

# Financial Comparison of Central Library Proposals and Possible Development Scenarios

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# Executive Summary

- Project cost of renovation is \$27 million
  - Offsets from fundraising and New Markets Tax Credits
  - City costs are \$24 million over 15 years
- Project cost for the library portion of the Fiore Irgens proposal is \$37 million
  - Offsets from fundraising, NMTC, increased property tax and increased room tax
  - City costs are one-third less than renovation... \$16 million
- If the hotel is replaced by a condo development, the project is still \$37 million but City costs are the same as renovation

# The Process

Financial scenarios were built using information and data from:

- Fiore Irgens proposal
- HGA proposal
- HDR comparative analysis
- City Assessor's Office
- City Real Estate
- Comptroller's Office
- Facilities Management

# Key Assumptions

- Timeline:
  - Project begins early 2010
  - Central Library is completed 2012
  - Phase 2 completed in 2014
- Cash flow model is 15 years
- After construction, value of Block 66 grows 2% to 4% per year depending on type of development
- Status quo value of Block 66 grows at 4.0% per year

# Key Assumptions

- All City borrowing is at 5.0% for 10-year periods
- Property tax rate decreases about 2% per year
- Room taxes increase 2.5% per year
  - The City gets 80% of gross collections
- Fundraising:
  - Goal is \$10 million for a new library and \$5 million for renovation
  - Fundraising will take several years
  - City will provide a “bridge loan” as pledges come in
  - Conservatively assumes no dollars raised before bridge loan is borrowed

# Key Assumptions

- New Markets Tax Credits:
  - Credits are available for 39% of project costs
  - Credits are sold for 68 cents on the dollar
  - Fees are taken upfront at 10%
  - Loan payments are 1.5% on upfront equity amount
  - Balance is 100% forgiven after seven years

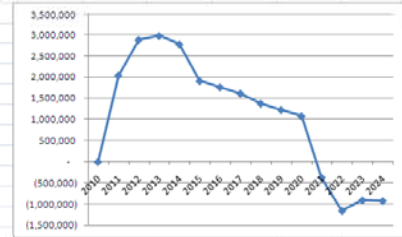
# Sample Scenario

**Scenario #2 -- Fiore Irgens proposal**  
 Library moves. 250-room hotel is built with 10,000 SF retail and 400 parking stalls  
 Full initial assessed value of hotel = \$30m

Sources										Uses												
Project Year	Calendar Year	City Tax Rate	Description	Property Value of Block 66	Status Quo Value of Block 66	Increased Property Value	Increased Property Taxes	Room Taxes	Fund Raising (post-borrow)	Total City Revenue	Capital Funding (GO)	Capital Funding (other)	Fund Raising (Bridge (GO))	GO debt 2010 borrow	GO debt 2011 borrow	GO debt 2012 borrow	GO Debt Service	MMTC Loan Payment	Fund Raising Debt Service (GO)	Total Capital Cost	Net Cost (Revenue)	
1	2010	0.007360	Value baseline	20,296,500	20,296,500	-	-	-	-	-	13,000,000	10,000,000	-	-	-	-	-	-	-	-	-	-
2	2011	0.007221	Partial construction of library	40,596,500	21,108,360	19,488,140	-	-	-	138,071	2,000,000	-	5,000,000	1,950,000	-	-	1,950,000	90,000	-	2,040,000	2,040,000	
3	2012	0.007085	Library done and now exempt, old space is assessable	21,396,500	21,952,654	(556,154)	138,071	-	-	966,134	2,000,000	-	5,000,000	1,885,000	300,000	-	2,185,000	90,000	750,000	3,025,000	2,886,929	
4	2013	0.006951	Half hotel goes in	31,796,500	22,830,802	8,965,698	(3,856)	-	1,000,000	-	-	-	-	1,820,000	290,000	300,000	2,410,000	90,000	1,475,000	3,975,000	2,978,366	
5	2014	0.006820	Full assessed value	46,796,500	23,744,034	23,052,466	61,146	-	1,000,000	1,061,146	-	-	-	1,755,000	280,000	290,000	2,325,000	90,000	1,425,000	3,840,000	2,778,854	
6	2015	0.006691		47,732,430	24,693,796	23,038,634	154,252	638,400	1,000,000	1,792,652	-	-	-	1,690,000	270,000	280,000	2,240,000	90,000	1,375,000	3,705,000	1,912,348	
7	2016	0.006565		48,687,079	25,681,547	23,005,531	151,251	654,360	1,000,000	1,805,611	-	-	-	1,625,000	260,000	270,000	2,155,000	90,000	1,325,000	3,570,000	1,764,389	
8	2017	0.006441		49,660,820	26,708,809	22,952,011	148,184	670,719	1,000,000	1,818,903	-	-	-	1,560,000	250,000	260,000	2,070,000	90,000	1,275,000	3,435,000	1,616,097	
9	2018	0.006320		50,654,037	27,777,162	22,876,875	145,049	687,497	1,000,000	1,832,536	-	-	-	1,495,000	240,000	250,000	1,985,000	-	1,225,000	3,210,000	1,377,464	
10	2019	0.006200		51,667,117	28,890,248	22,778,959	141,947	704,674	1,000,000	1,846,521	-	-	-	1,430,000	230,000	240,000	1,900,000	-	1,175,000	3,075,000	1,228,479	
11	2020	0.006083		52,700,450	30,043,778	22,656,682	138,574	722,291	1,000,000	1,860,965	-	-	-	1,365,000	220,000	230,000	1,815,000	-	1,125,000	2,940,000	1,079,135	
12	2021	0.005969		53,754,469	31,245,529	22,508,940	135,230	740,348	1,000,000	1,875,679	-	-	-	-	210,000	220,000	1,725,000	-	1,075,000	2,810,000	930,000	
13	2022	0.005856		54,829,658	32,486,350	22,334,208	131,814	758,857	1,000,000	1,889,671	-	-	-	-	210,000	210,000	1,635,000	-	1,025,000	2,680,000	785,000	
14	2023	0.005746		55,926,149	33,795,164	22,130,985	128,323	777,828	-	1,906,151	-	-	-	-	-	-	1,545,000	-	975,000	2,550,000	635,000	
15	2024	0.005637		57,044,672	35,146,971	21,897,701	124,756	797,274	-	1,922,030	-	-	-	-	-	-	1,460,000	-	925,000	2,420,000	495,000	
				<b>Totals</b>			<b>1,994,630</b>	<b>7,152,239</b>	<b>10,000,000</b>	<b>18,746,868</b>	<b>17,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>				<b>21,675,000</b>	<b>630,000</b>	<b>12,750,000</b>	<b>35,055,000</b>	<b>16,308,132</b>	

**Assumptions:**

- Calendar Year: Assumes project begins January 2010 and library is occupied January 2012. Phase 2 begins January 2012 and is completed January 2014
- Total Tax Rate: Taken from Comptroller's projection of mill rate featured on TIF fund conditions: same methodology applied to City Tax Rate
- City Tax Rate: Tax base at +6.0% and levy at +4.0% per year yields a change of -1.89% applied to 2020 adopted City mill rate of 7.5015
- Property Value of Block 66: Projection of total assessed value of Block 66. Due to slow economy, 2010 value is assumed to equal 2009 assessed value. Assumes 2% annual growth of entire block after construction completed
- Status Quo Value of Block 66: Assumes 4% annual growth in value
- Increased Property Value: Represents the incremental gain from additional development over assessed value of 2009 for all of Block 66
- Increased Property Taxes: Based on Increased Property Value and projected City Tax Rate, revenue based on previous year's value increase, assumes project is 100% TIF funded
- Room Taxes: Based on Fiore Irgens' proposed 250-room hotel, assumes annual increase of 2.5%. Taken from Fiore's 50-yr table. Assumes City portion is 80%
- Fund Raising: Assumes \$10m in fundraising is collected over several years
- Total City Revenue: Sum of increased property tax, room tax and fund raising
- Capital Funding (GO): reflects current version of 2010 capital budget
- Capital Funding (other): 6m from MMTC (project cost x 39% x 68 cents - 10% fees) and 4m from site sale in 2010 with 10m from fundraising split between 2011 and 2012
- Fund Raising Bridge: Remainder of 10m goal not yet raised that would be covered by GO borrowing. Assumes raised prior to borrowing
- GO Debt Service: Based on 5% interest rate paid back over 10 years
- MMTC Loan Payment: Interest only based on 1.5% of 56m in upfront equity. Assumes 100% forgiveness of upfront equity amount.
- Fund Raising Debt Service (GO): Assumes fund raising bridge is paid back over 10 years
- Total Capital Cost: Sum of debt service, New Markets Tax Credit loan repayment, and fund raising debt service
- Net Cost (Revenue): Comparison of sources and uses



Any questions?

# Sample Scenario: Summary Detail

On the City capital cost side...

Project Year	Calendar Year	Uses						Total Capital Cost
		Capital Funding (GO)	Capital Funding (other)	Fund Raising Bridge (GO)	GO Debt Service	NMTC Loan Payment	Fund Raising Debt Service (GO)	
1	2010	13,000,000	10,000,000	-	-	-	-	-
2	2011	2,000,000	-	5,000,000	1,950,000	90,000	-	2,040,000
3	2012	2,000,000	-	5,000,000	2,185,000	90,000	750,000	3,025,000
4	2013	-	-	-	2,410,000	90,000	1,475,000	3,975,000
5	2014	-	-	-	2,325,000	90,000	1,425,000	3,840,000
6	2015	-	-	-	2,240,000	90,000	1,375,000	3,705,000
7	2016	-	-	-	2,155,000	90,000	1,325,000	3,570,000
8	2017	-	-	-	2,070,000	90,000	1,275,000	3,435,000
9	2018	-	-	-	1,985,000	-	1,225,000	3,210,000
10	2019	-	-	-	1,900,000	-	1,175,000	3,075,000
11	2020	-	-	-	1,815,000	-	1,125,000	2,940,000
12	2021	-	-	-	430,000	-	1,075,000	1,505,000
13	2022	-	-	-	210,000	-	525,000	735,000
14	2023	-	-	-	-	-	-	-
15	2024	-	-	-	-	-	-	-
		<b>17,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>21,675,000</b>	<b>630,000</b>	<b>12,750,000</b>	<b>35,055,000</b>
		<b>Total Project Cost</b>		<b>37,000,000</b>				

# Sample Scenario: Summary Detail

On the City revenue side...

Project Year	Calendar Year	Sources							Total City Revenue
		City Tax Rate	Property Value of Block 66	Status Quo Value of Block 66	Increased Property Value	Increased Property Taxes	Room Taxes	Fund Raising (post-borrow)	
1	2010	0.007360	20,296,500	20,296,500	-	-	-	-	-
2	2011	0.007221	40,596,500	21,108,360	19,488,140	-	-	-	-
3	2012	0.007085	21,396,500	21,952,694	(556,194)	138,071	-	-	138,071
4	2013	0.006951	31,796,500	22,830,802	8,965,698	(3,866)	-	1,000,000	996,134
5	2014	0.006820	46,796,500	23,744,034	23,052,466	61,146	-	1,000,000	1,061,146
6	2015	0.006691	47,732,430	24,693,796	23,038,634	154,252	638,400	1,000,000	1,792,652
7	2016	0.006565	48,687,079	25,681,547	23,005,531	151,251	654,360	1,000,000	1,805,611
8	2017	0.006441	49,660,820	26,708,809	22,952,011	148,184	670,719	1,000,000	1,818,903
9	2018	0.006320	50,654,037	27,777,162	22,876,875	145,049	687,487	1,000,000	1,832,536
10	2019	0.006200	51,667,117	28,888,248	22,778,869	141,847	704,674	1,000,000	1,846,521
11	2020	0.006083	52,700,460	30,043,778	22,656,682	138,574	722,291	1,000,000	1,860,865
12	2021	0.005969	53,754,469	31,245,529	22,508,940	135,230	740,348	1,000,000	1,875,579
13	2022	0.005856	54,829,558	32,495,350	22,334,208	131,814	758,857	1,000,000	1,890,671
14	2023	0.005746	55,926,149	33,795,164	22,130,985	128,323	777,828	-	906,151
15	2024	0.005637	57,044,672	35,146,971	21,897,701	124,756	797,274	-	922,030
					<b>Totals</b>	<b>1,594,630</b>	<b>7,152,239</b>	<b>10,000,000</b>	<b>18,746,868</b>

Comparing these two sides gets you the City's net cost

# Renovation Scenario

- Renovation of existing library site
  - No relocation during renovation
- No further development of Block 66
  - No increased property tax revenue
  - No room tax generated
- Total library project cost \$27 million
  - \$17,500,000 in GO
  - \$4,500,000 in NMTC
  - \$5,000,000 from fundraising

# Renovation Scenario

- Total costs:
  - \$22,312,500 in GO debt service
  - \$472,500 in NMTC loan payments
  - \$6,375,000 in fundraising debt service
- Total revenues:
  - \$5,000,000 in fundraising

Net City cost = \$24,160,000

# Hotel Scenario

- Library moves to new site on Block 66
- 250-room hotel is built in Phase 2 with:
  - 10,000 sq ft retail
  - 400 parking stalls
- Phase 2 development of Block 66 increases property value and taxes
- Hotel brings in additional room tax

# Hotel Scenario

- Total library project cost \$37 million
  - \$17,000,000 in GO
  - \$6,000,000 in NMTC
  - \$4,000,000 in sale of library site
  - \$10,000,000 from fundraising

# Hotel Scenario

- Total costs:
  - \$21,675,000 in GO debt service
  - \$630,000 in NMTC loan payments
  - \$12,750,000 in fundraising debt service
- Total revenues:
  - \$10,000,000 in fundraising
  - \$7,152,200 in room tax
  - \$1,594,600 in increased property tax

Net City cost = \$16,308,100

# Condo Scenario

- Library moves to new site on Block 66
- Hotel development is replaced by a 100-unit residential condo with:
  - Retail on first floor
  - 150 parking stalls
- Phase 2 development of Block 66 increases property value and taxes
- No hotel to bring in additional room tax

# Condo Scenario

- Total library project cost \$37 million
  - \$17,000,000 in GO
  - \$6,000,000 in NMTC
  - \$4,000,000 in sale of library site
  - \$10,000,000 from fundraising

(Same total project cost as Hotel Scenario)

# Condo Scenario

- Total costs:
  - \$21,675,000 in GO debt service
  - \$630,000 in NMTC loan payments
  - \$12,750,000 in fundraising debt service
- Total revenues:
  - \$10,000,000 in fundraising
  - \$1,148,400 in increased property tax
  - No additional room tax

Net City cost = \$23,906,600

# Summary

- **Renovation**
  - Library project cost = \$27 million
  - Net City cost = \$24 million
- **Hotel Scenario**
  - Library project cost = \$37 million
  - Net City cost = \$16 million
- **Condo Scenario**
  - Library project cost = \$37 million
  - Net City cost = \$24 million