

TO: MAYOR & COUNCIL
FROM: CLERK/TREASURER
SUBJECT: QUESTION & ANSWER SUMMARY – HAWTHORN & STONE DEVELOPMENT INC. -- DEVELOPMENT AGREEMENT
DATE: JUNE 5, 2013

Q: Agreement summary? Answer: On June 6th a resolution authorizing the final drafting and execution of a development agreement is before the Council. This amounts to a final sign-off on the development agreement. Terms sheets outlining the terms of the agreement will be provided.

- Developer guarantees \$5,500,000 in property value for former printing plant site. TIF revenue averaging \$127,000 per year is generated for 25 years (2014 – 2038). Some of this goes to the City some back to the Developer.

- Developer is responsible for site demolition (previously a sizable City expense). Developer purchases home at 467 W. Madison Street to add to project site.

- City provides a developer incentive of \$800,000 payable over the course of 2013 for project costs.

- City and Developer enter into a ground lease to codify the Developer's intent of demolition the structure.

Q: Where does the incentive money come from? Answer: From the \$1,000,000 loan from the Board of Commissioners of Public Land. This is paid back from project TIF revenue.

Q: How much of the tax increment created by the project goes to the Developer? Answer: Roughly 50%. \$1,300,000 over 17 years. This equates to the maximum allowable per our existing policy with the City recouping project costs from years 2012, 2013 and 2014. From 2014 to 2038 the City portion of the increment revenue, going to TID #2, is projected to be \$1,300,000.

Q: How is the City protected in this agreement? Answer: The Developer provides a Letter of Credit from a financial institution which the City can draw for non-performance relating to the developer incentive. If the increment isn't fully created, the City and not the developer is first in line to recoup dollars. If the Developer walks, the City gets the clean site back plus the added residential parcel. The City is responsible for environmental site remediation above and beyond \$20,000.

Q: What other analysis and review has taken place? Answer: Rob Montgomery has generated a flood plain action plan which the Developer will implement. Baker Tilly has reviewed Developer submittals. Errin Welty has reviewed Developer submittals.

Q: How is the increment generated broken out? Answer: See attached table. The City uses proceeds from the sale of assets (i.e. propane tank, etc...) and dollars transferred from TID #1 to pay for early year debt service. TIF revenues begin to flow in 2017. Tax Incremental District #2 gets repaid over time and defined pay outs to the developer are specified.

Exhibit
City of Waterloo
Hawthorn Development Financial
6/3/2013

	Revenues		Expenses		
	Asset				
Rev	Sale	TIF	Debt	Dev-Fin	City
Year	Cash	Revenues	Service	Payment	Portion
2012	\$0	\$0	\$0	\$0	\$0
2013	\$0	\$0	\$0	\$0	\$0
2014	\$105,000	\$0	\$102,149	\$0	\$2,851
2015	\$105,000	\$0	\$102,149	\$0	\$2,851
2016	\$105,000	\$0	\$102,149	\$0	\$2,851
2017	\$35,000	\$81,906	\$102,149	\$11,000	\$3,757
2018	\$0	\$137,124	\$102,149	\$17,000	\$17,975
2019	\$0	\$138,153	\$102,149	\$18,000	\$18,003
2020	\$0	\$139,189	\$102,149	\$19,000	\$18,039
2021	\$0	\$140,233	\$102,149	\$20,000	\$18,083
2022	\$0	\$141,285	\$102,149	\$21,000	\$18,135
2023	\$0	\$142,344	\$0	\$100,000	\$42,344
2024	\$0	\$143,412	\$0	\$100,000	\$43,412
2025	\$0	\$144,487	\$0	\$100,000	\$44,487
2026	\$0	\$145,571	\$0	\$100,000	\$45,571
2027	\$0	\$146,663	\$0	\$100,000	\$46,663
2028	\$0	\$147,763	\$0	\$100,000	\$47,763
2029	\$0	\$148,871	\$0	\$100,000	\$48,871
2030	\$0	\$149,987	\$0	\$100,000	\$49,987
2031	\$0	\$151,112	\$0	\$100,000	\$51,112
2032	\$0	\$152,246	\$0	\$100,000	\$52,246
2033	\$0	\$153,388	\$0	\$100,000	\$53,388
2034	\$0	\$154,538	\$0	\$100,000	\$54,538
2035	\$0	\$155,697	\$0	\$0	\$155,697
2036	\$0	\$156,865	\$0	\$0	\$156,865
2037	\$0	\$158,041	\$0	\$0	\$158,041
2038	\$0	\$159,227	\$0	\$0	\$159,227
Total	\$350,000	\$3,188,101	\$919,344	\$1,306,000	