

Request for Economic Development Support:

Vermont Place (800-815 Vermont Street)

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- Request Recap
- Current Request
- Project Overview (Applicant)
- ED Tools: NRA & IRB Overview
- Analysis
- Considerations
- Recommendations
- Next Steps

Request Recap—Original Request

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

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Request Recap—History

Actions to Date		
Group	Date	Vote
AHAB	Oct. 10, 2016	6-0 to recommend, 1 abstention
PIRC	Nov. 1, 2016	4-2 to recommend
CC	Dec. 6, 2016	10-year, 75% NRA level not approved on 3-2 vote

Request did not proceed to the County or USD for consideration

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Request Recap—What is the same

- Project Parameters:

Vermont Place Project: Underground Parking			
Level	Type	Size (SF)	# Units
Basement	Subterranean Parking	10,695	22
Floor 1:	Commercial	7,788	Tenant Dependent
Floor 2:	Office	6,504	30
Floor 3:	Residential Condominiums	7,957	11
Floor 4:	Residential Condominiums	6,474	
Floor 5:	Private Condominium	2,845	1

Total Rentable SF: 14,292

Total Saleable SF: 17,276

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Request Recap—What is the same:

- Affordable Housing:
 - 1 for sale housing unit set aside for affordable housing
 - 600 square feet, 1 bedroom
 - Designated as affordable in perpetuity

Request Recap—What is the same:

- NRA & IRA Eligibility:
 - State—Staff memo dated July 27, 2016 (**Addendum B**) states the proposed project meets State NRA eligibility.
 - City—Proposed project meets City NRA & IRB eligibility.

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Current Request—What has Changed:

- Exclusion of Applicant's personal residence from NRA rebates:

Request Comparison		
	Original Request	Current Request
NRA Rebate	10-year, 75% NRA rebate	10-year, 75% NRA rebate
<i>Applicant's Personal Residence Subject to Rebate</i>	<i>Eligible</i>	<i>Not Eligible</i>
IRB	Sales Tax Exemption (construction)	Sales Tax Exemption (construction)

Current Request—What has Changed:

- **Analytical Assumptions**—Financial estimates adjusted to reflect current market conditions:
 - Expenses
 - Revenues
 - Loan Assumptions
 - Property Valuations
- **Exclusion of USD Capital Outlay mill levy**—As per new State legislation

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Project Overview (applicant):

ED Tools—NRA Overview:

- **NRA = 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

ED Tools—IRB Overview:

- **IRB for sales tax exemption on project construction materials**
 - Conduit financing mechanism
 - No liability on the part of the City
 - State administered sales tax exemption

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Analysis:

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

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Project Assumptions:

Assumptions	
Total Capital Investment	\$9,673,522
Property Valuation for Property Tax Revenues	\$8,390,854
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)	\$283,621
Total Estimated NRA Rebate (10 years, 75%)	\$1,019,888

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Sales Tax Exemption Savings (est.)

<i>Summary of Estimated Sales Tax Savings: Vermont Place IRB</i>			
City	Tax Rate	Estimated Sales Tax Amount	Total
City Sales Tax	1.55%	\$48,937	\$66,845
City Portion of Countywide 1% Sales Tax	0.57%	\$17,908	
County	Tax Rate	Estimated Sales Tax Amount	Total
County Portion of Countywide 1% Sales Tax	0.37%	\$11,557	\$11,557
State	Tax Rate	Estimated Sales Tax Amount	Total
State	6.50%	\$205,219	\$205,219
Other	Tax Rate	Estimated Sales Tax Amount	Total
*Other County Municipalities Portion of Countywide 1% Sales Tax	0.07%	\$2,107	\$2,107
Total	9.05%	\$285,728	\$285,728

**For cost-benefit analysis, the amount of estimated sales tax savings attributed to other municipalities is excluded.*

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Current Property Values (unimproved):

2016 Tax Information							
Property Address	Appraised			Assessed			Property Tax (est.)
	Land	Improvements	Total	Land	Improvements	Total	0.130970
800 Vermont Street, Block 2	\$234,000	\$0	\$234,000	\$28,080	\$0	\$28,080	\$3,678
800 Vermont Street, Block 3	\$222,300	\$0	\$222,300	\$26,676	\$0	\$26,676	\$3,494
Total	\$456,300	\$0	\$456,300	\$54,756	\$0	\$54,756	\$7,171

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Property Taxes (projected):

Projected Property Tax Revenues															
	NRA Rebate Period										Post Rebate Period				
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15
Base Tax <i>(unimproved value)</i>	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171	\$7,171
Incremental Tax <i>(from improvements)</i>	\$54,224	\$55,628	\$57,068	\$58,544	\$60,057	\$61,607	\$63,197	\$64,826	\$66,496	\$68,207	\$187,314	\$192,189	\$197,187	\$202,310	\$207,561
Taxes Rebated <i>(75% NRA)</i>	\$90,415	\$92,820	\$95,284	\$97,810	\$100,399	\$103,053	\$105,774	\$108,562	\$111,420	\$114,349	\$0	\$0	\$0	\$0	\$0
Total Tax	\$151,811	\$155,620	\$159,524	\$163,526	\$167,628	\$171,832	\$176,142	\$180,559	\$185,087	\$189,728	\$194,485	\$199,361	\$204,359	\$209,481	\$214,732

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Tax Revenue Comparisons:

Tax Revenue Comparisons		
Description	Y1-10	Y1-15
Base Tax <i>(unimproved value)</i>	\$71,714	\$107,571
Incremental Tax <i>(from improvements)</i>	\$609,854	\$1,596,415
Difference	\$538,140	\$1,488,844

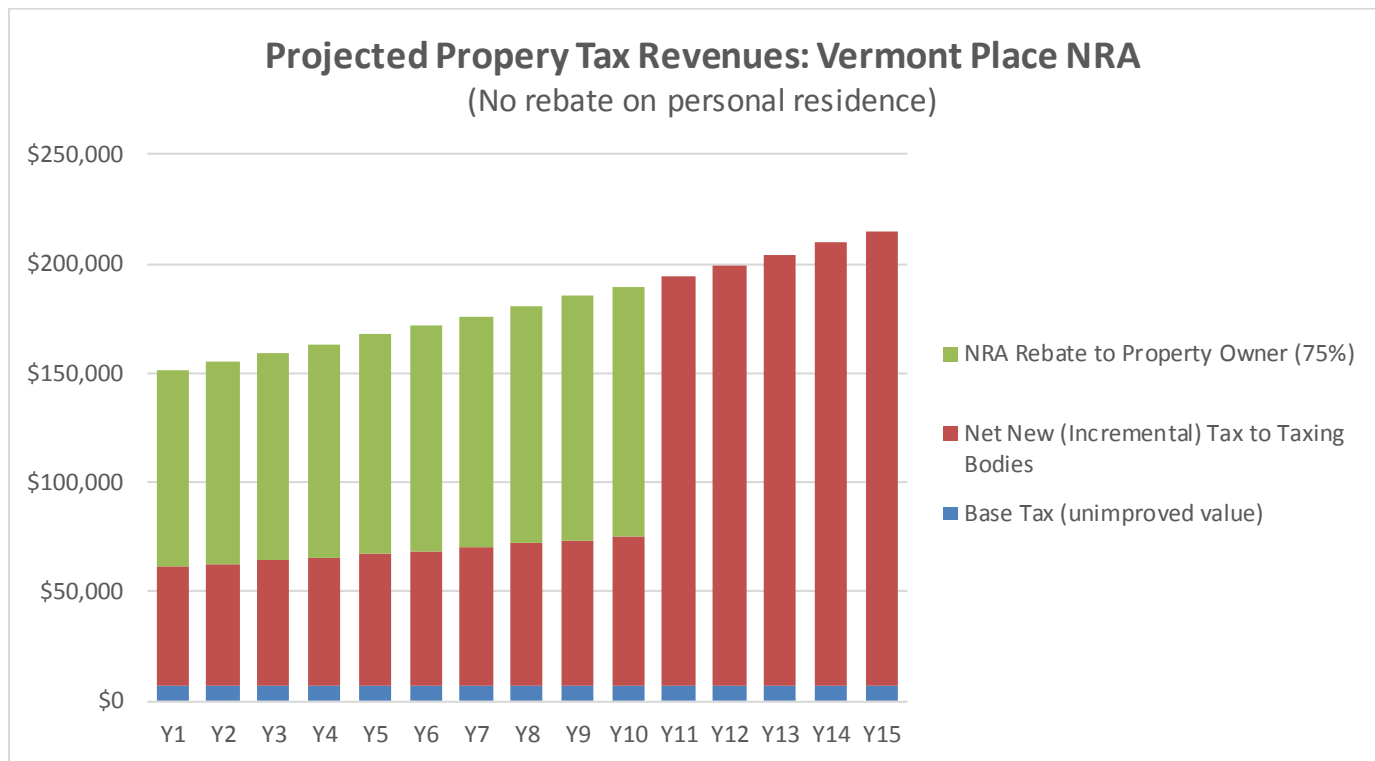
Undeveloped Property

Redeveloped Property w/NRA

- Over the 10 Year NRA rebate period, taxing jurisdictions will realize \$538,000 more in property tax revenues compared to the undeveloped property.
- Over a 15 year period, taxing jurisdictions will realize \$1.48 million more in property tax revenues compared to the undeveloped property.
- Useful life of property is expected to exceed 15 years.

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Tax Revenue Comparisons:



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Cost-Benefit Results:

2017 Incentive Package Valuations (est.)				
	CBA Ratio	IRB Sales Tax	NRA	Total
City	1.82	\$66,845	\$268,631	\$335,476
County	2.74	\$11,557	\$369,932	\$381,489
State	*	\$205,219	\$0	\$205,219
USD	*	\$0	\$381,325	\$381,325
Totals		\$283,621	\$1,019,888	\$1,303,508
*As no new residents are anticipated to be generated from the project, the model assumes the State and School District do not have additional costs.				

“But For”/Pro Forma Gap Analysis:

- **NDC Conclusion:**

The documents, discussions and responses presented by the Developer in support of its request for incentives demonstrate that a 75% NRA rebate and approval of IRBs to exempt eligible sales taxes are reasonable and help to avoid financing gaps that could make the project economically unfeasible and unlikely to proceed.

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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

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Staff's Position:

Staff generally views the project favorably since it supports several community goals:

- In-fill & density development
- Environmental responsibility via LEED construction
- Increases affordable housing stock (specifically home ownership inventory)
- Reduces rather than adds pressure on public parking
- Supports area businesses and Downtown vibrancy
- Increases the tax base (both during and after the incentive period).
- Shielding the owner's personal residence within the project from NRA rebates addresses perceptions of undue personal enrichment.

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PIRC Recommendation:

PIRC reviewed the request and updated analysis at their September 14, 2017 meeting and recommended, on a vote of 7-1, assistance approval for both the IRB sales tax exemption and the 10-year, 75% NRA rebate.

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Next Steps:

- City Commission Public Hearing: (9-19-17 to 10-3-17)
 - Receive recommendations
 - Consider/vote on 1st reading of ordinance establishing the NRA
 - Consider/vote on IRB resolution of Intent
- USD 497 consideration (10-9-17)
- County Commission consideration (10-11-17)
- City Commission final action: (11-7-17)
 - 2nd Reading of NRA ordinance

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Thank You