

Late Backup



#120

MEMORANDUM

**TO: President, Vice President and Directors
Tax Increment Financing Reinvestment Zone #18 Board of Directors**

FROM: Kevin Johns, Director of Economic Growth and Redevelopment Services Office

DATE: April 25, 2012

**SUBJECT: TIF #18 - Seaholm Redevelopment
Proposed Amendments to Project and Financing Plans**

On April 26 the Board of Directors for Tax Increment Financing (TIF) Reinvestment Zone #18 will consider recommending amendments to the TIF#18 Project Plan and Financing Plan. The proposed amendments are:

- Increasing the geographic boundary of the TIF Zone to encompass Gables Park Plaza Phase II and the Bowie Bicycle and Pedestrian Underpass projects;
- Increasing project costs for street work and the Bowie Underpass, and the resulting debt incurred; and
- Increasing the projected property and sales tax revenue

Staff has also pursued a reduction in the duration of the TIF, from 30 years to 25 years. The City and its financial consultants have continued to fine-tune debt and revenue estimates. Based on this analysis, we will recommend leaving the TIF duration at 30 years, as set out in the original Project Plan and Financing Plan. However, we will issue the debt so that if TIF revenue actual collections exceed current projections, we will have the ability to retire the debt earlier.

The following information is provided in response to requests received from the TIF#18 Board of Directors at and following its April 5, 2012 briefing on proposed amendments to the TIF#18 Project and Financing Plans, and reflects the City's most current financial projections.

- 1. Provide a breakdown between the estimated tax increment for the original TIF boundaries (Seaholm Power Plant property) and the new TIF area (Gables Park Plaza II) included in the proposed project boundaries.**

Current estimates show the expanded TIF project area generating a total of \$51.39 million over 30 years (\$22.47 million net present value). The breakdown between properties is:
\$39.20 million (\$17.13 million NPV) from the Seaholm Power Plant, and
\$12.19 million (\$5.34 million NPV) from Gables Park Plaza II

#120

2. Provide a breakdown of the cost drivers that have produced a \$2.8 million increase in the cost estimates for public street work around the Seaholm Power Plant.

The original, conceptual cost estimates for the public street infrastructure necessary to support redevelopment of Seaholm Power Plant were prepared in 2006, and are reflected in the Master Development Agreement executed in 2008. The cost estimate totaled \$4.2 million for street work.

Current cost estimates for the public street infrastructure total \$7.0 million, a \$2.8 million increase. This increase has been generated by the following cost drivers:

- \$1,733,000 Seaholm Drive Retaining Wall (special design to protect 72" water main)
- \$492,000 West Ave "Festival Streets" Implementation (pavers and bollards)
- \$86,000 West Ave 16" Water Main (added when Service Extension Request finalized)
- \$50,000 Demo of Temporary Retaining Wall (wall installed after Seaholm MDA)
- \$439,000 Other (e.g. additional traffic and parking lanes in 3rd Street, and thickened concrete roadway sections in Seaholm Dr. and West Ave. due to shallow utilities)
- \$2,800,000 Total Increase in Seaholm Power Plant Street Infrastructure Cost Estimate

3. Staff's briefing showed a potential reduction in the TIF Term from 30 years to 25 years. What is the estimated tax increment coming off the enlarged TIF project area during the five year period under consideration?

Further financial analysis indicates the fiscally prudent approach is to issue the \$20.4 million in debt for the infrastructure package with a 30-year term. Regardless, the expanded TIF project area is currently expected to produce the following revenues:

- \$51.39 million over a 30-year period (\$22.47 million net present value)
- \$39.34 million over a 25-year period (\$19.55 million NPV)
- Difference: \$12.05 during the final five years (\$2.92 million NPV)

Should you have additional questions, please feel free to contact me at (512) 974-7802.

CC: Marc A. Ott, City Manager
Sue Edwards, Assistant City Manager