

## Preliminary Review of Proposed Tax Increment Project

**Applicant:** KS West, LLC and SK East, LLC by Hani Shafai and Ryan Kaski

**Proposed Project Title:** Rushmore Redevelopment Corridor (Buffalo Crossing)

**Purpose of Tax Increment District:** The purpose of this proposed Tax Increment District is to redevelop deteriorating property on a highly visible gateway corridor and to stimulate economic development through the development of new medical facilities, new office, hospitality, and residential uses. Employment at these proposed facilities is anticipated to add at least 400 new jobs. The Tax Increment Funds would be utilized for the construction of Healing Way, a 12" water main and a traffic signal at Healing Way and US 16/Catron Boulevard. The Project Plan will be funded by the developer.

The developers are targeting a medical and research center facility, a transitional medical physical rehabilitation facility, other medical and professional offices, residential units and other hospitality facilities.

**Overlapping Tax Increment District:** The City Council created Tax Increment District 70 (TID 70) on September 15, 2008. The associated Project Plan was approved on February 6, 2012, and includes cost reimbursements up to \$6,410,528.30. The sewer main has been installed as well as Moon Meadows Drive constructed to the eastern property edge. The traffic signal base installation, all of the structures (poles and signal heads), and the power required to operate the traffic signal are included in the project cost. However, the traffic signal and poles cannot be installed at the intersection until the traffic warrants are met. The poles and signal heads are normally purchased and stored at the city street facility until warrants are met. As of this writing, the public improvements that have been constructed to date within TID 70 have not yet been accepted by the city.

Because the Buffalo Crossing property identified in this application is included within TID 70, all incremental tax revenues generated within the proposed District will first be applied to TID 70. The Buffalo Crossing proposed incremental tax revenues are applied to the proposed district as soon as the certified costs within TID 70 are fully paid. As of this writing, TID 70 costs have not yet been submitted for certification.

**Proposed Boundaries:** The proposed boundary is located in the southeast quadrant of US Highway 16 and Catron Boulevard inclusive of Catron Boulevard adjacent to the property and includes only property owned by KS West, LLC and SK East, LLC.

**Existing Base Valuation (2014):** \$1,790,300

**2014 Tax Rate:**       0.022470 Non-Agriculture Tax Levy  
                          0.017447 Owner-occupied Tax Levy

**Anticipated Increment:**

2016	\$15,200,000
2017	\$19,400,000
2018	\$36,400,000
2019	\$70,000,000
2020	\$76,000,000
2021	\$85,000,000
2022	\$85,000,000
2023	\$85,000,000
2024	\$85,000,000
2025	\$85,000,000
2026	\$85,000,000
2027	\$85,000,000
2028	\$85,000,000
2029	\$85,000,000
2030	\$85,000,000
2031	\$85,000,000
2032	\$85,000,000
2033	\$85,000,000
2034	\$85,000,000
2035	\$85,000,000

**Anticipated Increment Revenue:\***

2018	\$335,516
2019	\$416,628
2020	\$783,249
2021	\$1,517,145
2022	\$1,629,361
2023	\$1,816,522
2024	\$1,816,522
2025	\$1,816,522
2026	\$1,816,522
2027	\$1,816,522
2028	\$1,816,522
2029	\$1,816,522
2030	\$1,816,522
2031	\$1,816,522
2032	\$1,816,522
2033	\$1,816,522
2034	\$1,816,522
2035	\$1,816,522
2036	\$1,816,522
2037	\$1,816,522

\*Revenue based on applicant's estimated increment at build out with \$18,600,000 as residential development and \$66,400,000 as commercial development over life of TIF

**Proposed Project Costs:**

Local Streets	\$2,000,000	
Grading/Regional Storm Water	\$950,000	
Billboard buyout and removal	\$120,000	
Medical and Professional Offices	\$40,000,000	
Hotels	\$12,000,000	
Restaurants	\$1,500,000	
Residential	\$17,500,000	
Transitional Physical Rehab Facility	<u>\$14,000,000</u>	
		\$88,070,000
Healing Way Street Improvements		\$1,800,000
Traffic signal/electrical (Healing Way)		\$400,000
Professional Fees		
Healing Way		\$144,000
Traffic signal		\$40,000
Contingencies		
Healing Way		\$180,000
Traffic signal		\$40,000

Necessary and Convenient Costs	\$2,000
Financing Interest	\$1,895,674
<b>Total</b>	<b>\$92,571,674</b>

**Total Proposed TID Project Costs:**

Healing Way Street Improvements	\$1,800,000
Traffic signal/electrical (Healing Way)	\$400,000
Professional Fees	
Healing Way	\$144,000
Traffic signal	\$40,000
Contingencies	
Healing Way	\$180,000
Traffic signal	\$40,000
Necessary and Convenient Costs	\$2,000
Financing Interest	\$1,895,674
<b>Total</b>	<b>\$4,501,674</b>

**Identified Funding Sources:**

Financed by the developer

**Comments:** The applicant has indicated that the anticipated interest rate will be 4.75%. The Tax Increment Financing Guidelines adopted by the City Council indicates that a 9% interest rate must be included in the Project Plan. Both TID 70 and the proposed TID can be repaid within the 20 year time frame.