

THE  residence
AT THE COR

City Council Meeting
November 23, 2010



The Marketplace

- The “Millennial Generation” or Generation Y (Born 1982-2000).
- Larger than Baby Boomers – over 80m
- Prefer urban areas or urban developments in suburban areas.
- Prefer Smaller homes in transit oriented communities with high amenities.

- Since the Boomers have created sufficient move up housing for Gen X and since a huge percentage of Gen X houses are underwater, Gen Y presents the greatest opportunity for housing.
- Gen Y is the largest generation at 83 million and there are 2 million excess, unformed Gen Y households as 60% of graduating college students are returning home.
- Gen Y is looking for more urban settings (core cities and suburban town centers), greener, smaller and better design. They will rent longer and will not invest as heavily in housing as their parents did—they will seek other avenues of upgrading their lifestyle.



Housing in America
THE NEXT DECADE



ULI Urban Land
Institute

As popular as many 24/7 cities have become, there are many people who want a more urban lifestyle but want to stay close to their friends in the suburbs, do not want to live in the “big city,” or simply cannot afford to live downtown. These people will be looking to live in suburban town centers that can provide real urban amenities—namely, a wide mix of housing, stores, and services; a vibrant, diverse community of people; and an attractive, walkable central area. Those areas that have good public transportation within them and transit links to the city and other parts of the region are likely to be the most successful. For these reasons, there will be an “enormous market for more urban lifestyles within the suburbs,”

-Professor Ellen Dunham-Jones of the Georgia Institute of Technology said at a recent ULI Conference on Sustainable Suburbs.



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AT THE COR



THE
COR
AT RAMSEY

The COR



Catalyst Project

- **Use**
 - ✓ Vertical mix of uses
 - ✓ 4-story structure
 - ✓ Higher Housing Product
 - ✓ Supports both existing and new retail uses
- **Architecture**
 - ✓ Urban frontage
 - ✓ Sets up sides of Municipal Plaza
 - ✓ Mix of materials
- **Transit**
 - ✓ Clear transit focus supports rail stop
 - ✓ Compatible target market - Studios and One bedrooms
- **Momentum**
 - ✓ Unique to north metro
 - ✓ Creates excitement
 - ✓ Validates effort to revitalize this project

The Project



The Project



- 4-story structure
- 216 Flats
- 14 2-story walk-ups
- +/- 3 acres
- 3000 s.f. Retail
- 346 Parking Stalls
- Connected to Ramp
- High Amenities

Project Timeline

■ History

- October 2009 – Met in Chicago, presented with opportunity
- November 2009 - Visit Projects in Indianapolis – CM Wise, McGlone, Mayor Ramsey, and team.
- April 8, 2010 – Flaherty and Collins presents proposed configuration to development team.
- May 18, 2010 – HRA discusses likely deal structure – HRA directs team to proceed with formalizing deal points
- May 24, 2010 – Team discusses deal with FC at ICSC
- July 13, 2010 – HRA approves escrow agreement to move project forward with pre-development activity.
- June 2, 2010 – Second trip to Indianapolis – CM Look and Elvig
- August 24, 2010 – HRA reviews deal points – directs team to proceed with deal structure
- October 19, 2010 – HRA reviews deal structure and directs team to prepare documents

Approval Matrix

Residence at The COR and Suite Living



 Denotes Public Hearing

Item	Public Hearing		Regular	Regular	WS	Regular	WS
	Notice Due	Published	11/23/10	12/14/10	1/4/11	1/11/11	1/18/11
Approve Purchase Agreement - FC			CC				
Approve Purchase Agreement - FC	12/1/10	12/3/10		HRA			
Approve Purchase Agreement - Toti	12/1/10	12/3/10		HRA			
Development Agreement - FC			CC				
Development Agreement - FC				HRA			
TIF Dist 1 and 2 Revised Spending Plan	12/1/10	12/3/10		CC			
New TIF District Approval	12/1/10	12/3/10		CC			
Rent Subsidy Agreement				HRA			
Inter-fund Loan Agreement New District to fund Admin				HRA/CC			
Inter-fund Loan Agreement Development Fees				HRA/CC			
Inter-fund Loan Agreement Development Loan				HRA/CC			
Development Management Fees				HRA			
Preliminary Site Plan Approval - FC			CC				
Preliminary Site Plan Approval - Toti			CC				
Preliminary Plat Approval - COR ONE			CC				
Final Site Plan Approval - FC				CC			
Final Site Plan Approval - Toti				CC			
Final Plat Approval - COR ONE				CC			
SSD Draft Ordinance				CC			
SSD Petition				CC/HRA			
SSD Ordinance							
PUMA Draft Ordinance				CC			
Parking Plan Draft				CC			
Adopt PUMA Revisions						CC	
Adopt Parking Plan						CC	

Project Timeline

- Going Forward
 - ✓ November 23, 2010 – First Round of Approvals
 - ✓ December 14, 2010 – Second Round of Approvals
 - ✓ January 4, 2010 – Execute Agreements
 - ✓ January 28, 2010 – Decision on Ramp and Train Contingencies
 - ✓ Spring 2011 – Commence construction on ramp
 - ✓ April 29, 2011 – Simultaneous closing on land, financing, etc.
 - ✓ June 30, 2011 – Commence construction on Residence
 - ✓ Fall 2011 – Ramp expansion opens
 - ✓ Fall 2012 – Residence Open

Tonight's Approvals

- **Purchase Agreement (Primarily between HRA and Developer)**
 - ✓ Construct Ramp Addition before June 30, 2012
 - ✓ Amend The Parking Use and Maintenance Agreement (PUMA)

- **Developers Agreement (Primarily between City and the Developer)**
 - ✓ Providing \$2m TIF to Buyer contingent on district being created
 - ✓ Make \$1,420,000 loan to Buyer contingent on closing (with \$120,000 fee to city)
 - ✓ Execute Loan Agreement
 - ✓ Install way-finding and parking designation subject to reimbursement by buyer.

*All items subject to approval by HRA and modification of HRA provisions.

Purchase Agreement

- **City Obligations**
 - Substantially complete construction of addition to the existing parking ramp on or before June 30, 2012
 - ✓ City has a **\$3.5 million** CMAQ grant as a funding source
 - ✓ The construction of these additional stalls will allow for the allocation of **350** stalls for transit use over the entire parking structure
 - Record an Amendment to the Parking Use and Maintenance Agreement (PUMA)
 - ✓ Grants Developer an exclusive easement to use **275** stalls in the expanded parking ramp
 - ✓ Provides Developer a non-exclusive easement to use other parking spaces in the expanded parking ramp
 - ✓ Allocates **55** spaces in the portion of the expanded parking ramp that is not subject to their exclusive easement for purposes of proof of parking
 - ✓ Apartments pay for share of maintenance costs associated with the 330 stalls
 - ✓ Purchase and install way finding and stall designation signage in the parking ramp - Developer is required to reimburse the City

Property Acquisition

- Subject parcels currently owned by HRA and City of Ramsey
 - Purchase price of **\$250,000**
 - Public hearing required for sale
 - ✓ Proceeds distributed to HRA for further transfer to sources for interfund loans for original land acquisition:
 - Sewer Fund
 - Water Fund
 - ✓ Proceeds cover aggregate basis in property including deferred assessments.

Contingencies

- Purchase agreement will be executed contemporaneously with Development Agreement
 - **Contingencies (Developer)**
 - ✓ Determine on or before **December 31, 2010**, that the condition of the property is acceptable
 - ✓ Amendment of the Parking Use and Maintenance Agreement (PUMA) and creation of Special Service District Ordinance
 - **Contingencies (HRA and Developer)**
 - ✓ Provide HRA with reasonable acceptable evidence that they have obtained all necessary governmental approvals to build the project
 - ✓ Obtaining financing sufficient to finance **65%** of the construction costs
 - ✓ Obligation to sell is also contingent upon both parties determination, on or before **January 14, 2011**, that the City will secure a stop on the North Star Commuter Rail Line and construct a stop and station on or before **July 1, 2012**

Right of Reverter

- HRA has the authority to re-vest title of the property (if they so choose)
 - ✓ If Developer fails to substantially complete construction on or before **June 30, 2013**
 - ✓ If construction lender commences proceedings to foreclose the construction loan prior to Developer's substantial completion of the project
 - ✓ HRA's interest in the property is subject to the lien of any construction loan
 - ✓ But can redeem property if there is a foreclosure

Development Fees

- Paid by entity that plats the land
 - HRA since they own the land currently
- ✓ Total of **\$2,443,202**
 - \$481,759 – Park Dedication
 - \$137,400 - Trails
 - \$924,760 - Utilities (water trunk & lateral, sewer trunk & lateral and storm water)
 - \$418,383 – WAC and SAC Handling
 - **\$480,900** - Met Council Fees (SAC/WAC) - ESTIMATED
- ✓ Being paid out of existing TIF cash balance from TIF #2
 - TIF District #2 repaid from TIF generated from the project and other future projects in the new TIF District

Development Agreement

- Minimum Improvements
 - ✓ Developer is required to construct a market rate rental project consisting of approximately **216** flats and **14**, 2-story walk up units, along with approximately **3,000** sq/ft of commercial space
 - ✓ Developer must submit plans for review and approval on or before **April 1, 2011**
 - ✓ Developer shall commence construction of the project by **June 30, 2011** and substantially complete the project by **June 30, 2013** (eligible to receive a Certificate of Occupancy)

Creation of TIF District

- TIF District No. 14 on or before February 1, 2011
 - If City doesn't establish TIF district by this date the Developer may terminate the Development Agreement upon written notice
 - ✓ If the City creates the TIF district after this date, but before the Developer exercises termination right, they can no longer terminate the Development Agreement for this reason
 - Public hearing by City Council scheduled for December 14, 2010

Minimum Assessment Agreement

- ✓ **\$9,712,000** by January 2, 2012 and
- ✓ **\$19,420,000** by January 2, 2013
 - Used to size TIF Note
 - Cannot contest below this value
- Final value to be determined by County Assessor

Tax Increment Financing (TIF)

■ Base Valuation

- ✓ Currently exempt from taxes
- ✓ County Assessor is required to assign a current market value to the property
- ✓ Estimated Market Value is **\$1,840,000** per discussions with Assessor
 - Estimated that approximately **\$9,200** in taxes would be generated for the City's General Fund annually (currently receiving **\$0** from the property)
 - ✓ Utilizing pay 2010 tax rate
 - Estimated approximately **\$9,200** for the County's General Fund annually

Tax Increment Financing (TIF)

- **Amount of Increment**
 - Approximately **\$2 million** in TIF generated over **26** years
 - ✓ Present value amount (principle amount of TIF note)
 - ✓ Future value of approximately **\$4.7** million (principle plus interest payments)
 - ✓ Based upon minimum assessment agreement
 - ✓ Maximum amount
 - No inflation
 - 6.25% present value rate
 - ✓ Developer bank financing rate

Tax Increment Financing (TIF)

- **Payments are based upon actual TIF collected**
 - ✓ If not enough TIF, City (or HRA) is not obligated to pay from or use other sources
 - ✓ If developer pays more than expected, the TIF Note is paid off early

Tax Increment Financing (TIF)

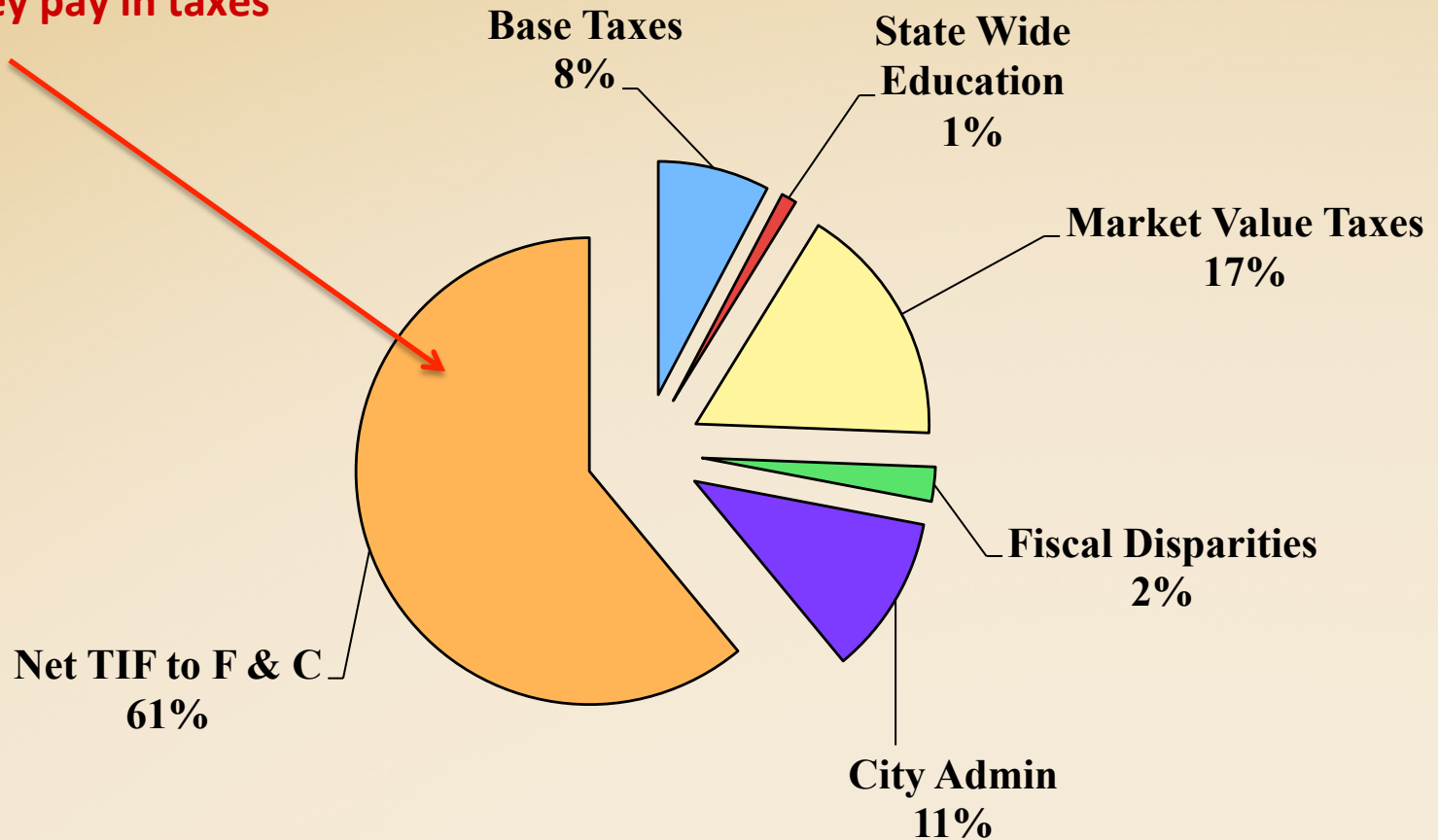
- **\$2 Million PAYGO note**
 - ✓ Developer Risk
 - ✓ Only repaid if TIF is actually generated
 - ✓ Reimbursed after proof of expenditures

- **Qualified Expenditures**

General Conditions
Site Improvements
Foundations/Footings
Utilities
Sidewalks and Parking Area
Landscaping & Irrigation
Site Lighting
Fire Separation - Parking Ramp
Pool, Fencing, Security Equip
Land Acquisition
Building Permit/Review Fees
Contractor Fees

TIF PAYGO Note — Where do the dollars go?

Developer receives \$.61 on each dollar they pay in taxes for assistance



Tax Increment Financing (TIF)

- **Term of District**

- ✓ 26 year term
- ✓ 1st TIF from project expected in **2013**
- ✓ Last TIF in **2038**
 - District expires on December 31, 2038

- **Administrative Expenses**

- ✓ **15%** of TIF generated to reimburse City for District expenditures or for administering the District
 - Approximately **\$32,600** annually

Business Subsidy Requirement

- Housing is exempt from business subsidy requirement, but commercial portion is not
- **\$150,000** in assistance requires public hearing and establishment of Job creation goals
- City's Job creation requirement within 2 years after completion
 - ✓ 1 FTE at 70% of most recent median wage figure for the Twin City 7 County Metro
 - ✓ The City/HRA can deviate from its policy of job creation (number and wage)
 - ✓ Since creation or retention of jobs is not a goal for this particular development, but rather for the provision of market rate housing adjacent to the rail station, it is recommended that the wage and job goals be set at zero, after the public hearing
 - Scheduled for December 14, 2010

City Loan

- **Loan Amount**

- ✓ **\$1,300,000**

- ✓ Repayment of \$1.3 million plus **\$120,000**

- **Total repayment of \$1,420,000**

- ✓ Funds advanced from TIF District #1

- Not advanced until Developer provides City with evidence they have spent more than \$1.3 million of Developer equity on the project & have provided the City with lien waivers for cost to be reimbursed by \$1.3 million City loan

City Loan

■ Loan Repayment

- ✓ Must be repaid in full by earlier of April 1, 2029 or sale of property
- ✓ Paid from **20%** of annual cash flow
 - Repayment beginning in **2014**
 - ✓ Current estimates that loan be repaid within **10 years**
- ✓ If not repaid by 2024 (10 years)
 - Interest at a rate of **6.25%** will accrue on the unpaid balance from **April 1 2024**, until the loan is paid in full
 - If at any time the Developer defaults in timely payment of the loan the unpaid balance will accrue at a **12%** rate until such time the default is cured

City Loan

- **City Protection for Non Payment**
 - ✓ Required to be paid in full by 2029 or upon an earlier sale
 - ✓ Incorporated Loan Guaranty
 - Corporate guarantee from Flaherty & Collins Construction Inc.
 - ✓ Interfund loan
 - Set up interfund loan from TIF District #1 to new TIF District #14
 - Can utilize increments generated from TIF District #14 to repay City if Developer is unable to repay

City Loan

■ Spending Plan

- ✓ City is required to develop a Spending Plan and hold a public hearing on the Plan in accordance with general legislation that was approved in 2010
 - If City doesn't hold the public hearing and/or adopt the Spending Plan on or before **February 1, 2011**, Developer may terminate the Development Agreement
 - If City holds the public hearing and approves the Spending Plan after this date, but before Developer exercises their termination right, they can no longer terminate the Development Agreement for this reason
 - ✓ The public hearing on the Spending Plan is scheduled for **December 14, 2010**
- ✓ Disbursement of Loan
 - The City is not required to disburse any proceeds to the Developer if they do not commence construction by **June 30, 2011** (loan agreement terminates)
 - The Developer will not be reimbursed for eligible costs that are reimbursed by the \$2 million PAYGO TIF Note or for costs that are not expended by **December 31, 2011**

Miscellaneous

- Payment of Administrative Expenses
 - ✓ Approximately **\$500,000**
 - Costs associated with the creation of TIF District #14, Spending Plan, all agreements related to this development and the administrative fee paid to Landform, will be paid from TIF District #1 and #2
 - The HRA and City will set up an interfund loan and repay themselves from TIF generated from TIF District #14, when such increment is available
- Assistance For Commercial Space
 - ✓ HRA will provide assistance to the Developer
 - Begins in month 13 if space is not leased
 - Up to 3 year term
 - Maximum of **\$144,000**

Miscellaneous

- Contingency For Rail Stop
 - **City or Developer** may terminate Development Agreement
 - ✓ Any time on or before **January 15, 2011**
 - ✓ if not comfortable that the City will secure a North Star Commuter Rail Stop and complete construction of the Rail Stop on or before **July 1, 2012**
- Sale or Assignment
 - ✓ Developer is precluded from selling its development rights to the project or the property, Development Agreement or TIF Note prior to issuance of a Certificate of Occupancy (CO) on the project
 - ✓ Can sell or transfer its rights upon written approval from the City, which approval can be granted, withheld or conditioned solely at the City's discretion

Miscellaneous

■ Events of Default

- ✓ Developer's default in the performance of one or more of their obligations under the Purchase Agreement
- ✓ Failure of the Developer to construct the minimum improvements
- ✓ Developer default in the timely payment of any amounts due under the City Loan Agreement or the City Note
- ✓ Developer default in timely reimbursement to the City for costs associated with the way finding and stall designation signage in the parking ramp expansion
- ✓ The holder of any mortgage on the property commences foreclosure proceedings
- ✓ Developer filing any petition for bankruptcy or reorganization
- ✓ Failure of Developer to pay real estate taxes or special assessments

■ Remedy of Default

- ✓ If the Developer (or the construction lender) does not cure various events of default as provided for in the various agreements, the City and/or HRA may terminate the Development Agreement and TIF Note, accelerate repayment of the City Loan, and force corporate guarantee

Miscellaneous

- **Total Development Costs (TDC) of \$28,362,611**
 - ✓ Developer equity of \$2.5 million
 - 9% of TDC
 - ✓ City Loan of \$1.3 million
 - 4% of TDC
 - ✓ Bank financing of \$24,562,611
 - 87% of TDC

- **Development costs on par with similar developments**

- **Return to Equity Investors**
 - ✓ Evaluation based upon risk of project (size and rents)
 - ✓ Within industry standards

Risk Assessment

Type of Contribution	Amount	Use	How Financed	At Risk of Non Repayment to City	How to Mitigate Risk	How Repaid	Term of Repayment	Balance at End of Term
Loan	\$ 1,300,000	Reimbursement for costs other than qualified TIF costs	Up front by City after proof of expenditure (Source is Existing TIF)	Yes	Reimbursement only after expenditures Corporate guarantee	20% of cash flow, IF cash flow is available	10 Years with additional \$120,000 (total repayment of \$1.42 million) Current projections it is repaid in year 8	\$ -
Development Fees	\$ 2,443,200	Reimburse City for various development fees	Up front by City at time of plat (Source is Existing TIF)	Yes	Timing of payment to City	15% of TIF Generated By Development TIF generated by other development	26 Years Present Value \$500,000 Up to 26 Years Present Value \$1,943,200	\$ -
Present Value of TIF From Project (85%)	\$ 2,000,000	Reimbursement for qualified TIF costs	Pay-As-You-Go TIF (PAYGO)	N/A	N/A Since PAYGO	85% of TIF generated by development	N/A	N/A
TOTAL CONTRIBUTION	\$ 5,743,200	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Net Subsidy is \$4.3 million if loan of \$1,420,000 is repaid

How Risk is Mitigated

- **Proof of financing to construct project**
- ✓ **Funds are not advanced until proof of expenditure**
 - ✓ **PAYGO TIF and City Loan**
- **35% of Subsidy is on PAYGO basis – No Risk proposition to City/HRA**
 - ✓ **\$2 million TIF from District #14**
- **65% of Subsidy is loans – Risk proposition to City/HRA**
 - ✓ **25% in form of loan**
 - \$1,300,000 loan from TIF#1
 - Corporate guarantee
 - Interfund loan
 - ✓ **40% is a loan between City funds**
 - ✓ \$2,443,200 loan from TIF #2
 - ✓ Interfund loan
- **Right of Reverter if project isn't developed**
- **Minimum Assessment Agreement**

What this all means...

■ Opportunity Cost

✓ Use of existing TIF cash balances

■ Approximately **\$4.2** million

✓ \$2,443,200 for development fees

✓ \$1,300,000 for loan

✓ \$500,000 for administrative expenses

■ City may not be able to complete some projects and/or may have to reprioritize projects

✓ Land is sold for \$250,000, even though the market value is likely higher

What this all means...

■ What Does the City Get

- ✓ High quality rental project, not currently available in the City
- ✓ Taking tax exempt land and making it taxable
 - Additional taxes to General Fund from base value taxes (**\$9,200** annually)
- ✓ **\$2,150,000 in funds today**
 - **\$250,000** in land sale proceeds
 - Over **\$600,000** in park and trail fees
 - Over **\$400,000** in WAC and SAC handling fees
 - Over **\$900,000** in utility connection fees
 - ✓ City will be reimbursed for park/trail and utility reimbursements at an interest rate higher than current investment rates (**4%**)
- ✓ First 15% of increment generated from the project
 - Approximately **\$32,600** annually
- ✓ **\$120,000** loan fee
 - Paid over time
- ✓ City can utilize **\$3.5 million** CMAQ grant for parking ramp expansion
- ✓ The project pays for nearly half the costs of maintenance of the ramp (existing & new)