

Arbor South Development

City Council Work Session

November 12, 2024



Brownfield Tax Increment Financing (TIF)

- Funding Tool that covers additional costs associated with redeveloping a brownfield property
- The increase in value results in an increase in property taxes paid to the taxing authorities – “increment”
- The increment is captured by the taxing authority (Washtenaw County) and is used to reimburse eligible activities
- The brownfield activities eligible for reimbursement are defined in the Brownfield Redevelopment Financing Act (Act 381) and require local approval (County & City)
- Once the costs have been reimbursed for the approved eligible brownfield activities the taxing authorities collect taxes for the property fully realizing the increase in tax revenue from the development

Due Diligence Effort To-Date

○ Engaged PFM Consulting

- Work Statement #1/Pro-Forma Review
 - Sensitivity Analysis regarding parking revenue
 - Sensitivity Analysis regarding property value assumptions/TIF Revenue
 - Review of Financial Assumptions
- Work Statement #2
 - Review Developer Return on Investment
 - Determine How is the land being valued
 - What is the estimated City subsidy
 - How much if any of the developers ROI can be attributed to City subsidy
- Work Statement #3
 - Determine if a reimbursement model is viable
 - Analyze tax revenue stream vs. parking revenue stream

Analysis Results

- Developer base case assumptions of parking revenue and taxable value analysis are consistent with existing market rates.
- The Estimated TIF generated from the project would be enough to reimburse the construction of the garages and allow for additional infrastructure investment
 - 30-year commitment
 - Bond Issuances
- The review of the 10-Year Pro-Forma indicates the parking garages would be revenue positive.
- The development requires city participation to be financially viable.
- The IRR and ROE with the City's participation, are within industry standard for a project of this size.

Analysis Results

- The developer pro-forma includes a land value estimated at \$43.2 M.
- Total City investment per the developer's financial pro forma is \$104.3 million which covers the cost of three parking decks, including the land.
- Utilization of a reimbursement model appears to be a potential option
 - Increased Costs/Decreased Risk
- Strictly comparing revenue streams, parking revenue would exceed tax revenue:
 - Contingent upon appropriate parking rates, number of permits, etc.
 - Based on pro-forma data set

Public/Private Development Partnerships

- City of Northville – Downs Redevelopment Project
- City Grand Rapids – Downtown Market
- Ferndale – The Development on Troy (dot)
- City of Grand Rapids – Factory Yards Development
- Dublin, OH – Bridge Park
- Bay City – Uptown
- City of Wyoming – 36th Street Marketplace
- City of Grand Rapids – Amphitheater and Soccer Stadium, Mixed Use Project

Next Steps

- Council consideration of proposal – questions/feedback
- Continuation of due diligence
 - Financial/Economic Analysis
 - Consider creation of a Parking Authority
 - Determine Infrastructure needs/Utility Capacity
 - Potential Bond Issuances
 - Parking Decks
 - AAHC – Affordable Housing
- Deal Structure/Negotiations
- An Agreement with Oxford/Crawford Hoying