Addison Grove Incentive Funding

City Council Meeting
April 26, 2016

Background

- Approved by City Council on January 26, 2016.
- Since January, staff, city attorney, and developer have been working on finalizing formal agreement.
- Today, we bring final agreement for your review.
- Request authorization to have city manager execute agreement.

Agreement Highlights

- Agreement includes provisions approved by Council in January.
- Goal: To support a high quality redevelopment project.
- Includes maximum amount and sources of funding.
- Payment terms.
- Conditions requested by Council.
  - Deed restricting multi-family portion.
  - Council approval of multi-family developer and future buyer.

Incentive Program Grant Terms

- Council approved funding of up to $6.5 Million.
    - 1/3 of total potential award upon successful completion of public infrastructure and acceptance by the Town of Addison
    - 1/3 of the total potential award upon completion of 40 percent of the townhomes/live-work units
    - 1/3 of the total potential award upon completion of 75 percent of the townhomes/live-work units

Funding Breakdown

Funding breakdown for the $6.5 Million will be provided through the following:

- Maximum of $250,000 of the total Incentive will be given in the nature of permit/development fee waivers
- Maximum of $1,000,000 for infrastructure qualifying for utility fund funding
- Maximum of $1,000,000 for infrastructure qualifying for stormwater fund funding
- Maximum of $4,250,000 to provide funding for street and park development

Street & Park Funding

- Finance Department will now walk us through the $4,250,000 funding scenario for public infrastructure related to streets and parks.

Original Presentation 2-8-16

Options 1-4

ADDISON GROVES INCENTIVE

OPTION 1: FULLY FUNDED WITH CURRENT FINANCIAL RESERVES

- $6.5M total incentive
  - $1.75M General Fund*
  - $1.0M Stormwater Fund
  - $1.0M Utility Fund
  - $2.75M Infrastructure Fund

*includes $250K for permit fees waived

- Pros
  - Fully funded
  - No impact to property tax rate
- Cons
  - Depletes reserves in Infrastructure & General Fund
  - Negates capacity to do other projects
  - May affect future CIP project funding

ADDISON GROVES INCENTIVE

OPTION 2: PARTIALLY FUNDED WITH FINANCIAL RESERVES & DEBT ISSUANCE

- $6.5M total incentive
  - $1.0M General Fund*
  - $1.0M Stormwater Fund
  - $1.0M Utility Fund
  - $1.0M Infrastructure Fund
  - $2.5M Tax Note (5 yrs. @1.6%)

*includes $250K for permit fees waived

- Pros
  - Maintains reserves in Infrastructure & General Fund
  - Capacity for additional incentive requests
  - Capacity for CIP projects

- Cons
  - Creates Debt Obligation for 5 years
  - Annual Debt Service ~ $537K
  - Impact on property tax rate ($.0023 cents)

ADDISON GROVES INCENTIVE

OPTION 3: DEBT ISSUANCE WITH 5-YEAR TAX NOTE

- $6.5M total incentive
  - $0.250M General Fund
  - $1M Stormwater Fund
  - $1M Utility Fund
  - $4.25M Tax Note (5 yrs. @ 1.6%)

*permit fees waived

- Pros
  - Maintains reserves in Infrastructure & General Fund
  - Capacity for additional incentive requests
  - Capacity for CIP projects

- Cons
  - Creates debt obligation for 5 years
  - Annual Debt Service ~ $903K
  - Impact on property tax rate ($.0112 cents)

ADDISON GROVES INCENTIVE

OPTION 4: DEBT ISSUANCE WITH 7-YEAR TAX NOTE

- $6.5M total incentive
  - $0.250M General Fund*
  - $1.0M Stormwater Fund
  - $1.0M Utility Fund
  - $4.25M Tax Note (7 yrs. @ 1.9%)

*permit fees waived

- Pros
  - Maintains reserves in Infrastructure & General Fund
  - Capacity for additional incentive requests
  - Capacity for CIP projects

- Cons
  - Creates debt obligation for 7 years
  - Annual Debt Service ~ $662K
  - Impact on property tax rate ($.0054 cents)

SUMMARY

	Option 1 Reserves	Option 2 Reserves 5-Yr Debt (1.6%)	Option 3 Reserves 5-Yr Debt (1.6%)	Option 4 Reserves 7-yr Debt (1.9%)
General Fund	$1,750,000	$1,000,000	$250,000	$250,000
Stormwater Fund	1,000,000	1,000,000	1,000,000	1,000,000
Utility Fund	1,000,000	1,000,000	1,000,000	1,000,000
Infrastructure Fund	2,750,000	1,000,000	0	0
Total Cash	6,500,000	4,000,000	2,250,000	2,250,000
Debt	-	2,500,000	4,250,000	4,250,000
Total Incentive	$6,500,000	$6,500,000	$6,500,000	$6,500,000
Tax Rate Impact	$0.0000	$0.0023	$0.0112	$0.0054

Addison Groves Incentive Funding: Option 5

ADDISON GROVES INCENTIVE

OPTION 5: FOUR ANNUAL PAYMENTS OF $500K FROM IIF, BALANCE FROM GENERAL FUND

- $6.5M total incentive
  - $2.5M General Fund*
  - $1.0M Stormwater Fund
  - $1.0M Utility Fund
  - $2.0M Infrastructure Fund

*includes $250K for permit fees waived

- Pros
  - Fully funded
  - No impact to property tax rate
  - Maintains capacity to do other projects
- Cons
  - Depletes reserves in Infrastructure but not to extent of Option 1
  - May affect future CIP project funding

Key Assumptions

- No Change in Tax Rate

Property Tax Rate	Amount Per $100 of Property Value
Maintenance and Operations (M&O)	$0.376724
Debt Service (I&S)	.202426
Total Tax Rate	$0.579150

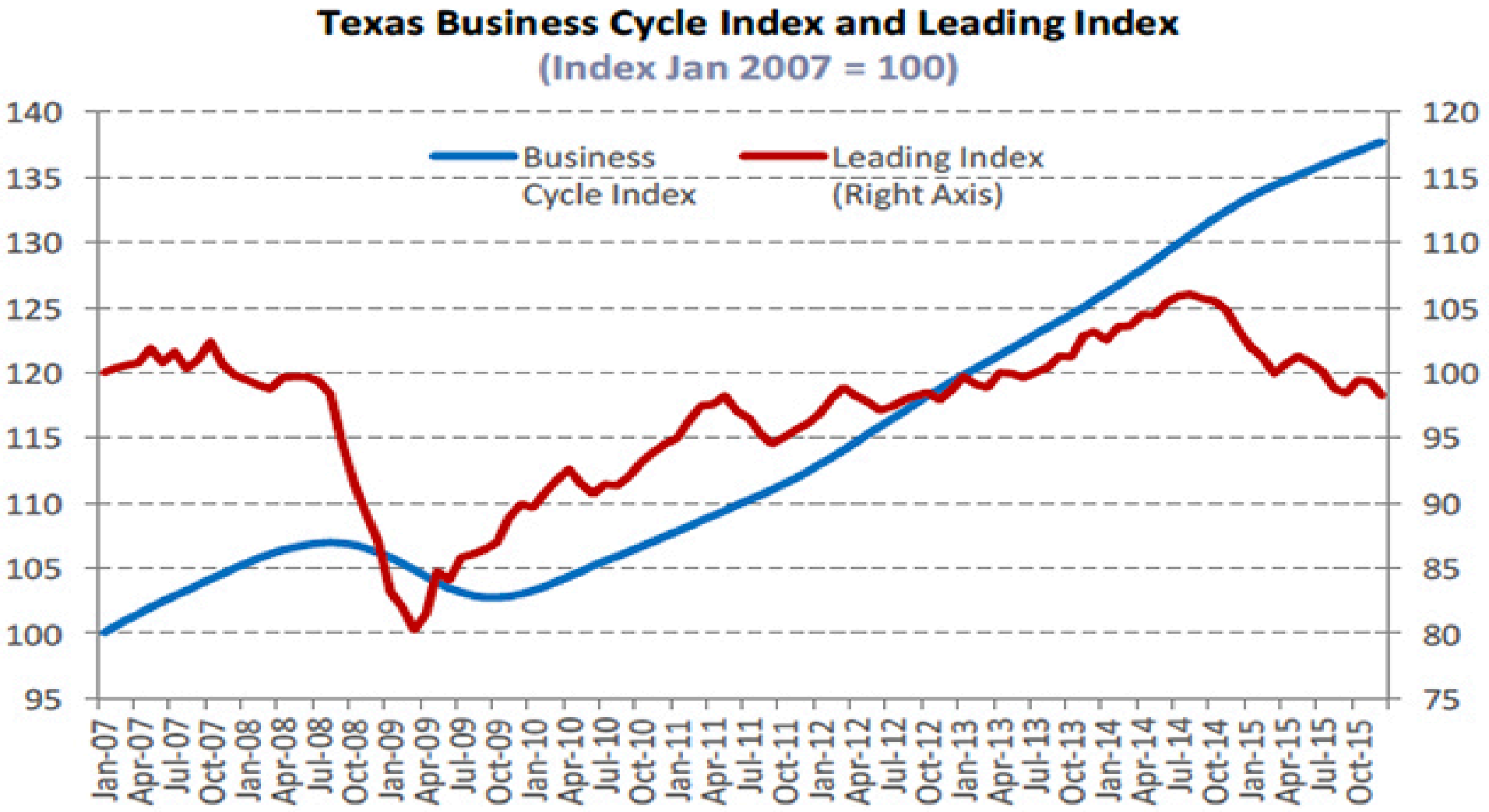
- Build-Out Schedule Provided by Fenway Development

- Average Unit Sales Price for Townhome Unit is $400,000

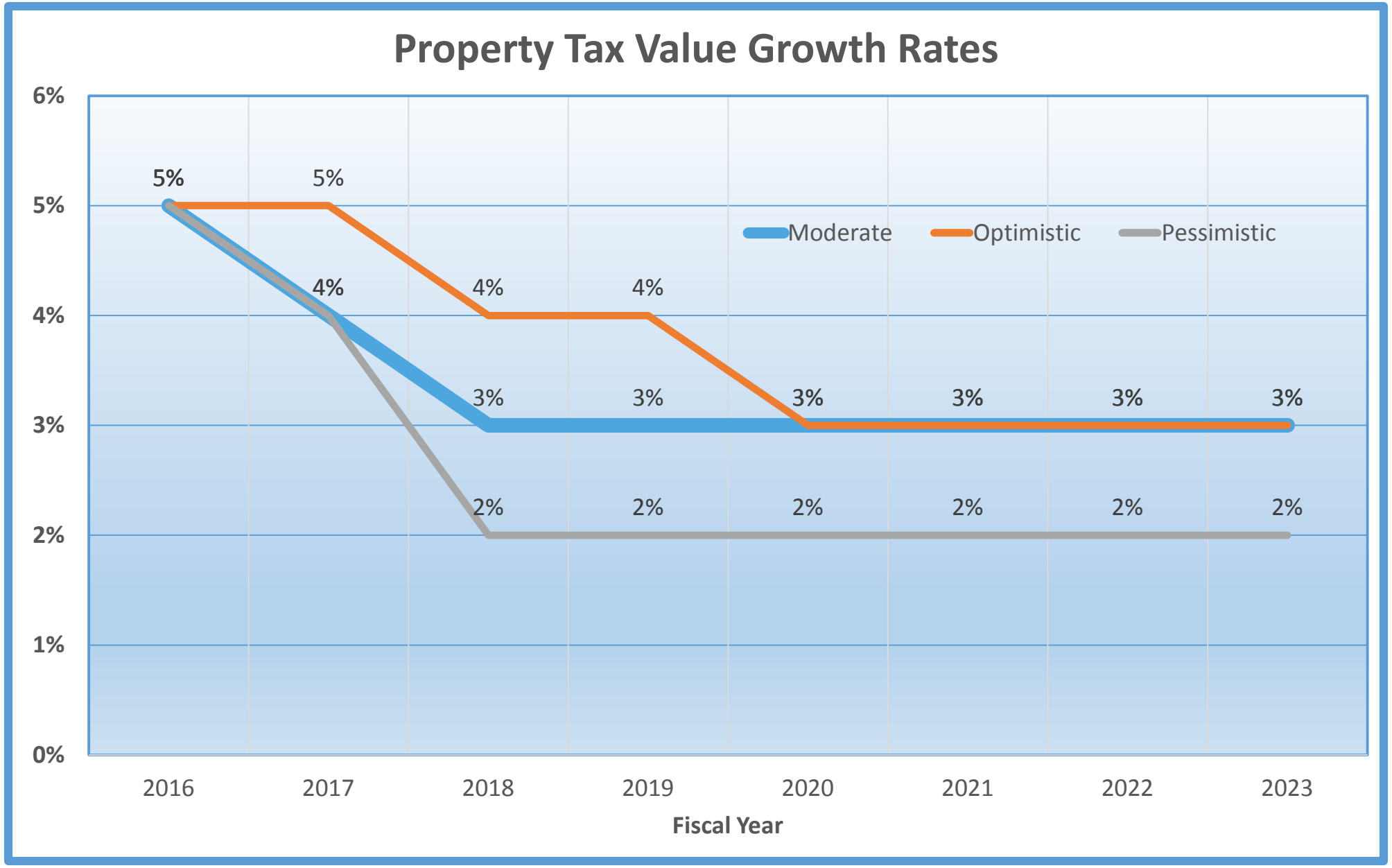
Key Assumptions

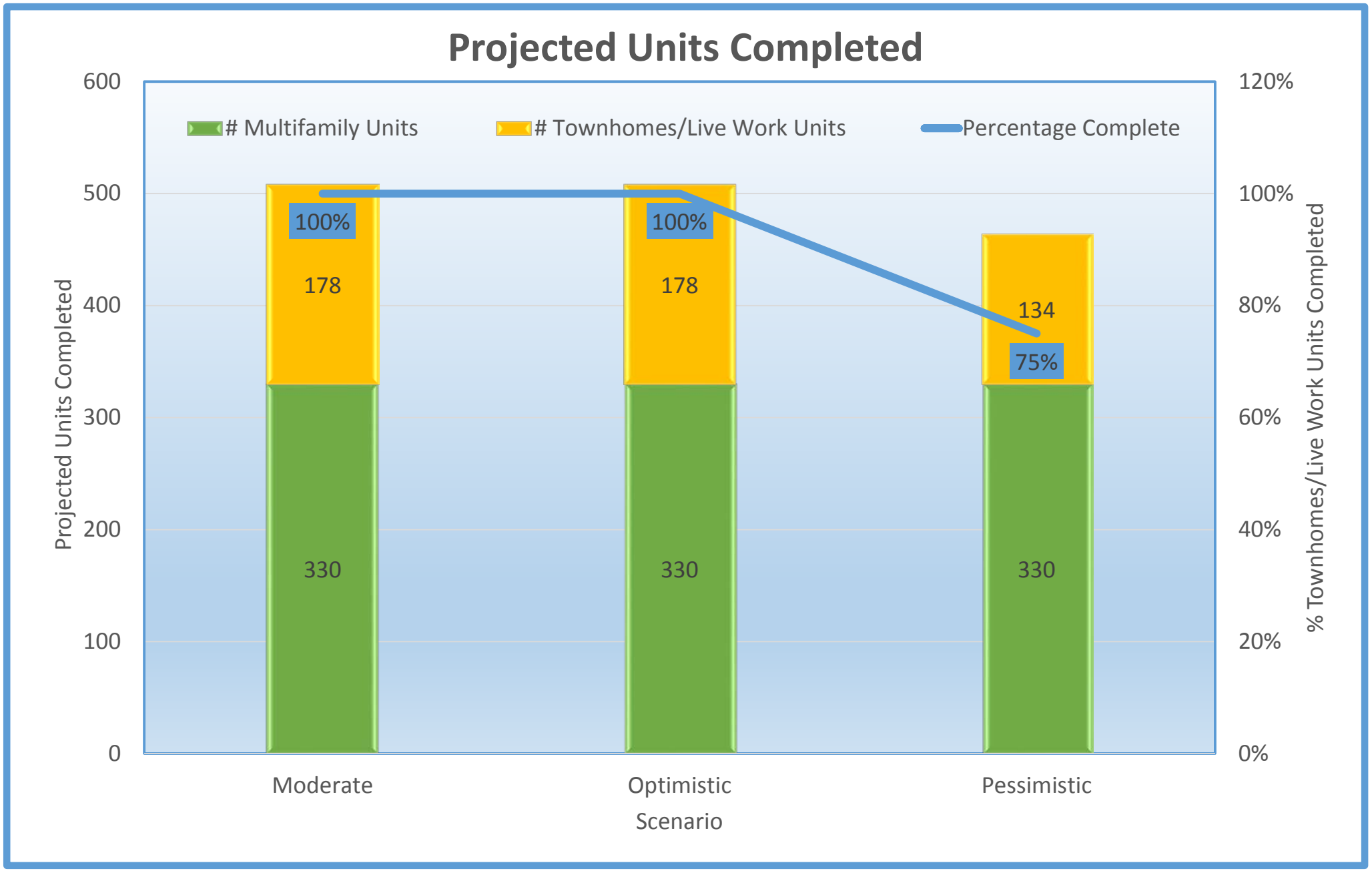
- Property Tax Values
  - Market Value of Project (Full Build-out) = $121,000,000
  - Taxable Value of Project (Market, less Exemptions) = $106,760,000
- Property Tax Revenues (Full Build-out)
  - Increase in property tax revenue at *total* tax rate (pre Exemptions) = $701,000
  - Increase in property tax revenue at *total* tax rate after Exemptions= $618,000
  - Increase in property tax revenue at *M&O* Rate = $402,000

Economic Outlook

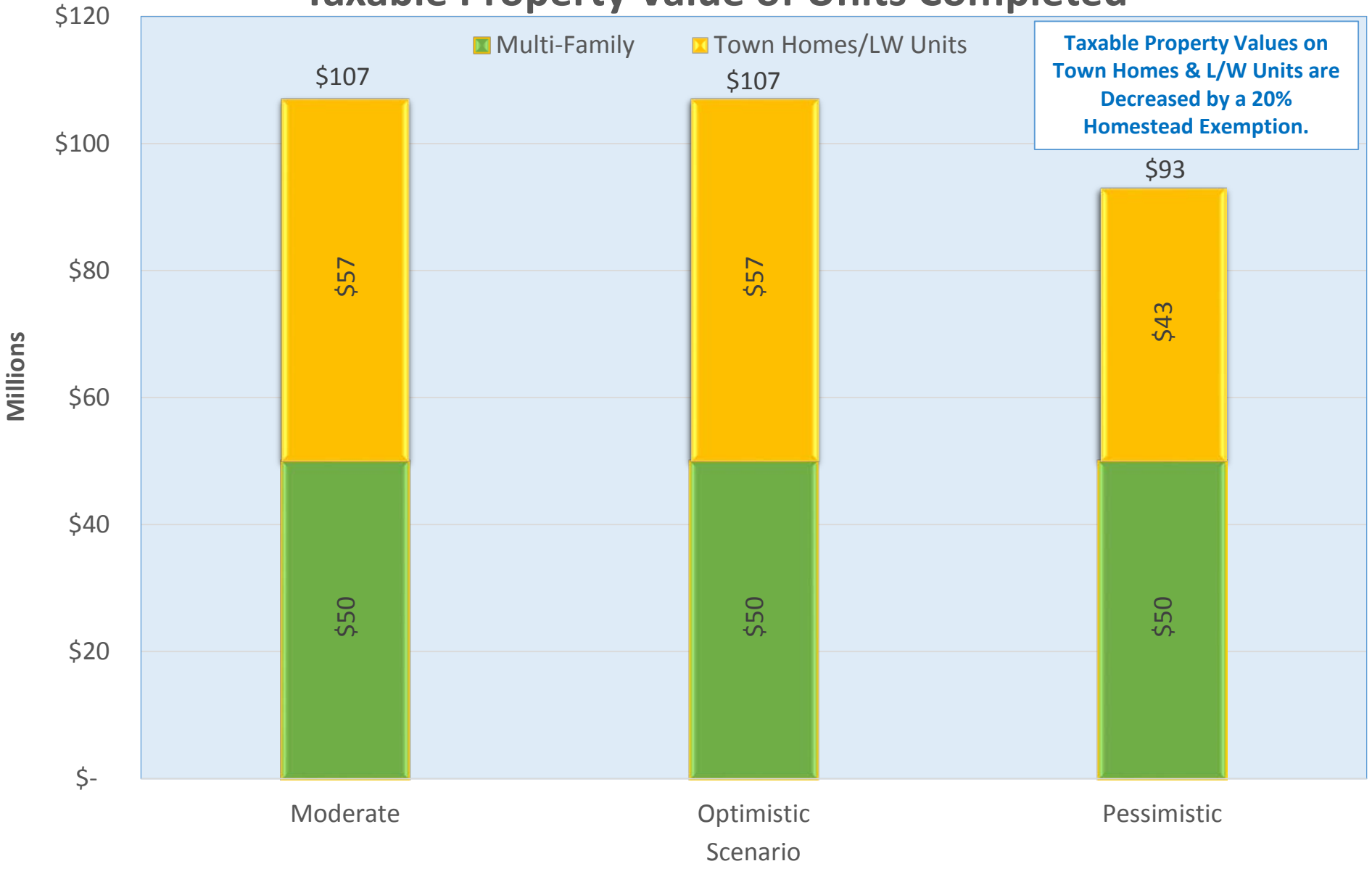


Note: Seasonally adjusted. For more information see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas

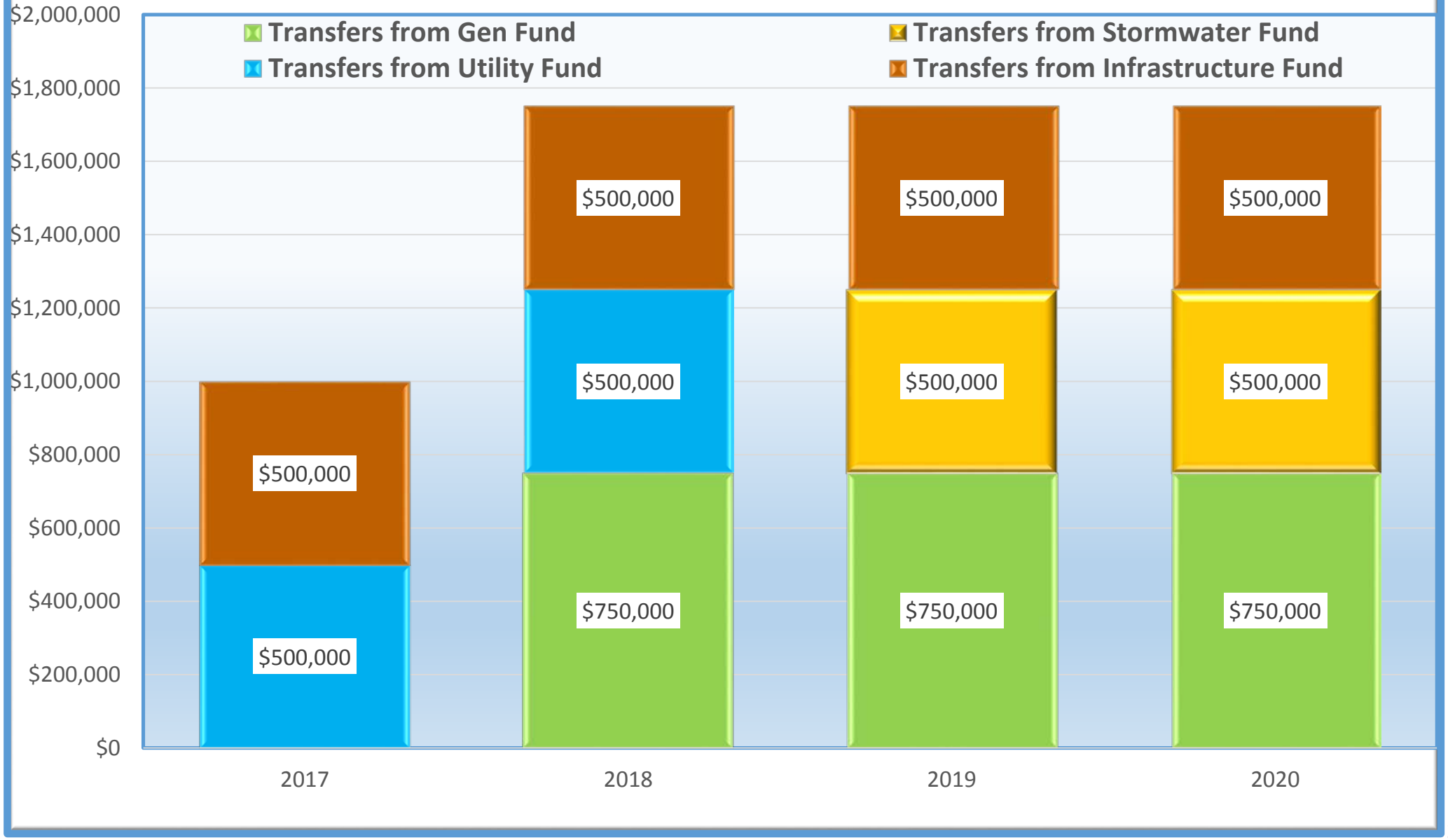

Property Tax Value Growth Rates
6%
5%
4%
3%
2%
1%
0%
5%
5%
4%
4%
4%
3%
3%
3%
3%
3%
3%
2%
2%
2%
2%
2%
2%
Moderate
Optimistic
Pessimistic
2016
2017
2018
2019
2020
2021
2022
2023
Fiscal Year


Projected Units Completed
Multifamily Units
Townhomes/Live Work Units
Percentage Complete
600
500
400
300
200
100
0
120%
100%
80%
60%
40%
20%
0%
Projected Units Completed
% Townhomes/Live Work Units Completed
100%
178
330
100%
178
330
134
75%
330
Moderate
Optimistic
Pessimistic
Scenario

Taxable Property Value of Units Completed



Escrow Fund Revenues by Source



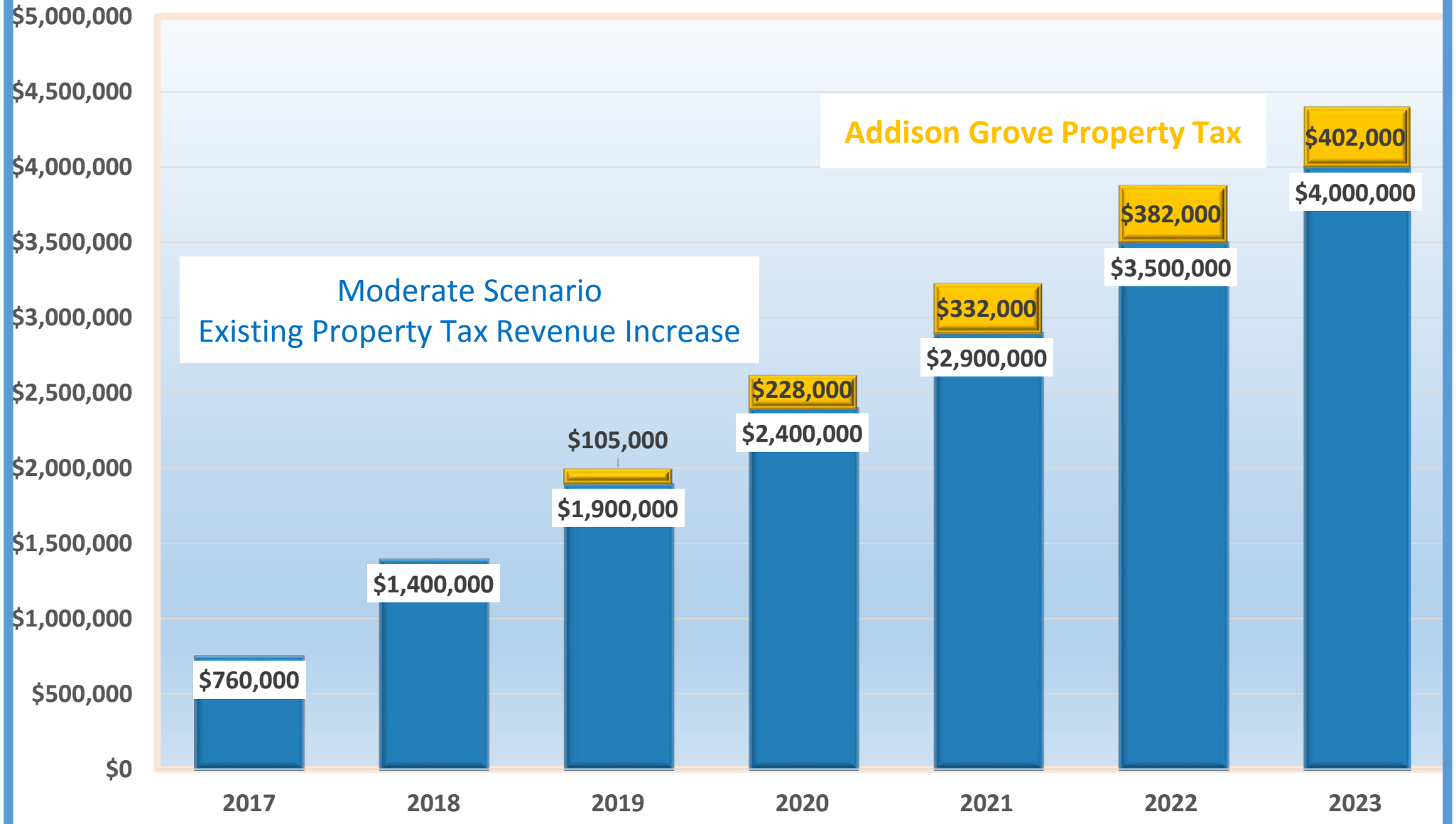
Escrow Account for Incentive Funding

Town of Addison
Addison Groves Project
$6.25M Escrow Fund, Funded by General, Infrastructure, Utility and SW Funds:

	2017	25% completion of Town Homes 2018	40% completion of Town Homes & LW Units 2019	75% completion of Town Homes & LW Units 2020	100% completion of Town Homes, LW Units & Infrastructure 2021	Total
Escrow Fund Beginning Balance:	$ -	$1,000,000	$2,750,000	$2,416,667	$2,083,334	$ -
Transfers from Gen Fund	-	750,000	750,000	750,000	-	2,250,000
Transfers from Stormwater Fund	-	-	500,000	500,000	-	1,000,000
Transfers from Utility Fund	500,000	500,000	-	-	-	1,000,000
Transfers from Infrastructure Fund	500,000	500,000	500,000	500,000	-	2,000,000
Total Revenues	1,000,000	1,750,000	1,750,000	1,750,000	-	$ 6,250,000
Expenditures from Escrow Fund	-	-	(2,083,333)	(2,083,333)	(2,083,334)	(6,250,000)
Escrow Fund Ending Balance	$1,000,000	$2,750,000	$2,416,667	$2,083,334	$ -	$ -

What are the Cash Flows of the Addison Grove Project?

Projected Property Tax Revenues: General Fund Only



Question: Can the Addison Grove Project Cash Flow?

Payback Year

General Fund	**$4,250,000/Cash Flow = 17 Years or 2033**
Total Project	**$6,500,000/Cash Flow = 22 Years or 2038**

TOWN OF ADDISON
INFRASTRUCTURE INVESTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCE

	FY15 Actuals*	FY16 Budget	FY17 Projected	FY18 Projected	FY19 Projected	FY20 Projected	FY21 Projected	FY22 Projected	FY23 Projected
BEGINNING BALANCE	$ -	$ 3,908,975	$3,209,415	$2,764,855	$2,320,295	$1,875,735	$1,431,175	$1,486,615	$1,542,055
REVENUES:									
Tax Contribution**	$226,898	$ 250,440	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Interest earnings and other	$ 8,088	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
TOTAL REVENUES	234,986	255,440	255,440	255,440	255,440	255,440	255,440	255,440	255,440
TOTAL AVAILABLE RESOURCES	234,986	4,164,415	3,464,855	3,020,295	2,575,735	2,131,175	1,686,615	1,742,055	1,797,495
EXPENDITURES:									
Design and Engineering:									
Engineering and contractual services	193,754	30,000	-	-	-	-	-	-	-
Construction and equipment	132,257	925,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Incentive payments			500,000	500,000	500,000	500,000	-	-	-
TOTAL EXPENDITURES	326,011	955,000	700,000	700,000	700,000	700,000	200,000	200,000	200,000
OTHER FINANCING SOURCES (USES):									
Transfer In	4,000,000	-	-	-	-	-	-	-	-
ENDING BALANCE	$3,908,975	$ 3,209,415	$2,764,855	$2,320,295	$1,875,735	$1,431,175	$1,486,615	$1,542,055	$1,597,495

ADDISON GROVES INCENTIVE

OPTION 5: FOUR ANNUAL PAYMENTS OF $500K FROM IIF, BALANCE FROM GENERAL FUND

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- Cons
  - Depletes reserves in Infrastructure Fund but not to extent of Option 1
  - May affect future CIP project funding

SUMMARY

	Option 1	Option 2	Option 3	Option 4	Option 5
	Reserves	Reserves/Debt	Reserves 5-Yr	Reserves/7-yr	GF/IIF Reserves
General Fund	$1,700,000	$1,000,000	$250,000	$250,000	$2,500,000
Stormwater Fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Utility Fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Infrastructure Fund	2,800,000	1,000,000			2,000,000
Total Cash	6,500,000	4,000,000	2,250,000	2,250,000	6,500,000
Debt	-	2,500,000	4,250,000	4,250,000	-
Total Incentive	$6,500,000	$6,500,000	$6,500,000	$6,500,000	$6,500,000
Tax Rate Impact	$0.0000	$0.0023	$0.0112	$0.0054	$0.0000

QUESTIONS?