

## Public Sector Advisors



## City of Stoughton Finance Committee

December 6, 2016

PRESENTERS:   Mikaela Huot  
                          Vice President

## Discussion

- Review of Tax Increment Financing Policy
- Review of Application for Assistance for KPW Phase 2
- Request for Assistance
- Pro Forma But For Analysis
- Preliminary Tax Increment Revenue Estimates
- Project Financing
- Conclusion and Next Steps

## Tax Increment Financing Policy

- Is the project authorized by the Project Plan for the TIF District?
- Does the project serve one or more of the City's general goals for the use of TIF?
- Is Tax Incremental Financing feasible, in that the TIF District will support the level of TIF investment?
- Is the amount of Tax Increment Financing requested reasonably necessary to make the project financially viable?
- Should a development agreement be required, and what terms should be included in the agreement?
- Is more process (such as additional public hearings or a referendum) appropriate?
- Such other factors as either the Finance Committee or the City Council deem appropriate

## Developer Request for Assistance

- Assistance for Financing Portion of Costs
- \$5,440,774 on-site improvements
  - Reimbursement (paygo)
- \$5,740,862 off-site improvements
  - Upfront (City bond issuance)
- \$20,285,054 total project costs

## Developer Proforma But-For Analysis

- City needs to make finding 'but-for' assistance, project would not occur
- Significant on-site and off-site improvements cannot be supported solely by project revenues (land sale proceeds)
- Based on developer's stated need, City financial assistance is necessary

## Developer Proforma But-For Analysis

- Following determination assistance is needed, also consider appropriate amount of assistance subject to:
  - Reasonableness of developer assumptions
  - Projected rates of return
  - Projects (and corresponding costs) City would like include
  - Feasibility of revenues to support project costs

## Tax Increment Revenue Estimates

- Total estimated incremental value phase 2 of \$50.8M
- Total estimated revenues of \$15.8M
- Tax increment district created for Phase 1
  - Subject to actual values created in phase 1, may be surplus revenues for coverage or phase 2 project costs
- Further review of developer assumptions
- Further discussion regarding use of available revenues

## Project Financing

### Common Methods for Financing Costs

- G.O. Bonds
  - City finances portion of project costs upfront and collects annual increments to pay debt service
- Pay-as-you-go Notes
  - Project financed upfront by developer
  - Developer is reimbursed over time
- Request is for both types of financing

## Conclusion

- Assistance would be provided for phase 2 related to infrastructure costs
- Supported by tax increment revenues and subject to availability
- Developer has indicated assistance is necessary
- Review supports request for assistance, more due diligence on financed costs

## Next Steps/ Considerations

- Reasonable of developer assumptions
  - Adjustments impact need for assistance and project feasibility
- Projected rates of return
  - Subject to risk/reward and market
- Prioritize costs
  - What should TIF be used for?
    - Developer projects/costs
    - City projects/costs

## Next Steps/ Considerations

- Is project feasible?
  - Does projected increment support required project costs?
  - Does projected increment support additional City costs?
- Project of this magnitude based on assumptions
- Adjustments may impact need (amount) of assistance and feasibility

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## Questions