

## MEMORANDUM

TO: Board of Estimates

FR: Joe Gromacki, TIF Coordinator  
Don Marx, Real Estate Manager  
Kevin Ramakrishna, Assistant City Attorney  
Michael May, City Attorney

DATE: September 30, 2014

**SUBJECT: Anchor Bank Financing Proposal from ULI**

### Background

Urban Land Interests (ULI) proposes to renovate and expand the current Anchor Bank Property, 96 to 100 high-end apartments and 548 parking stalls at a total cost of \$99 million. Aaron Olver's September 5, 2014 report concluded that ULI's financing request was more feasible than a conventional TIF loan. ULI requested that the City provide the following:

- City creates a new single-purpose TID
- CDA issues a 27-year CDA lease revenue bond in the amount of \$26.5M
- City commits the new TID to remain open for maximum 27 years (due to CDA bond)
- CDA pays ULI \$2.6M for subsurface land to be utilized for underground parking
- City leases subsurface land from CDA and sub-leases to ULI causing removal of the parking ramp from the tax rolls—estimated \$15M assessed value
- City pays ULI \$350,000 per year of tax increment for a maximum of 22 years
- City backstops the CDA bond with the City's municipal revenue obligation, funded with TIF

### Issues

- Single-purpose TID is risky—Block 89 and Marcus had \$13M of donor TIF cushion
- No financial cushion from other TIF generators within the proposed TID
- More capital outflows from than inflows to the City—little financial upside for City's risk
- City paying twice for subsurface land—\$2.6M to acquire then \$2.6 to donate back to ULI
- TID is committed to remain open for its 27-year lifespan as a condition of the CDA bond
- Unpredictable factors in long-term City obligation

### Alternative Option – Conventional TIF Loan

- TIF finances 448 parking stalls for office and commercial—apartment stalls feasible without TIF
- \$13.3M conventional TIF loan representing 71% of TIF
- 29% cushion of tax increment—safeguards against risk
- \$30,000 per stall of TIF assistance—\$22,000 per stall is feasible for private financing
- Estimated project value of \$84.7M with parking ramp on tax roll
- Loan recovered in 10 years
- ULI pays City for Carroll Street subsurface land—saves CDA \$2.6M for ULI subsurface
- TIF borrowing provides levy limit credit averaging \$1.6M for 10 years

### Recommendation

Staff recommends that the City provide a conventional TIF Loan in the amount of \$13.3M, comprising 71% of the estimated net present value of tax increments generated by the Anchor Bank project. The loan is contingent upon 1) ULI signing a TIF Term Sheet acceptable to the City 2) an amendment to the 2015 Capital Budget and 3) the successful creation and Joint Review Board approval of a blighted area TID.