FAQ - Woodside Village (South) TIF Plan

Related Questions

But these South Phase deadlines do not get extended if the developer does not finance the 2 phases together?

Correct. If the developer does not finance both phases at the same time, then the South Phase commencement deadline is still 90 days after closing on the land and the South Phase completion date is still 3 years after the land closing.

But what if these new estimated costs are inflated and the developer does not actually have to spend all of that private money to build the project; is the City still obligated to pay the extra $6M?

No. The proposed amendment says that if the developer does not spend at least $105M on the overall project costs, they don't get the $6M increase to the Public Financing Cap. In other words, if the 3 phases of the Project end up costing a total of only $95M, for example, then the Public Financing Cap remains at $22M (the Cap number in the original agreements). The developer is required to provide documentary evidence of these Project expenditures to the City.

Does the agreement extend the TIF from 20 to 25 years? Was this allowed under the original agreement?

No. TIF, by statute can only be for 20-years for each Project Area.

The TIF on the North Phase began in 2013 and will end in 2033.

The Developer is asking for a new TIF Plan on the South Phase and so the "TIF Clock" on the South Phase would start over in 2016 and then expire in 2036. But regardless of the Council's final decision on the South Phase, this will have no effect on expiration of the clock for the North Phase TIF which will end in 2033.

Does this increase in the Public Financing Cap hurt the school districts and other taxing jurisdictions that rely on property taxes for funding?

Not very much. The proposed Amendment includes a new concept that caps the amount of public incentive that the developer can receive for reimbursements from the property tax TIF. No more than $19,534,921 of the developer's public incentive money can come from property tax TIF, the balance must come from either sales tax TIF revenues or CID revenues.

This $19.5M cap number is about $1M more than the original $18.4M of revenue projected from the TIF Plan in the original project pro-forma. As the School District and the other taxing jurisdictions' revenues are tied exclusively to the property tax, these taxing jurisdictions' proportional revenues will be minimally impacted.

Does this new TIF Plan extend the life of the TIF?

The proposed TIF Plan does extend the life of the TIF for the South Phase of the project. The new TIF Plan gives the developer a fresh 20-year "TIF Clock" for the South Phase of the project only. Accordingly, if the Governing Body approves the new TIF Plan, the TIF on the South Phase would expire in 2036.

It does not do anything to extend the TIF on the balance of the Woodside Village project, including the North Phase. The North Phase TIF will still expire in 2033. Even though the TIF clock is being restarted, the developer is still limited to collecting a maximum of 20-years of TIF revenue from both the South Phase and North Phase of the project.

Have all of the developer's subcontractors been paid on time?

The City is not aware of any liens that have been filed against the property and City staff has observed both inside and outside subcontractors at work daily on the site. Also, the Redevelopment Agreement requires the developer to provide lien waivers and other evidence of payment when it submits draw requests for incentive money. We will be able to continue to monitor payment as the developer requests future draws on the incentive proceeds.

How Does The Proposal Change the Plan?

The proposed new TIF Plan and changes to the Redevelopment Agreement for Project Area 2 (South) only modifies the South Phase of the Project – everything else about the overall project (the clubhouse, tennis courts, pools, 91 residential units and 20,152 square feet of retail from the Club Phase and the North Phase) is unaffected by this proposed new plan.

The Site Plan for the South Phase has been approved by the Westwood Planning Commission and City Council. In the South Phase, there are 2 more residential units (from 242 units to 244), an additional 77 parking spaces were added to the parking garage, and the retail component has been modified slightly to accommodate the potential for a grocery store from what the approved preliminary plan included.

However, the most significant changes to the South Phase of the project revolve around costs. The developer has indicated that its projected costs have increased by $16.5M (from $20,875,000 to $37,369,179) – a 79% increase, and additionally, their costs for site work, parking and infrastructure have increased by approximately $3.5M (from $6,525,000 to $10M) – a 53% increase.

How have the South Phase deadlines changed and why should the City agree to move them?

The deadline for beginning construction of the South Phase has changed to reflect the staging of construction.

The Club Phase must be complete to enable commencement of the South Phase construction and it has the net effect of extending the overall duration from 12 months to 14 months. Accordingly, the commencement date for South Phase construction has moved from 90 days after closing on the South Phase land to 425 days after closing. The deadline for the completion of the South Phase moved from 3 years after closing on the South Phase land to 4 years after the closing.

Because these deadlines are tied to the South Phase land closing, if both phases are financed together, the South Phase commencement deadline really needs to move out to allow the Developer to build the Club Phase first and then build the South Phase starting 14 months later. Similarly, the South Phase deadline for completion is also a date that is measured from the land closing – and that completion date would move out by 12 months (not the full 14 months that we would move the start date).

How is the extra traffic going to be accommodated?

A traffic study was completed in 2011 before the Northern phase of the Woodside Village project broke ground.

This study considered the impact of the then proposed construction of a mixed-used development and health club renovations on the surrounding roadway network near Rainbow Boulevard and 47th Place in Westwood, Kansas. The traffic study recommended the installation of a new traffic signal at 47th Place and Rainbow Blvd, which was installed in mid 2016.

Since that time, the City's Public Works Director, along with KCK's team, and KDOT (the Kansas Department of Transportation) staff have been in constant contact monitoring the operations of the newly installed traffic signal on Rainbow Blvd, and its impact on traffic flow.

How much revenue would the new CID produce and does this new CID money count against the Public Financing Cap?

The additional 0.9% CID money is in addition to the Public Financing Cap. It is projected to create an additional $2.4M of additional incentive revenue over the 22-year life of the CID. If you factor this new CID revenue into the public/private money ratio, it results in a 3% increase from 26% to a nearly 29% public/private money ratio.

How will the development impact parking at the pool and use of the pool by the swim team?

It is the Club Management's responsibility to manage the Club events such as swim team. The City does not have responsibility for this, but the proposed new subterranean parking lot beneath the club's tennis courts should substantially increase parking availability for the Club and pool.

If the City transfers the land on the South side prematurely, might the developer use it for a loan on the North side or just quit and keep the land?

The developer is not allowed mortgage the South Phase land to benefit the North Phase, but (as discussed above) it can use the South Phase land if it finances the Club improvements and the South Phase together at the same time. However, if it quits and never develops the South Phase as contemplated, the City has a reversionary interest -- the right to take the South Phase land back at no cost to the City. And if nothing happens on the South Phase, the lender will not have provided any money for the South Phase, making it easier for the City to reclaim the South Phase property.

Is the developer going to use this new CID money to pay for cost increases in the Club improvements?

No. All of the increased costs related to the Club Phase of the project are to be paid by the developer with private money. The new CID money can only be used by the developer to reimburse for eligible costs in the South Phase of the project.

Shouldn't there be a new appraisal of the project: its value when finished; what kinds of rents it can support; and the market for these units? It has been several years since this was done.

The City does have estimates on the County appraisal for the anticipated tax-valuation of the project, which is different and not to be confused with a market appraisal.

It is not the City's responsibility to market the apartments or retail space – that is solely the responsibility of the developer. The developer is rightfully motivated to make a profit at this project, and should have every incentive to get the highest rents from the retail and residential space which the market will support. All of these contribute dollars toward the developer's investment returns.

With the steep increase in property valuations experienced in this area since 2011, there is not a precise way to accurately predict what the apartments will be valued at years down the road.

Wasn't the agreement with the developer that the South Phase would not progress until the North Phase was complete and operating?

Yes, and that is still the case in the proposal before the Council for consideration. The original Redevelopment Agreement requires that the South Phase will not begin until the Certificate of Occupancy is issued for both the North and Club Phases of the project. The developer believes that the North Phase will be completed soon – and well in advance of commencement of construction on the South Phase.

What does the 9th Amendment to the Redevelopment Agreement do?

The 9th Amendment, if approved by the City Council, would do four major things:

1. Increases the Public Financing "Cap" for the South Phase of the project;
2. Changes the deadlines for the South Phase of the project;
3. Proposed the creation of a new additional 0.9% Community Improvement District (CID) on the Club property only; and
4. Agrees to release the South Phase land to the developer prior to completion of the Club Phase of the project.

What extra law enforcement costs will this project entail and how are we going to pay for it?

We don't know yet what the development will require and probably will not know for certain until the Project is complete and fully occupied. The original analysis done by Chief Wells determined that no new officers would be needed. However, if resources are required, the City will respond in a manner that will properly manage appropriate public safety needs.

New revenues have already been collected by the City from this Project and new additional revenues will be added by the new retail spaces immediately as they open. In addition, the

Woodside Club lease payment will be increasing after the club building is expanded. All of these resources should be more than enough to offset any increased costs for law enforcement and public safety.

What happens if the City does not approve these changes?

If the City does not grant a revised TIF Plan and approve the 9th Amendment to the Redevelopment Agreement, then the terms and conditions of the 2011 agreement remains intact.

The Developer would then need to modify its planning for the project.

What happens if the developer does not finance both the Club Phase and the South Phase together?

Then the City does not have to put the South Phase land in early and the South Phase deadlines are not extended at all. Those parts of the Redevelopment Agreement document go back to the way they were originally.

What is CID?

"CID" stands for Community Improvement District. It allows a commercial property owner to petition the City to levy special assessments or impose up to an additional 2% sales tax within a CID to fund eligible project costs. These costs may include infrastructure, design, engineering, and construction-related activities.

What is the "Public Financing Cap" and how much is the City considering increasing this cap?

The Public Financing Cap is a contractual limit on how much TIF and CID revenue the Developer can collect from the City to reimburse itself for eligible project costs.

No matter how much TIF revenue or CID revenue is created by those incentives, the Developer has agreed that it won't receive any additional incentive after it gets to this negotiated cap amount. After that, the City will then shut down the TIF and CID and quit collecting those incentive revenues.

In the prior agreement the Public Financing Cap was $22M and it was broken down as follows:

- $3.1M for the Club Phase Cap;
- $7,673,000 for the North Phase Cap; and
- $11,227,000 for the South Phase Cap.

The Amendment, if approved by the governing body, would increase the South Phase part of the cap by $6M.

It would not increase either the Club Phase Cap or the North Phase Cap – those cap amounts remain the same.

Accordingly, the overall Public Financing Cap would go from $22M to a total of $28M.

What is the $7M line item for Land Acquisition in the TIF Plan and is the developer expecting to get reimbursed for that with public incentive money?

The developer is attributing $7M to the value of the South Phase land it will receive from the City for purposes of its financing and budgets. However, the amendment specifically says that the developer is not receiving any public incentive for that line item and it is also specifically factored out of the $105M overall project cost number for purposes of evaluating whether the City is putting in the additional $6M on the Public Financing Cap.

What is the Current Plan?

The existing TIF Plan and Redevelopment Agreement for the Woodside Village project is still in place from 2011.

It includes the following elements regarding TIF, CID, and property conveyance of the city-owned southern Woodside property (Phase II), on the south side of 47th Place:

- South Phase project cost previously estimated at $20,875,000
- Tax Increment Financing (TIF) 20-years began in 2013

- Conveyance of city-owned South Phase property to the developer occurs only after certificate of occupancy of the planned Woodside Club building renovations, and financing structure for Phase II are all in place.
- Reversionary Interests in the property: Should the developer be unable to complete the Phase II project after a certain period of time, the City retains a reversionary interest in the property. The lending institutions would have to work with the City of Westwood in determining the next course of action until the lenders are made whole. Then the property reverts back to the City entirely.
- $22 Million was the original financing “Cap” for the entire Project, of which $11,227,000 was marked for the South Side Phase.
- Woodside Club lease payments increase following construction of the main club building addition.

What is the new CID and why is it necessary?

The proposed new CID is a 0.9% additional sales tax on the Club portion of the project only.

This sales tax is in addition to the City and the State sales taxes, plus the 1.1% CID sales tax that is already in place. It will run for 22-years and is only applied to Club sales and will not apply to sales in the North Phase or South Phase retail components. It is designed to provide additional incentive to the developer to bridge the gap in financing the cost increases for the South Phase.

What is This About?

The City of Westwood approved a redevelopment plan for the Woodside Village project in 2011 which involved incentives outlined in the city's Economic Development Policy. These incentives included TIF (Tax Increment Financing) -- both property tax TIF and sales tax TIF -- and a CID (Community Improvement District).

Conditions have changed drastically since 2011 when the Country was still reeling from the “Great Recession”. Since then construction materials costs and property valuations have increased dramatically.

Tanner & White Properties (Developer) has requested a revised new TIF Plan for the South Phase, and changes to the approved Redevelopment Agreement. This would alter the incentives for the project, and will be considered in a public hearing on October 13th, 2016 at the City Council meeting.

What is TIF?

"TIF" stands for "Tax Increment Financing," a special tool that a city such as Westwood can use to generate money for economic development in a specific geographic area. TIFs allow a city to re-invest all new property tax dollars in the neighborhood from which they came for a 20-year period.

These "new" revenues arise if new development takes place in the TIF district, or if the value of existing properties rises, resulting in higher tax bills. These funds can be spent on reimbursable project costs such as sitework, parking structures, infrastructure construction costs, and eligible soft costs.

When will all of this be considered for approval by the City Council and will I have an opportunity to ask questions or offer comments about this that night?

The proposed new TIF Plan and the 9th Amendment to the Redevelopment Agreement will be considered at the City's regularly-scheduled Council meeting on Thursday, October 13, 2016 and anyone who wants to speak that night will be recognized and heard by the Governing Body at that time.

Why are the costs so much higher than what was originally estimated?

Post-Great Recession, the construction industry has experienced a major resurgence, particularly in the multi-family segment of the commercial real estate market. Since 2012, construction costs have increased substantially due primarily to skilled labor shortages and increased material costs of carpentry, drywall, plumbing and electric. Contractor’s are having to pay up to retain quality local subcontractors and avoid the risk of subcontractor flight mid job. This construction market reality accounts for a significant portion of the cost increases.

Also, the scope increased with the approved changes to the South Phase site plan. Further, the developer is including a higher quality of finishes in the residential units to compete with other high-end apartment products that are in the market now or becoming available in the near future.

Why not a one-at-a-time approach?

From a construction perspective, the projects have always been expected to occur one at a time. First the North Phase, followed by the Club Phase and then finally the South Phase.

From a contract perspective, first the North Phase was contracted and now the proposed Amendment contemplates contracts for the completion of the Club Phase and the South Phase. Both the City and the developer are motivated to have the entire project completed and producing as soon as possible.

Among other things, construction staging is necessary to build the various phases in a manner that avoids a shut-down of all activity – including the Club – at the site.

Phasing also allows time for the retail and residential components to absorb market demand in manageable pieces – i.e., trying to lease all 335 residential units at the same time would be more difficult than leasing the first 91 units on the North Phase and then leasing the South Phase units later. Now that the North Phase is almost completed and leased, the developer thinks it can get financing for both the Club renovations and South Phase.

Why would the City agree to transfer South Phase land earlier than previously required?

The developer believes that it has the opportunity to finance the Club Phase and the South Phase of the project together as a package, but it would require a mortgage on the city-owned South Phase land when that loan for both phases closed.

The City may decide that it wants the developer to line up the financing for both of these phases together as soon as possible, as opposed to financing the Club first and hoping that the developer can later find the financing for the South Phase. However, if the City does agree to transfer this land earlier for this joint, two-phase financing, it still has a reversionary interest (a right to take the property back) if the developer fails to complete the South Phase on time.

The proposed 9th Amendment to the Redevelopment Agreement identifies 13 separate conditions which must occur before the South Phase land can be transferred to the developer – including permits, site plan approvals, guaranteed maximum price contracts and private financing for both the Club Phase and South Phase.

These conditions are designed to ensure that both the Club Phase and the South Phase are "shovel-ready" and fully financed to further ensure completion of construction of both Phases.

The developer has also agreed that the lender's mortgage interest is subordinate (inferior to and behind) the City's reversionary rights in this property unless and until the start of construction on the South Phase. So if nothing ever happens on the South Phase, the lender will not have funded part of the loan on the South Phase and the City can reclaim the property. If the South Phase is started but never completes, the City still has a reversionary right, but it will be behind the lender and will have to coordinate and collaborate with the lender to get the South Phase finished.

Why would the City increase the Public Financing Cap and give the developer more incentive?

If approved by the City Council, the City would be agreeing to additional incentive funding to recognize the developer's increase in costs, enable the developer to pursue an improved project and to insure completion of both the Club Phase and the South Phase.

The City's negotiating team has fought to minimize the City's participation in these increased costs. The City is not considering sharing 50% of the increased costs – any additional incentive would represent less than 1/3rd of the increased project costs. Also, when the City's negotiating team evaluated the overall budget for the project with the newly increased costs and the increased incentive that is being considered – the public incentive-to-private money ratio is actually going down (which is positive from the City's perspective).

In other words, the original project budget for all three phases was estimated to be approximately $63M, of which $22M could be reimbursed with public incentive money – a 35% public/private money ratio.

The new proposal is for an overall project budget in excess of $105M, with up to $28M in public incentives available for reimbursement of eligible costs – a 26% public/private money ratio. If the City approves the new CID money discussed in detail below, the result is a 29% public/private money ratio.

Would the City be in any financial risk if a second TIF is approved?

A second TIF is not being considered. The City is only being asked to approve a new TIF Plan for an existing Project Area (the South Phase) which would – as discussed above – give the Developer a fresh 20-year TIF Clock for the South Phase.

The City would also agree to increase the amount of TIF revenues that the developer could receive by increasing the Public Incentive Cap from $22M to $28M, but the City would simultaneously cap the amount of that money that could come from incremental property tax TIF at $19,534,921.

As with the previous TIF project plan, the City bears no financial risk. If bonds are issued on the project, the City bears no financial obligation for the payment of the bonds.

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