

**Request for additional Funding
Tax Incremental District No. 28
Walnut Crossing Project**

Background

TID No. 28 was created in 1995 to support the development of a 43 unit single family residential subdivision at 21st and Walnut. The majority of TID No. 28 funding was to provide development subsidies to home purchasers – the difference between the projected sales prices of the homes to be built (\$70,000) and the expected cost to build them (\$100,000). It was amended in 1997 to expand the boundaries and add funding to develop additional single family home sites, to meet the strong demand for new housing. While the amendment estimated 20 additional homes would be built, 34 additional homes were actually built, bringing the total number of single family homes constructed in the development to 77.

Proposed New Project

Included within the boundaries of the TID was a McDonald's Restaurant, located at the northwest corner of 20th and Walnut. The restaurant was closed in 2005 and demolished in 2006. The vacant land was purchased by Cross Development. The developer has subdivided the site and is proposing to build six new single family homes, with projected sales prices between \$220,000 and \$300,000 – the "Walnut Crossing" project.

TID No. 28 funds of \$137,500 would be used to provide funds for site improvements to support the new development, specifically the installation of a new alley to service the new lots.

Need for Assistance:

The developer's cost for site acquisition, cleanup, surveying, and development are approximately \$140,000. This translates into a per lot development cost of \$23,000. If the developer were to pay for infrastructure costs, this would add another \$22,900 per lot to their costs, bringing total lot costs to over \$45,000, which would not be feasible in the market place.

Current Status of TID No. 28

The original economic feasibility plan for TID No. 28 suggested that 43 new homes would be built valued at approximately \$70,000 and that the TID would be retired in 2022 – it's maximum legal life. Amendment #1 to TID No. 28 expanded the boundaries and provided funding for an estimated 20 additional homes with an average value of \$74,000. Amendment #1 also projected that that the period over which subsidies would be recovered would essentially extend to the legal life of the district.

To date, 77 homes have been built within the district – 14 more than originally estimated. Home values in the district range from \$160,000 - \$220,000. TID expenditures to date (not including capitalized interest) are \$1,952,663. Tax incremental value for TID No. 28 as of the end of 2006 was \$10,887,000 and estimated annual tax increments are \$240,000.

Impact on TID Repayment:

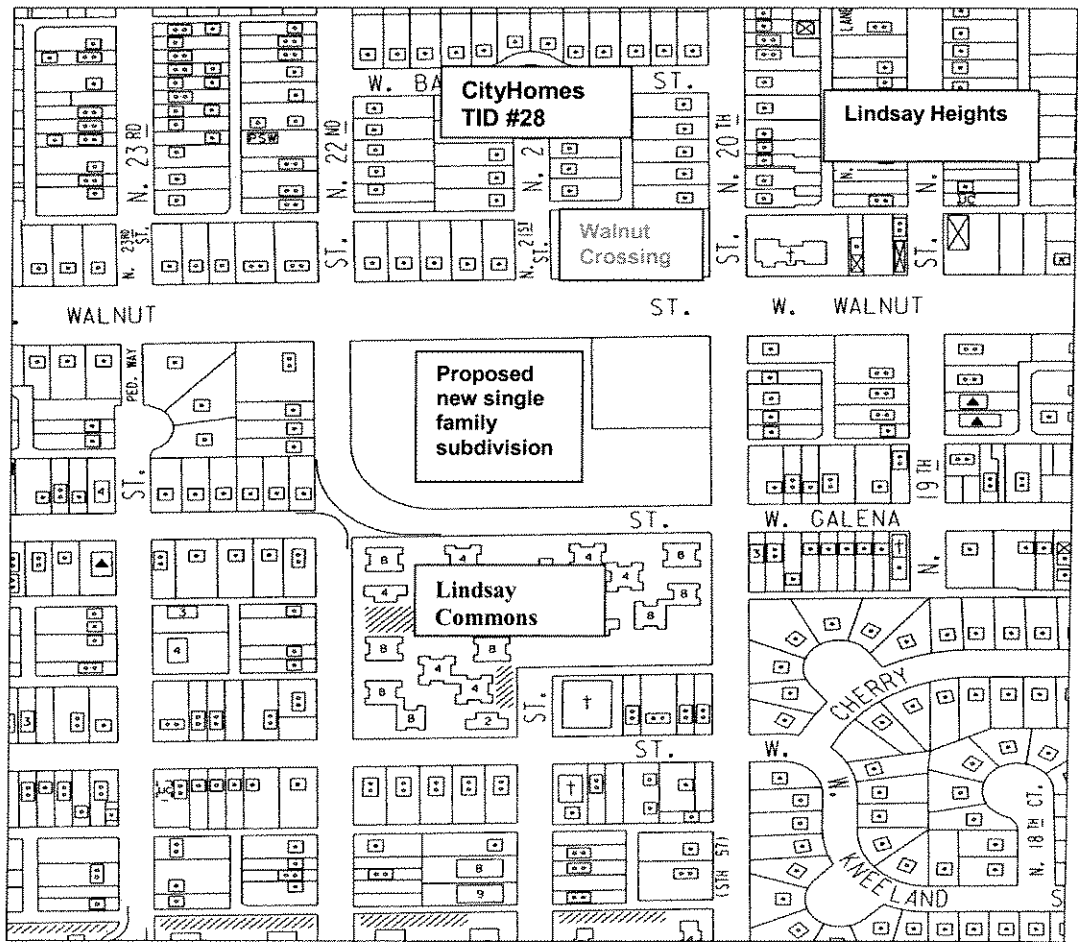
With annual increments of \$240,000, TID No. 28 is currently generating sufficient tax incremental revenues that would allow it to recover existing costs, as well as the proposed additional costs of \$137,500, well before the end of its 2022 expiration date.

Exhibit I forecasts District Cash Flow, given currently scheduled debt service and estimated new debt service on \$137,500 in costs associated with the proposed new development. As indicated, assuming only the receipt of the current amount of incremental revenue, the District is expected to generate a cumulative net cash flow sufficient to retire all debt by 2014 – eight years before its statutory termination date.

For informational purposes, Exhibit II was also prepared and is attached to forecast the impact/benefits of the project on a “stand alone” basis - in other words, will the value of the new development generate sufficient tax incremental revenues to retire the new debt associated with it prior to the expiration of TID. The assumptions in the forecast include the following:

- Average per unit full assessment value of \$220,000. This is based on the lowest priced model the developer is proposing. It is also approximately the same as the highest values within the existing CityHomes subdivision.
- A build out/absorption period of 2 years. This should be achievable given the developer has indicated that she has two lot reservations for the site.
- Based on experience with other single family infill development in the neighborhood, it is assumed that homes would take two years to achieve full assessment on the tax rolls – this lag time is reflected in the analysis.

As shown in the cash flow forecast for the proposed new development, tax increments associated with the development are sufficient to repay the additional TID No. 28 project costs in the year 2014 – the year TID No. 28 is currently projected to be retired.



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Exhibit I	Exhibit I	Forecast of TID 28 Cash Flow with Additional Borrowings of \$135,000 for Walnut Crossing Project									
		Current Debt Service Principal	Total Current D/S	Future D/S on add'l \$135,000 borrowing 4.50% 13 yrs/	Total D/S for TID 28	Tax Incremental Revenue (Actual Through 2006)	Net Cash Flow	Cumulative Net Cash Flow	Remaining Debt Service		
1995											
1996		17,614	17,614		17,614	0	(17,614)	(17,614)	3,282,811		
1997	54,656	46,494	101,149		101,149	31,618	(69,531)	(87,145)	3,181,661		
1998	62,139	47,418	109,557		109,557	82,047	(27,510)	(114,655)	3,072,104		
1999	62,030	62,901	124,931		124,931	85,170	(39,761)	(154,417)	2,947,173		
2000	62,030	65,184	127,214		127,214	130,350	3,136	(151,281)	2,819,959		
2001	72,125	81,976	154,100		154,100	172,017	17,917	(133,364)	2,665,859		
2002	93,857	79,454	173,311		173,311	194,999	21,688	(111,676)	2,492,548		
2003	125,931	77,799	203,730		203,730	214,216	10,486	(101,190)	2,288,818		
2004	129,482	75,444	204,925		204,925	229,501	24,576	(76,615)	2,083,892		
2005	132,472	68,111	200,583		200,583	241,058	40,475	(36,139)	1,883,310		
2006	136,003	64,063	200,066		200,066	239,922	39,856	3,717	1,683,244		
2007	112,186	57,866	170,052		170,052	239,922	69,871	73,588	1,513,192		
2008	125,526	52,816	178,342	13,990	192,332	239,922	47,590	121,178	1,320,860		
2009	132,182	47,231	179,413	13,990	193,403	239,922	46,520	167,698	1,127,457		
2010	134,865	41,410	176,275	13,990	190,265	239,922	49,657	217,355	937,192		
2011	125,124	35,080	160,204	13,990	174,194	239,922	65,728	283,083	762,998		
2012	116,638	29,056	145,694	13,990	159,684	239,922	80,239	363,322	603,314		
2013	128,099	22,364	150,463	13,990	164,453	239,922	75,470	438,792	438,861	District Closed	
2014	118,481	15,637	134,118	13,990	148,108	239,922	91,814				
2015	74,864	10,543	85,407	13,990	99,397	239,922	140,525				
2016	41,388	6,025	47,412	13,990	61,402	239,922	178,520				
2017	27,972	4,020	31,992	13,990	45,982	239,922	193,941				
2018	21,503	1,659	23,163	13,990	37,153	239,922	202,770				
2019	15,062	726	15,788	13,990	29,778	239,922	210,145				
2020	1,412	110	1,522	13,990	15,512	239,922	224,411				
2021	1,492	37	1,529		1,529	239,922	238,393				
	2,107,518	1,011,036	3,118,555	181,870	3,300,425						

Exhibit II

TID Number 28

Proposed Walnut Crossing Project

Budget:

New Alley	\$35,000
Relocation of Light Poles within Alley	\$80,000
Administrative costs	\$10,000
Subtotal	\$125,000
Capitalized Interest	\$12,500
Total	\$137,500

ASSUMPTIONS FOR NEW HOME CONSTRUCTION AND SALES

Number of homes to be built: 6

Home value for assessment purposes: \$220,000

Years to achieve full assessment on tax roles: 2 years after start of construction

<u>Year</u>	<u>Homes starts</u>	<u>Cumulative units assessed</u>	<u>Assessment 50%</u>	<u>Assessment 100%</u>	<u>Total</u>
2007	3	0	\$0	\$0	\$0
2008	3	3	\$330,000	\$0	\$330,000
2009		6	\$330,000	\$660,000	\$990,000
2010				\$1,320,000	\$1,320,000

**FORECAST OF DISTRICT ADDITIONAL CASH FLOW
From Walnut Crossing Project
TAX INCREMENTAL DISTRICT NO. 28**

<u>Year</u>	<u>Estimated New Value</u>	<u>Estimated New Tax Incremental Payment</u>	<u>Interest @ 4.50%</u>	<u>Principal Reduction (Addition)</u>	<u>Principal Balance</u>
					\$125,000
2007	\$0	\$0	\$5,625	-\$5,625	\$130,625
2008	\$330,000	0	\$5,552	-\$5,552	\$136,177
2.50% 2009	\$1,014,750	\$7,260	\$5,788	\$1,472	\$134,704
2010	\$1,353,000	\$22,325	\$5,725	\$16,600	\$118,104
2011	\$1,386,825	\$29,766	\$5,019	\$24,747	\$93,358
2012	\$1,421,496	\$30,510	\$3,968	\$26,542	\$66,815
2013	\$1,457,033	\$31,273	\$2,840	\$28,433	\$38,382
2014	\$1,493,459	\$32,055	\$1,631	\$30,423	\$7,959
2015	\$1,530,795	\$32,856	\$338	\$32,518	-\$24,559
2016	\$1,569,065	\$33,677	-\$1,044	\$34,721	-\$59,280

Notes: *Since this is an additional development within an existing TID, the base value is not subtracted from the above calculations. The base value for the entire district was fixed at the time of creation and amendment of the TID.
 *Tax rate of \$22/\$1,000
 *Annual property value increases of 2.5%.