stand-alone IRB for Sales Tax Exemption					\$272,011
Total					\$1,285,306

Cost-Benefit Results:

Incentive Package Valuations (est.)				
	CBA Ratio	IRB Sales Tax	NRA	Total
City	1.78	\$64,276	\$287,056	\$351,333
County	2.56	\$10,930	\$395,359	\$406,289
State	n/a	\$196,805	\$0	\$196,805
USD	n/a	\$0	\$330,879	\$330,879
Totals		\$272,011	\$1,013,295	\$1,285,306

Tax Revenue Comparisons



Tax Revenue Comparisons

- Over the 10 Year NRA rebate period, the improved property will generate 6.46 times the property tax revenues compared to the undeveloped property.
- Returns are even more substantial after the NRA expires, with taxing revenues 27.5 times the undeveloped property (e.g. first 5 years after NRA expiration, years 11-15).
- Useful life of property expected to exceed 15 years.

“But For”/Pro Forma Gap Analysis:

- **NDC Conclusion:**

The documents, discussions and responses presented by the Developer in support of their request for the NRA and IRB incentives demonstrate that the requested incentives are reasonable and help to avoid financing gaps that could make the project economically unfeasible and unlikely to proceed.

Additional Considerations:

- Project provides an opportunity to develop two long-vacant parcels to productive use.
- Project provides an opportunity to promote density and vibrancy within Downtown.
- Project provides an opportunity to support infill development.
- Office space will support entrepreneurial activity, potentially leading to additional economic benefits.
- Project will add an affordable housing unit, held in perpetuity, to the community

Staff Conclusions:

- **City/State Eligibility Requirements:** Met for both NRA and IRB requirements.
- **Cost-Benefit Analysis:** Project exceeds the 1.25 ratio threshold for all taxing jurisdictions.
- **NDC Gap Analysis (“but for” test):** Requested incentives are reasonable and help to avoid financing gaps that could make the project economically unfeasible and unlikely to proceed.
- **Property Tax Revenue Generation:** Over the 10 Year NRA rebate period, the improved property will generate 6.46 times the property tax revenues compared to the undeveloped property.
- Returns are even more substantial after the NRA expires, with taxing revenues 27.5 times the undeveloped property (e.g. first 5 years after NRA expiration, years 11-15).

Staff Recommendations:

- **If approved, include performance provisions in plan:**
 - Condition any incentives on the complete compliance with all land use requirements for the property, including the City's historic and downtown design guidelines. Failure to comply with these requirements would nullify any incentives approved.
 - Project construction to commence within three years of NRA Plan adoption.
 - Evidence of compliance with affordable housing provisions

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AHAB Recommendations

At their October 10, 2016 meeting, AHAB reviewed the project's affordable housing component and voted to recommend the project to the City Commission. Motion passed 6 to 0, with one abstention.

PIRC Recommendations

At their November 1, 2016 meeting, PIRC reviewed the request and voted to recommend the project, as requested (75% NRA rebate, 10 year period) to the City Commission. Motion passed 4 to 2.

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Next Steps

- City Commission Public Hearing:
 - Receive recommendations
 - Consider/vote on 1st reading of ordinance establishing the NRA
 - Consider/vote on IRB resolution of Intent
- County Commission consideration
- USD 497 consideration
- City Commission final action:
 - 2nd Reading of NRA ordinance

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Thank You