

**Preliminary Review of Proposed Tax Increment Project**  
**(9/18/2014 revisions)**

**Applicant:** Dream Design International, Inc. for Technology Housing 2, L.L.C.

**Proposed Project Title:** 100 Block of E. Saint Joseph St. Housing

**Purpose of Tax Increment District:** The purpose of this Tax Increment District is to assist in the development of property located along E. St. Joseph Street through demolition of blighted property, the redevelopment of housing, and public infrastructure improvements. The Tax Increment Funds will be utilized for property acquisition, demolition, alley reconstruction, professional fees, financing interest, contingency, and necessary and convenient costs. The development costs associated with the proposed project will be funded by the developer.

The application states that the high costs for land acquisition and environmental remediation would make the project infeasible without the use of a Tax Increment District. The anticipated increase in future tax revenue generated by the proposed housing development and site improvements will repay the costs of the TIF funds. As such, this is an economic development Tax Increment District.

**Proposed Boundaries:** The proposed boundary is located along E. Saint Joseph Street from Myrtle Avenue to Maple Avenue and includes all adjacent right-of-way including portions of E. Saint Joseph Street and E. Kansas City Street.

**Estimated Property Value after construction:** \$9,870,000

**Existing Base Valuation:** \$491,900 (estimate)

**2013 Tax Rate:** 23.055 Non-Agriculture Tax Levy (per \$1,000) at 90% factored value

**Increment Revenue Calculation:** \$9,870,000 - \$491,900 / \$1,000 \* 23.055 \* 90%

<b>*Anticipated Increment</b>		<b>**Anticipated Increment Revenue</b>	
2015	\$9,378,100	2015	\$0
2016	\$9,378,100	2016	\$0
2017	\$9,378,100	2017	\$194,590.88
2018	\$9,378,100	2018	\$194,590.88
2019	\$9,378,100	2019	\$194,590.88
2020	\$9,378,100	2020	\$194,590.88
2021	\$9,378,100	2021	\$194,590.88
2022	\$9,378,100	2022	\$194,590.88
2023	\$9,378,100	2023	\$194,590.88
2024	\$9,378,100	2024	\$194,590.88
2025	\$9,378,100	2025	\$194,590.88 (paid off w/ 1 <sup>st</sup> pmt)
2026	<del>\$9,378,100</del>	2026	<del>\$194,590.88</del>
2027	(paid-off)	2027	(paid-off)

\*The Anticipated Increment is calculated using the estimated structure value at build out less the Existing Base Valuation estimate.

\*\*The Anticipated Increment Revenue is calculated by multiplying the Anticipated Increment by the non-agriculture tax levy mill rate **by the factored valuation**.

**Total Proposed TID Project Costs**

Property Acquisition	\$800,000
Environmental Cleanup & Demolition	\$100,000
Alley Reconstruction	\$100,000
Engineering	\$30,000
Contingency	\$30,000
Necessary and Convenient Costs	\$2,000
Financing Expenses	<u>\$1,151,157</u> (7.5%)
Total	<b>\$2,213,157</b>

**Identified Funding Sources:** Loan from Great Western Bank

**Anticipated Time Frame:** 12 years at 9%, 11 years at 7.5%

**Comments:** Anticipated interest rate is 7.5%. Staff has prepared a 9% interest rate as specified in the Tax Increment Financing Guidelines adopted by the City Council. When the interest is calculated at a 7.5% rate, the total interest is ~~\$634,609.17~~ \$637,689.42; at a rate of 9% the interest is ~~\$880,986.17~~ \$886,036.10. Both amortization schedules are attached.

An eleven year estimated pro-forma is attached, based on applicant's anticipated 7.5% interest rate.

On August 18, 2014, the City Council authorized the addition of property acquisition in the request for Tax Increment Financing.