

TO: MAYOR & COUNCIL
FROM: CLERK/TREASURER
SUBJECT: QUESTION & ANSWER SUMMARY -- LANG GROUP LLC DEVELOPMENT AGREEMENT
DATE: JUNE 5, 2013

Q: Agreement summary? Answer: An accepted Letter of Intent, an Option to Purchase and the Pre-Development Agreement before the Council June 6th from the Lang Group LLC (Developer) combine to call for the following:

- Developer invests in and remodels the 50,000 square foot former corporate office for residential and commercial use beginning when it exercises the option to purchase and takes ownership (January 2014).
- Developer guarantees property tax payments of \$42,000 for five years. If property value generates property tax bills of less than \$42,000 the Developer pays the difference for five years. The property would be added to Tax Incremental District #2. All tax revenue would be directed to TID #2. Currently the City collects \$16,940 in taxes annually on this property.
- City provides a developer incentive of \$100,000 payable over the course of 2013 to Developer for costs associated with construction plans and building analysis.
- City provides a limited loan guarantee in the amount of \$400,000 for seven years.

Q: Where does the incentive money come from? Answer: From the \$1,000,000 loan from the Board of Commissioners of Public Land.

Q: What is a municipal loan guarantee? Answer: The City gives the Developer a written guarantee which it takes to its lender. The lender has a guarantee that the City will step in to pay for a portion of the loan up to \$400,000 if the Developers fails to make payments.

Q: How is the City protected in this agreement? Answer: Using tax incremental financing we are effectively collecting \$42,000 in taxes per year versus \$16,940 in taxes. The difference pays the City back for the \$100,000 over five years. A special assessment against the property in the event the Developer's bank calls for payment on the loan guarantee protects the City. A special assessment gives the City a first position collecting money from the project.

Q: What happens if the Developer doesn't exercise the Option to Purchase? Answer: The City retains the work product from the due diligence process, recoups dollars paid directly to Lang and Ellsworth and the property stays with the City to become available to another developer.