

LRB-FISCAL REVIEW SECTION ANALYSIS

JUNE 8, 2004 AGENDA

ITEM 22, FILE 031752

ZONING, NEIGHBORHOOD & DEVELOPMENT COMMITTEE

EMMA J. STAMPS

File #031752 is a resolution authorizing the proper city officials to enter into a Development Agreement for Tax Incremental District No. 55 (Holt Plaza) in the 14th Aldermanic District. (DCD)

Background

1. In April 2004, the Common Council adopted Resolution 031665, approving the Project Plan and creation of TID No. 55, Holt Plaza with the understanding that DCD and the developer continue to seek an acceptable financing commitment that would not require taxpayers to pay the \$1,665,000 primary mortgage prepayment penalty, and that a term sheet would be added to the file.
2. The fiscal analysis filed under File 031665 provided the following facts:
 - The project is situated between South 3rd Street and South Chase Avenue, just north of West Holt Avenue in the 14th Aldermanic District.
 - Currently, a Pick N' Save grocery store operates on the parcel. The store lease expires in 2007.
 - Vacant office and warehouse space, traffic patterns, and the existing building layout make it difficult to attract new outlet and commercial tenants to the property. Nearby major retailers, K-Mart and Sears, closed neighboring South Chase Avenue stores within the last year.
 - The Department of City Development is working with property owner and developer, Miflin Care Center, Inc., to build a shopping center anchored by Home Depot, a newly built Pick N' Save, and retail outlets on the parcel for an estimated \$16,881,000. TID No. 55 will create up to 150 construction and 350 retail jobs.
 - This figure does not cover unanticipated improvements such as vacation of existing public rights-of-way, site clearance, environmental remediation, and reimbursement of owners of abutting property for costs directly related to the project.
 - The land is not free-and-clear; Miflin has an outstanding first mortgage debt of \$5,604,000 with a prepayment penalty stipulation. The original mortgage for \$6,400,000 at 7.40% interest matures 6/1/2019.
 - A city contribution is needed to pay the estimated \$1,665,000 prepayment penalty against the first mortgage and \$492,000 city capitalized interest and administrative costs.
 - The Project Plan provides that the city will reimburse the developer up to \$2,000,000 and \$140,000 in administrative and other costs (approximately \$2,140,000). The TID is expected to retire in 2021 but could run until 2026.

Discussion

1. File 031752 contains a Term Sheet draft (version 2), dated June 2, 2004. The project description accommodates construction for a Pick N' Save and mid-box space (87,975 sq. ft.), Home Depot home improvement and garden centers and mid-box space (130,721 total sq. ft), and additional retail space (19,000 sq. ft.) along the Holt Avenue frontage.
2. In total, Mifflin proposes developing 237,696 sq. ft., approximately 5.43 acres or one-quarter of the proposed 20.56-acre TID parcel.
3. Home Depot will construct its facilities.
4. The 19,000 sq. ft. of additional retail space is not considered "Redevelopment Work", suggesting that the Mifflin may receive reimbursements prior to its completion.
5. The Term Sheet limits the city contribution to reimburse Mifflin Care Center, Inc. an amount equal to the TID No. 55 Project Costs (up to \$2,140,000 that pays a \$1,665,000 primary mortgage prepayment penalty and \$475,000 for city administrative costs associated with the TID) plus interest at a rate of 5% per annum (based on a 360-day year), less \$7,000 per year for the annual TID audit costs.
6. File 031752 did not contain the customary Comptroller's Office letter of recommendation at the time of this writing. Therefore, this analysis excludes discussions about whether the development could proceed without city assistance to pay Mifflin's primary mortgage prepayment penalty (\$1,665,000).

Fiscal Impact

Adopting File 031752 authorizes a \$2,140,000 expenditure for TID No. 55 (Holt Plaza) and interest at a rate of 5% per annum, less applicable TID audit costs (up to \$7,000 per annum) on a Developer financed loan.

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