



City of Franklin

**Common Council
Community Development Authority**

**Tax Increment District #4
Cash Flow Model
December 31, 2016**

Issued April 11, 2017

Presented by:

Paul Rotzenberg, CPA

City of Franklin Director of Finance & Treasurer

M E M O R A N D U M

DATE: April 11, 2017
TO: Common Council & Community Development Authority
FROM: Paul Rotzenberg, Director of Finance & Treasurer
RE: Report and analysis of TID #4 Cash Flow Projections

Attached is a projection of tax increment revenue, expenditures, debt service payments and the net asset position for TID #4 based upon equalized values released by the Department of Revenue on August 9, 2016 and the taxes levied in December 2016. This District was formed in June, 2005 and is located in the far southeast corner of the City, from a point one half mile north of Oakwood Rd south to County Line Road, from 27th Street west to 42nd Street. The District has a maximum life of 20 years, with the latest project expenditures can be made is June, 2020. The last year of increment would be 2026, if needed.

Observations:

1. All Phase 1 projects have been completed. The completed costs were in line with the revised estimate for these projects and proceeds have been borrowed and repaid to fund the project costs.
2. The projection includes the potential costs of the Project Plan Phase 2 and Phase 3 projects. The estimated costs of the 27th Street reconstruction in this TIF District are not included as the current timing (approximately 2025) would occur after the limit for incurring project costs (2020).
3. The development assumptions (updated) are a major factor in the projected cash flow of the TIF District. The economic slowdown had resulted in delaying the projected years in which the various known projects were estimated to be constructed compared to earlier projections. Future economic activity will determine the actual years of development and any variance from the projections will impact the projection either positively or negatively.
4. 2016 had a \$10,323,922 decrement. The DOR corrected an error from 2014 in 2015, and removed the correction with the 2016 increment. The total increment in this District is now \$44,691,300. This represents 24.7% of the projected development when the District was formed. Most of the increment has come from the Wheaton Franciscan complex and the residential development on the west side of the District.

5. In 2014, Wisconsin Act 145 changed the funding for Technical Colleges. MATC reduced their levy by 36% as a result, and the tax rate for this District declined by \$1.35 or 5.5%. Act 254 provides relief for those TID's which were adversely impacted by Act 145 by extending the life of the TID by an additional three years.
6. The District has two additional project phases authorized. However, the Common Council has not approved any additional project costs. A Developer has expressed interest in a new development to be constructed approximating \$11.5 million in value and requested \$980,000 in assistance for the development.
7. The City has investigated additional infrastructure costs involving water and sanitary sewer lines. The Sanitary Sewer infrastructure may serve additional areas outside the City and then become eligible for assistance from MMSD. The other jurisdictions have not committed to participate in the project. The current assumptions include no expected participation by MMSD.
8. The projection includes a developer's grant in 2017 and infrastructure projects costs beginning in 2019. Should those projects be approved, the District is projected to close in 2025.
9. Recently, the Common Council engaged Ehlers & Associates to explore financial options for this TID. Ehlers will be analyzing the TID potential and impacts. The results of this analysis are not yet available.
10. The District is projected to have a \$2.3 million fund balance at December 31, 2017. The District could close at this time. Notice of closure must be provided to the WI Department of Revenue by May 15, 2017. State law reserves half the equalized value of a closing TID for tax relief upon closure, (currently \$22,345,000 or 0.6% of the 2016 equalized Franklin tax base). Other than the current Development along W Oakwood Rd, no known proposals are ruminating that might ripen prior to District 4's expenditure period closes in 2020. A new TID could be created once additional development proposals come forward. The options:
 - a. Keep the TID open, collecting increment until the studies commissioned with Ruekert Mielke and Ehlers are complete
 - b. Keep the TID open, leveraging future increments for infrastructure, which the District can support to precipitate future development.
 - c. Respond to the Developer's request for assistance, and then close the District, capturing tax relief in the 2018 budget cycle. This would ignore the reports commissioned on infrastructure costs and District options.
 - d. Close the District immediately, capturing tax relief for the 2018 budget cycle, without responding to the Developer request or evaluating results of the Ruekert Mielke and Ehlers studies.
 - e. Such other action as the Council deems appropriate.

The analysis is qualified to the following extent:

1. The stated assumptions determine the results of the projection.
2. The tax rate assumption is based on the actual equalized tax rate in effect in December 2016 less an assumed decline in tax rates of 1.0% per year. If the tax rate varies from the assumption it could have either a positive or negative impact on these projections.

City of Franklin
TIF #4 Phase I Projection
Projected Cash Flow
December 31, 2016

| Year | Revenue | | | | | Expenditures | | | | TIF Status | | | Year End Fund Balance | |
|------|-------------------|--------------|------------------|-----------------|-------------------|-------------------|----------------|-----------------------|------------------------|-------------------|----------------------|-----------|-----------------------|------------------|
| | Tax Levy | Computer Aid | Misc Revenue | Interest Income | Debt Issued | Project Costs | Admin Expenses | Debt Service Interest | Debt Service Principal | Total | Yearly Cash Activity | Net Cash | | Outstanding Debt |
| 2005 | - | - | - | 39,408 | 2,812,416 | 179,470 | 34,844 | 47,553 | - | 261,867 | 2,589,957 | 2,589,957 | 2,812,416 | (222,459) |
| 2006 | - | - | - | 117,860 | 116,353 | 659,840 | 35,237 | 129,485 | - | 824,562 | (590,349) | 1,999,608 | 2,928,769 | (929,161) |
| 2007 | 17,702 | 4,884 | 294,196 | 28,754 | 2,971,231 | 3,522,075 | 53,667 | 116,893 | 1,500,000 | 5,192,635 | (1,875,868) | 123,740 | 4,400,000 | (4,276,260) |
| 2008 | 236,803 | 6,862 | 34,337 | 9,354 | 3,700,000 | 388,006 | 51,827 | 187,046 | 3,100,000 | 3,726,879 | 260,477 | 384,217 | 5,000,000 | (4,615,783) |
| 2009 | 221,611 | 5,474 | 57,051 | 8,341 | 600,000 | 529,168 | 28,555 | 223,924 | 337,000 | 1,118,647 | (226,170) | 158,047 | 5,283,000 | (5,104,953) |
| 2010 | 1,268,430 | 3,294 | 78,217 | 5,120 | - | 51,227 | 9,625 | 198,646 | 1,000,000 | 1,259,498 | 95,523 | 253,570 | 4,263,000 | (4,009,430) |
| 2011 | 836,103 | 59,197 | - | 5,849 | - | 370,781 | 9,986 | 174,163 | 525,000 | 1,079,930 | (178,781) | 74,789 | 3,738,000 | (3,663,211) |
| 2012 | 909,841 | 57,003 | - | 748 | 3,038,000 | - | 13,687 | 144,248 | 3,738,000 | 3,895,935 | 109,657 | 184,446 | 3,038,000 | (2,853,554) |
| 2013 | 815,923 | 46,504 | 46,374 | (3,255) | - | - | 9,444 | 101,798 | 875,000 | 986,242 | (80,697) | 103,749 | 2,163,000 | (2,059,251) |
| 2014 | 954,727 | 24,620 | 18,001 | 906 | - | 46,243 | 46,728 | 59,904 | 925,000 | 1,077,875 | (79,621) | 24,128 | 1,238,000 | (1,213,872) |
| 2015 | 1,009,060 | 19,631 | 92,021 | 404 | - | 18,278 | 12,487 | 14,695 | 1,000,000 | 1,045,460 | 75,656 | 99,784 | 238,000 | (138,216) |
| 2016 | 1,289,709 | 18,043 | 91,206 | (5,035) | - | - | 12,505 | 920 | 238,000 | 251,425 | 1,142,498 | 1,242,282 | - | 1,242,282 |
| 2017 | 1,013,892 | 15,960 | 85,000 | 12,423 | - | 1,000,000 | 12,500 | - | - | 1,012,500 | 114,775 | 1,357,057 | - | 1,357,057 |
| 2018 | 758,792 | 15,162 | 89,500 | 13,571 | - | - | 12,500 | - | - | 12,500 | 864,524 | 2,221,581 | - | 2,221,581 |
| 2019 | 762,880 | 14,404 | 89,500 | 22,216 | 5,000,000 | 8,000,000 | 12,500 | 113,750 | - | 8,126,250 | (2,237,251) | (15,670) | 5,000,000 | (5,015,670) |
| 2020 | 873,009 | 13,684 | 89,500 | (157) | 500,000 | 1,000,000 | 12,500 | 238,875 | - | 1,251,375 | 224,661 | 208,991 | 5,500,000 | (5,291,009) |
| 2021 | 1,008,795 | 13,000 | 89,500 | 2,090 | - | - | 12,500 | 227,500 | 1,000,000 | 1,240,000 | (126,616) | 82,375 | 4,500,000 | (4,417,625) |
| 2022 | 1,012,734 | 12,350 | 89,500 | 824 | - | - | 12,500 | 184,275 | 900,000 | 1,096,775 | 18,632 | 101,008 | 3,600,000 | (3,498,992) |
| 2023 | 1,218,461 | 11,732 | 89,500 | 1,010 | - | - | 12,500 | 135,363 | 1,250,000 | 1,397,863 | (77,160) | 23,848 | 2,350,000 | (2,326,152) |
| 2024 | 1,222,299 | 11,145 | 89,500 | 238 | - | - | 12,500 | 83,038 | 1,050,000 | 1,145,538 | 177,645 | 201,493 | 1,300,000 | (1,098,507) |
| 2025 | 1,036,478 | 10,588 | 89,501 | 2,015 | - | - | 12,500 | 29,575 | 1,300,000 | 1,342,075 | (201,493) | (0) | - | (0) |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | (0) | - | (0) |
| 2027 | - | - | - | - | - | - | - | - | - | - | - | (0) | - | (0) |
| 2028 | - | - | - | - | - | - | - | - | - | - | - | (0) | - | (0) |
| | 16,469,246 | ### | 1,512,403 | 262,683 | 18,738,000 | 15,765,088 | 431,091 | 2,411,650 | 18,738,000 | 37,345,829 | | | | |

Note: Phase 1 projected to be fully funded by 2016.
Project costs can not be initiated after June 21, 2020
TIF will continue until Phase 2 and Phase 3 projects are complete or fully funded. (Phase 2 - 5,548,000 & Phase 3 - 12,851,000). 27th St reconstruction may reduce the scope of later phases.
Per the Project Plan the TIF is anticipated to be completed during the year 2025.

City of Franklin
TIF #4 Projection
Projected Debt Service
December 31, 2016

| | |
|-------|-----------|
| Total | |
| \$ | 6,500,000 |
| \$ | 6,215,000 |
| \$ | 259,377 |
| \$ | 24,975 |
| \$ | 648 |

| | |
|----------------------|--------------|
| Interfund Advance | \$ 3,500,000 |
| Improvements Cost | \$ 3,500,000 |
| Capitalized Interest | |
| Est Issuance Cost | \$ - |
| Rounding | \$ - |

| | |
|-----------------------|--------------|
| Tax Exempt G.O. Bonds | \$ 3,000,000 |
| Improvements Cost | \$ 2,715,000 |
| Capitalized Interest | \$ 259,377 |
| Est Issuance Cost | \$ 24,975 |
| Rounding | \$ 648 |

| Year | Debt Issues | | | | Debt Service | | | | All Debt Issues | | | |
|------|-------------|------------------|---------------------------------|-----------|---------------------------------|------------------|---------------------------------|-----------|---------------------------------|-----------|----------|-----------|
| | Balance | Principal 3/1 | Interest (3/1& 9/1) 4.55% | Total | Balance | Principal 3/1 | Interest (3/1& 9/1) 4.55% | Total | Balance | Principal | Interest | Total |
| 2005 | 3,000,000 | - | 47,553 | 47,553 | 3,000,000 | - | - | - | 3,000,000 | - | 47,553 | 47,553 |
| 2006 | 3,000,000 | - | 129,485 | 129,485 | 3,000,000 | - | - | - | 3,000,000 | - | 129,485 | 129,485 |
| 2007 | 1,500,000 | 1,500,000 | 77,823 | 1,577,823 | 2,900,000 | - | 39,070 | 39,070 | 4,400,000 | 1,500,000 | 116,893 | 1,616,893 |
| 2008 | 5,000,000 | - | 121,405 | 121,405 | 600,000 | 3,100,000 | 65,641 | 3,165,641 | 5,000,000 | 3,100,000 | 187,046 | 3,287,046 |
| 2009 | 4,663,000 | 337,000 | 214,850 | 551,850 | - | - | 9,074 | 9,074 | 5,263,000 | 337,000 | 223,924 | 560,924 |
| 2010 | 4,263,000 | 400,000 | 197,117 | 597,117 | - | 600,000 | 1,529 | 601,529 | 4,263,000 | 1,000,000 | 198,646 | 1,198,646 |
| 2011 | 3,738,000 | 525,000 | 174,163 | 699,163 | - | - | - | - | 3,738,000 | 525,000 | 174,163 | 699,163 |
| 2012 | - | 3,738,000 | 28,363 | 3,766,363 | 3,038,000 | - | 115,885 | 115,885 | 3,038,000 | 3,738,000 | 144,248 | 3,882,248 |
| 2013 | - | - | - | - | 2,163,000 | 875,000 | 101,798 | 976,798 | 2,163,000 | 875,000 | 101,798 | 976,798 |
| 2014 | - | - | - | - | 1,238,000 | 925,000 | 59,904 | 984,904 | 1,238,000 | 925,000 | 59,904 | 984,904 |
| 2015 | - | - | - | - | 238,000 | 1,000,000 | 14,695 | 1,014,695 | 238,000 | 1,000,000 | 14,695 | 1,014,695 |
| 2016 | - | - | - | - | - | 238,000 | 920 | 238,920 | - | 238,000 | 920 | 238,920 |
| 2017 | - | - | - | - | - | - | - | - | - | - | - | 0 |
| 2018 | - | - | - | - | - | - | - | - | - | - | - | 0 |
| 2019 | - | - | - | - | 5,000,000 | - | 113,750 | 113,750 | 5,000,000 | - | 113,750 | 113,750 |
| 2020 | - | - | - | - | 5,500,000 | - | 238,875 | 238,875 | 5,500,000 | - | 238,875 | 238,875 |
| 2021 | - | - | - | - | 4,500,000 | 1,000,000 | 227,500 | 1,227,500 | 4,500,000 | 1,000,000 | 227,500 | 1,227,500 |
| 2022 | - | - | - | - | 3,600,000 | 900,000 | 184,275 | 1,084,275 | 3,600,000 | 900,000 | 184,275 | 1,084,275 |
| 2023 | - | - | - | - | 2,350,000 | 1,250,000 | 135,363 | 1,385,363 | 2,350,000 | 1,250,000 | 135,363 | 1,385,363 |
| 2024 | - | - | - | - | 1,300,000 | 1,050,000 | 83,038 | 1,133,038 | 1,300,000 | 1,050,000 | 83,038 | 1,133,038 |
| 2025 | - | - | - | - | - | 1,300,000 | 29,575 | 1,329,575 | - | 1,300,000 | 29,575 | 1,329,575 |
| 2026 | - | - | - | - | - | - | - | - | - | - | - | 0 |
| | | | | 7,490,759 | 12,238,000 1,420,891 13,658,891 | | | | 18,738,000 2,411,650 21,149,650 | | | |

City of Franklin
TIF 4 Projection
Projected Revenue
December 31, 2016

| Const. Year | Incr. Year | Rev. Year | Full Value Beginning of Year | Total Increment | DOR Adjustment | Inflation & Additional Increment | Cumulative Equalized Increment Value | Tax Rate | Increment Revenue Collected |
|-------------|------------|-----------|------------------------------|-------------------|----------------|----------------------------------|--------------------------------------|----------|-----------------------------|
| 2005 | 2006 | 2007 | - | 712,021 | | 198,179 | 910,200 | 19.45 | 17,702 |
| 2006 | 2007 | 2008 | 910,200 | 9,725,000 | | 1,059,700 | 11,694,900 | 20.25 | 236,803 |
| 2007 | 2008 | 2009 | 11,694,900 | 19,758,000 | (21,300,000) | 653,000 | 10,805,900 | 20.51 | 221,611 |
| 2008 | 2009 | 2010 | 10,805,900 | 674,500 | 46,600,000 | 446,800 | 58,527,200 | 21.67 | 1,268,430 |
| 2009 | 2010 | 2011 | 58,527,200 | 4,500,000 | (23,300,000) | (3,225,300) | 36,501,900 | 22.91 | 836,103 |
| 2010 | 2011 | 2012 | 36,501,900 | 306,400 | 2,394,900 | 847,100 | 40,050,300 | 22.72 | 909,841 |
| 2011 | 2012 | 2013 | 40,050,300 | 710,500 | | (7,067,300) | 33,693,500 | 24.22 | 815,923 |
| 2012 | 2013 | 2014 | 33,693,500 | 4,821,486 | | 535,114 | 39,050,100 | 24.45 | 954,727 |
| 2013 | 2014 | 2015 | 39,050,100 | 4,625,800 | | | 43,675,900 | 22.99 | 1,009,060 |
| 2014 | 2015 | 2016 | 43,675,900 | 9,963,462 | | 634,938 | 54,274,300 | 23.76 | 1,289,709 |
| 2015 | 2016 | 2017 | 54,274,300 | (10,323,922) | | 740,922 | 44,691,300 | 21.44 | 1,013,892 |
| 2016 | 2017 | 2018 | 44,691,300 | (9,583,000) | | 645,092 | 35,753,392 | 21.22 | 758,792 |
| 2017 | 2018 | 2019 | 35,753,392 | - | | 555,713 | 36,309,105 | 21.01 | 762,880 |
| 2018 | 2019 | 2020 | 36,309,105 | 5,100,000 | | 561,270 | 41,970,375 | 20.80 | 873,009 |
| 2019 | 2020 | 2021 | 41,970,375 | 6,400,000 | | 617,883 | 48,988,258 | 20.59 | 1,008,795 |
| 2020 | 2021 | 2022 | 48,988,258 | - | | 688,062 | 49,676,319 | 20.39 | 1,012,734 |
| 2021 | 2022 | 2023 | 49,676,319 | 10,000,000 | | 694,942 | 60,371,261 | 20.18 | 1,218,461 |
| 2022 | 2023 | 2024 | 60,371,261 | - | | 801,892 | 61,173,153 | 19.98 | 1,222,299 |
| 2023 | 2024 | 2025 | 61,173,153 | - | | 809,911 | 61,983,064 | 19.78 | 1,226,097 |
| 2024 | 2025 | 2026 | 61,983,064 | - | | 818,010 | 62,801,073 | 19.58 | 1,229,855 |
| 2025 | 2026 | 2027 | 62,801,073 | - | | 826,190 | 63,627,263 | 19.39 | 1,233,574 |
| 2026 | 2027 | 2028 | 63,627,263 | - | | 834,452 | 64,461,715 | 19.19 | 1,237,255 |
| | | | | <u>57,390,247</u> | | | | | <u>20,357,549</u> |

| | |
|--------------------------------|---------------|
| Base Equalized Value Increment | \$ 19,817,900 |
| Total Equalized Value | \$ 43,675,900 |
| Assessed Value Ratio | \$ 63,493,800 |
| | \$ 63,328,800 |
| | 99.74% |

Wheaton \$4.5M down due to add'l exemption

Assumptions:

1. Property value inflation 1.00%
2. Property additions 0.00%
3. Mill Rate Inflation -1.00%
6. Estimated developed value per acre \$ 500,000
7. Ave Assessed value vacant & improved land \$ -

**City of Franklin
TIF #4 Projection
Development Assumptions
December 31, 2016**

| Const. Year | Project Plan Estimate | Development | | | | | | | Total |
|-------------|-----------------------|-----------------------|----------------------|--------------------|---------------|-----------|-----------------|-------------|-------|
| | | Developer Residential | Developer Commercial | Wheaton Franciscan | Oakwood South | Conway | Additional Lots | | |
| | | 19,967,049 | 12,579,974 | 18,000,000 | 30,000,000 | - | 100,000,000 | 180,547,023 | |
| 2005 | - | | 712,021 | | | | | 712,021 | |
| 2006 | 12,877,813 | 925,000 | | 8,800,000 | | | | 9,725,000 | |
| 2007 | 33,423,756 | 4,806,300 | | 13,924,000 | | 1,027,700 | | 19,758,000 | |
| 2008 | 4,245,454 | 534,500 | | 140,000 | | | | 674,500 | |
| 2009 | - | - | | 4,500,000 | | | | 4,500,000 | |
| 2010 | - | 306,400 | | | | | | 306,400 | |
| 2011 | - | 710,500 | | | | | | 710,500 | |
| 2012 | 38,000,000 | 2,663,679 | | | | | | 2,663,679 | |
| 2013 | 8,000,000 | 4,050,000 | | 575,800 | | | | 4,625,800 | |
| 2014 | 8,000,000 | 1,354,000 | | | | | 8,116,562 | 9,963,462 | |
| 2015 | 8,000,000 | | | | | | 634,938 | 634,938 | |
| 2016 | 8,000,000 | | | | | | (9,583,000) | (9,583,000) | |
| 2017 | 7,500,000 | | | | | | | - | |
| 2018 | 7,500,000 | | 5,100,000 | | | | | 5,100,000 | |
| 2019 | 7,500,000 | | 6,400,000 | | | | | 6,400,000 | |
| 2020 | 7,500,000 | | | | | | | - | |
| 2021 | 7,500,000 | | | 10,000,000 | | | | 10,000,000 | |
| 2022 | 7,500,000 | | | | | | | - | |
| 2023 | 7,500,000 | | | | | | | - | |
| 2024 | 7,500,000 | | | | | | | - | |
| | 180,547,023 | 15,350,379 | 12,704,921 | 37,939,800 | - | 1,027,700 | (831,500) | 66,191,300 | |

54 lots @ 25 Acres X
\$350,000 \$1,600,000 per acre

City of Franklin
TIF #4 Projection
Projected Cost Breakdown
December 31, 2016

| Year | Project Costs | | | | | | | | | | | Total |
|--------------------------|---------------------------------------------|---------------------------------------------------------|------------------------------------|--------------------------------------|---------------------------------|----------------------------------------|------------------------|-------------------------------|------------------|----------------------|--------------------------------------|-------|
| | Roundabout MLG/Cov Weaton Way 6917 | Traffic Signals Median Recon Intersection 6922 | OC Water & Intersection 6921 | Construction Oakwood Road 6912 | Right of way Oakwood 6911 | Fitzsimmons Weeds/ Dev Incentive | Developer Incentive | Water & Sewer Costs Net | Issuance Cost | S 27th Street S&W | Contingency Marketing Expenses | |
| Project Plan Estimate | 282,400 | 200,000 | 6921 | 1,860,000 | 200,000 | 375,000 | 1,190,000 | 13,875 | | 177,000 | 4,284,400 | |
| 2005 | | | | 152,995 | 12,600 | | | | | | 179,470 | |
| 2006 | 32,947 | | | 242,356 | 384,537 | | | | | | 659,840 | |
| 2007 | 708,680 | 493,248 | 129,941 | 1,898,528 | 4,200 | | 287,478 | | | | 3,522,075 | |
| 2008 | 14,877 | 12,897 | 16,896 | 43,689 | | | 124,974 | 13,130 | | 161,543 | 388,006 | |
| 2009 | 4,955 | | (41,000) | 158,441 | | | | | | 55,102 | 529,168 | |
| 2010 | 2,064 | | | 105 | | | | | | 3,950 | 51,227 | |
| 2011 | | | | | | | | | | 11,290 | 370,781 | |
| 2012 | | | | | | | | | | | - | |
| 2013 | | | | | | | | | | | - | |
| 2014 | | | | | | | | | 46,243 | | 46,243 | |
| 2015 | | | | | | | | | 18,278 | | 18,278 | |
| 2016 | | | | | | | | | | | - | |
| 2017 | | | | | | | | | | | 1,000,000 | |
| 2018 | | | | | | | | | | | - | |
| 2019 | | | | | | | | | | | 8,000,000 | |
| 2020 | | | | | | | | | | | 1,000,000 | |
| 2021 | | | | | | | | | | | - | |
| 2022 | | | | | | | | | | | - | |
| 2023 | | | | | | | | | | | - | |
| | 763,523 | 506,145 | 105,837 | 2,496,114 | 401,337 | - | 412,452 | 27,005 | 1,000,000 | 231,885 | 15,765,088 | |
| | | 105,837 | | | | | | | | | | |
| | | (16,938) | | | | | | | | | (16,938) | |
| | | (297,522) | | | | | | | | | (297,522) | |
| | | <u>297,522</u> | | | | | | | | | <u>15,450,628</u> | |
| Revised Estimate | 705,000 | 448,000 | 125,000 | 2,311,000 | 400,000 | 425,000 | 254,000 | 15,000 | | 165,000 | 4,848,000 | |
| | | | | | | Phase 1 | Phase 2 | Phase 3 | | | Total | |
| | | Project Plan | | | | 4,284,400 | 5,548,000 | 12,851,000 | | | 22,683,400 | |
| | | | | | | 115% | 115% | 115% | | | 115% | |
| | | | | | | <u>4,927,060</u> | <u>6,380,200</u> | <u>14,778,650</u> | | | <u>26,085,910</u> | |

MEMORANDUM

TO: MAYOR STEVE OLSON

FROM: AARON HERTZBERG, DIRECTOR OF ECONOMIC DEVELOPMENT

SUBJECT: RECOMMENDATION TO POSTPONE ACTION ON TAX INCREMENT DISTRICT NO. 4 UNTIL STAFF COMPLETES ANALYSES RELATED TO THE DISTRICT AS DIRECTED BY THE FRANKLIN COMMON COUNCIL

DATE: APRIL 20, 2017

After reviewing the City of Franklin's Tax Increment District (TID) #4 Cash Flow Model dated December 31, 2016, I recommend the City postpone action on the life of TID #4. At the direction of the Common Council, staff is working with a financial services consultant, Ehlers, Inc., to gather information which will better inform the City of its options related to the district and the district's economic development potential.

The City has long sought to attract development to Area D, an area entirely within TID #4 and roughly between W. Oakwood and W. South County Line Roads and S. 27th and S. 42nd Streets. Much of Area D does not have access to public sewer and water utilities and in its current condition, is not likely to attract the high quality development set forth by the recent rezoning of this land to Planned Development District #39. The City is actively working with a professional services consultant to evaluate several engineering solutions that will better position this land for development.

On April 3, 2017, the Common Council directed staff to contract with Ehlers to conduct financial analysis related to the use of tax increment financing from TID #4 in Area D to support economic development. At the time of the Council's action, it was discussed that TID #4 is required to close by 2025 and that TID #4 may not have the capacity to cash flow the necessary infrastructure improvements to attract development. Ehlers will therefore, evaluate the cash flow capabilities of the remaining district and other financing options available to the City, including potentially layering a new TID on top of or in the vicinity of TID #4.

Under a separate contract, the Council directed staff to contract Ehlers to evaluate the need for a financial contribution from TID #4 to support a proposed industrial development by Interstate Partners on land along W. Oakwood Road. Any contribution deemed appropriate for the project by the Council could have impacts on the life of TID #4.

Based on the reason outlined above, it is in the City's best interest to postpone any action on TID #4, until analysis is complete. To take action prior, would be to act with incomplete information and may prevent the City from realizing significant economic development benefits.

