

Southfork TIF District

January 4, 2012



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District Description

- Total ~ 72 acres
 - ~50 acres east of drainage ditch entirely undeveloped
 - 2 parcels
 - Located in 100 year flood zone
 - ~22 acres west of drainage ditch partially developed
 - 11 parcels, 5 of which are improved
 - Insignificant number of acres in extensions
 - Broadway included to allow TIF funds to improve road
 - Drainage ditch south to Canal Route included to provide partial funding of drainage facility at south terminus



Statutory Qualification

- TIF redevelopment districts are to mitigate blighted areas
- 2004 legislation amended statutory definition of blighted area to include one in which more than half of acreage was in 100 year flood plain as certified by FEMA
- ~69% of proposed district (50 of 72 acres) is within 100 year flood plain



Development Planned In 3 Phases

- Phase 1: mixed use hotel, retail, entertainment on north portion of 50 acre tract east of ditch
- Phase 2: big box retail on south portion of 50 acre tract east of big
- Phase 3: medical office facility on 22 acre tract west of ditch



Total Project Cost Estimate = \$152.9-m

- Sources of funding:

	Amount	Percentage
<i>Private funding</i>		
Owner's equity	\$17,389,400	11.4%
Debt proceeds	114,976,548	75.8
Total private funding	\$132,365,948	86.5%
<i>Public funding</i>		
Sales tax (CID 2%)	\$11,619,737	7.6%
Property tax (TIF)	8,954,000	5.9%
Total public funding	\$20,573,737	13.5%
<i>Total project funding</i>	\$152,939,685	100.0%



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Total Project Cost Estimate = \$152.9-m

- Uses of funding:

	Amount	Percentage
Land acquisition	\$2,250,000	1.5%
Holding expenses	500,000	0.3%
Private improvements – building construction	140,295,685	91.7%
Public improvements – infrastructure	\$9,894,000	6.5%
<i>Total project cost</i>	<i>\$152,939,685</i>	<i>100.0%</i>



Positive Net Earnings Projected With Or Without TIF, But Not Without Both TIF & CID

- Without TIF:
 - Year 1 earnings = \$96,455
 - Positive net earnings in 13 of first 15 years
 - Accumulated net earnings after 15 years = \$10.7-m
- With TIF:
 - Year 1 earnings = \$96,455
 - Positive net earnings in each of first 15 years
 - Accumulated net earnings after 15 years = \$22.4-m
- Without TIF & CID
 - Year 1 earnings = \$47,844
 - Positive net earnings in 6 of first 15 years
 - Accumulated net loss after 15 years = \$1.1-m



County Property Tax Implications

	Per year	TIF district life (20 years)
Current county tax levy	\$3,193	\$64,000
County tax levy in year 4, after full development	\$886,697	\$18,708,244



Developer Says Drainage Improvement Will Not Remove District From Flood Zone

- Currently 50 acres east of ditch in flood zone
- After improvement, developer estimates 45 – 47 acres east of ditch in flood zone
- Developer says plan is to elevate buildings above flood zone level and allow parking and common areas to remain in zone
- *How will owners or tenants of buildings respond to city or county in flood event?*



County's Decision: Does Proposed TIF District Create Adverse Impacts On Sedgwick County?

- Potential loss of tax revenue hinders future service delivery?
 - If project can be completed without TIF funds, estimated loss of tax revenue = \$18.7-m over 20 years
 - If project cannot be completed without TIF funds, estimated loss of tax revenue = \$0 over 20 years



County's Decision:

Does Proposed TIF District Create Adverse Impacts On Sedgwick County?

- Is proposed project economically feasible without county funding support?
 - Based on pro forma approved by City and developer, project is profitable with or without TIF
 - However, not profitable if neither TIF nor CID approved. County has no voice in approval of CID.



County's Decision: Does Proposed TIF District Create Adverse Impacts On Sedgwick County?

- Is proposed private equity funding insufficient to effect default risk?
 - Based on City estimates, developer equity = \$17.4-m, which is 11% of \$153-m total project cost
 - Source of developer equity is unspecified



County's Decision:

Does Proposed TIF District Create Adverse Impacts On Sedgwick County?

- Are costs to county government greater than benefits to county government?
 - Estimated cost = foregone property tax = \$18.7-m over 20 years
 - Potential cost = drainage improvements demanded by property owners & tenants because this project doesn't eliminate flood zone, but no estimate exists
 - Estimated benefit = sales tax = \$1.7-m over 20 years
 - Estimated benefit = property tax = \$1.0-m annually beginning year 21
 - Potential benefit = added property taxes on increased value of nearby residential & commercial properties, but no estimate exists



NEXT STEP: BOCC ADOPTION OF RESOLUTION ASSENTING TO CREATION OF TIF DISTRICT OR FINDING ADVERSE IMPACT ON COUNTY AND OPPOSING CREATION

QUESTIONS?



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