

Legislation Details (With Text)

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On agenda:	9/21/2021	Final action:	9/21/2021
Title:	Public Hearing: Paragon Star Neighborhood Improvement District		
Sponsors:			
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Attachments:	1. Exhibit List, 2. NID Petition, 3. NID Assessment Roll, 4. City Clerk Certificate of Area Owned, 5. Exhibit 8 - D. Stokes written testimony.pdf		

Date	Ver.	Action By	Action	Result
9/21/2021	1	City Council - Regular Session	presented	

Public Hearing: Paragon Star Neighborhood Improvement District

Issue/Request:

Public hearing for creation of a neighborhood improvement district as a component of the financing plan for the Paragon Star Sports Complex.

Key Issues:

Public hearing to consider the proposed improvements and proposed assessments for the Paragon Star Neighborhood Improvement District.

Proposed City Council Motion:

Not applicable in the public hearing.

Background:

Paragon Star TIF History

The City approved the original Paragon Star Tax Increment Financing (TIF) Plan through the adoption of Ordinance No. 7833 on March 10, 2016. The City approved the First Amendment to the TIF Plan through the adoption of Ordinance No. 8946 on September 8, 2020. The City and Paragon Star, LLC (the "Developer") executed the Amended and Restated TIF Contract on September 8, 2020 (the "TIF Contract").

The TIF Contract provides for the issuance of revenue bonds that are repaid by TIF revenues and certain revenues that are generated by the I-470 & View High Community Improvement District (CID). The decision to issue revenue bonds rests with the City, after a financing plan is mutually developed by the City and Developer.

Financing Plan

The City has worked with the Paragon Star developer team since the execution of the Amended and Restated TIF Contract to develop a financing plan that includes the issuance of tax increment financing revenue bonds to fund the costs to construct the Sports Complex and provide reimbursement to Developer for certain TIF-eligible costs. A summary of the financing plan is as follows:

Total Bond Sizing

\$6,000,000	Series A-1 backed by NID
<u>\$24,556,733</u>	Series A-2 repaid by TIF revenues only
\$30,556,733	Total Bond sizing

Use of Project Fund

\$16,500,000	Amount initially released for Sports Complex
<u>\$2,500,000</u>	Amount initially released for Developer reimbursement
\$19,000,000	Total initial release
<u>\$4,050,684</u>	Amount held in reserve for Developer reimbursement
\$23,050,684	Total project fund available

Summary of NID Security for Initial Release

\$13,000,000	Supported by initial three committed users
<u>\$6,000,000</u>	Supported by NID Security
\$19,000,000	Total initial release

The City will be using the NID as a feature to provide additional security for the portion of the bond proceeds that are initially released and which are not yet supported by the revenues that are projected to be produced by Developer's initial three committed users that are planned to be developed. The initial three committed users consist of (1) the office / retail building to be finance and constructed by Developer, (2) the multi-family residential lot (including first floor retail) and (3) the medical office building. The amount of the bond proceeds that are projected to be supported by the initial three lots totals \$13 million.

The additional \$6 million that will be initially released (for a total of \$19 million initially released) will be supported by the NID. In the event that Developer fails to produce additional tenants and users in the Village project, the City can trigger the imposition of special assessments on the property in the NID area and use that special assessment revenue to repay the debt associated with the initial \$6 million release. If the property owners fail to pay the special assessments, then the City can seize the land in a foreclosure action, sell the land and improvements, and use the proceeds of that sale to repay the portion of the debt that is backed by the NID.

As developer produces additional tenants and users in the Village, the projected additional TIF revenue will first be credited to the NID and used to reduce the amount of NID coverage. This will continue until the portion of the debt that is supported by the NID becomes fully supported by the TIF revenues projected to be produced by the new users and tenants. Once the NID coverage is fully eliminated, and further additional users and tenants will serve to unlock the amount held in reserve (about \$4 million) from the bond issuance, and used to reimburse Developer for TIF-eligible reimbursable costs.

NID Process

The creation and implementation of a NID involves several City Council legislative actions. A summary of the full process is as follows, with numbering for the legislative actions:

- NID Petition: NID Petition is filed with City Clerk by property owners.
- (1) Advisability Ordinance: City Council passes an ordinance finding that the project advisable and establishing the NID for the project.
- Prepare Plans and Specifications: Developer prepares plans and specifications for the public improvements that will be funded by the NID.
- (2) Assessment and Hearing Ordinance: City Council adopts an ordinance ordering (a) assessments to be made and assessment roll to be prepared and (b) notice of a public hearing on assessments to be held at a later date.
- File plans and specifications: Developer files the plans and specifications for the Sports Complex with the City Clerk
- **Public Hearing: City Council holds a public hearing on the proposed NID.**
- (3) Financing and Construction Ordinance: City Council adopts an ordinance ordering the public improvements to be made and directing that financing for the cost thereof be obtained by the City.
- Construction of public improvements: The Sports Complex will be constructed after the TIF revenue bonds are issued.
- (4) Assessment Ordinance: City Council adopts an ordinance assessing final cost of improvements as special assessments. This will only occur if needed, if Developer fails to produce sufficient additional users and tenants in the Village.

This is the public hearing in the list above.

Impact/Analysis:

The NID will provide security to ensure that the initial portion of the released bond proceeds which are not supported by Developer's committed users and tenants will ultimately have a source of funds for repayment. This will help to minimize the impact of what could otherwise result in a default of a portion of the revenue bonds.

Timeline:

Start: The Sports Complex construction will start after the TIF revenue bond issuance later this year.

Finish: If construction starts in 2021, the Sports Complex can be completed in 2022.

Other Information/Unique Characteristics:

This NID security measure was used for the TIF bonds that were issued for the Summit Woods Shopping Center back in 2000. In that project, the City used three NIDs as support for three categories of public improvements that were constructed in connection with the development of Summit Woods.

David Bushek, Chief Counsel of Economic Development & Planning
Bill Brown, Paragon Star

Recommendation: Staff recommends approval of the NID ordinances.

Committee Recommendation: Not applicable.