

City of Huntsville

Redstone Enhanced Use Lease Project

Implementation & Finances

City Council Meeting

March 25, 2010

Redstone E.U.L. Project Implementation Process Outline

Peter Joffrion, City Attorney

- ▶ Enhanced Use Lease Overview
- ▶ City Council Approval Actions
- ▶ Annexation and Development Agreement

Redstone E.U.L. Project

E.U.L. Overview

The EUL (Enhanced Use Lease) is a partnership among the Department of the Army's Redstone Arsenal Military Reservation, LW Redstone Company, LLC, and the City of Huntsville, regarding the development of approximately 470 acres of land at the intersection of I-565 and Rideout Road the "Project Site."

Redstone E.U.L. Project

Document Approval Actions

- ▶ Master Lease Agreement between the Department of the Army and LW Redstone Company, LLC.
 - Has been approved by both the Army and LW Redstone Company, LLC

Redstone E.U.L. Project

City Council Approval Actions

- ▶ Annexation and Development Agreement between the City and LW Redstone Company, LLC (which sets forth the terms, rights and obligations of both parties in connection with the provisions of public improvements by the City within the Project Site.
 - Introduced at the City Council Special Session, Tuesday, March 23, 2010, for action at this meeting, Thursday, March 25, 2010

Redstone E.U.L. Project

City Council Approval Actions

- ▶ Annexation of approximately 870 acres into the City of Huntsville (including the Project Site) upon petition of the Army.
 - For introduction by the City Council at this meeting, Thursday, March 25, 2010
 - Both annexation of the Project Site and the establishment of a TIF are required before the City's obligations under the Annexation and Development Agreement are triggered

Redstone E.U.L. Project

City Council Approval Actions

- ▶ Establishment of a Tax Increment Financing District TIF-D5 by the City of Huntsville, with approval of the Madison County Commission, to include the Annexed Property, so that increases in ad valorem taxes can serve as the revenue stream to pay for the estimated \$76 million in public improvements required for development of the Project Site.

(continued)

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City Council Approval Actions

- ▶ Establishment of a Tax Increment Financing District TIF-D5
 - Establishment of TIF-D5 will take approximately 2 months from beginning to end, including the three preliminary resolutions scheduled for consideration by the City Council on Thursday to set a public hearing on the proposed TIF; to authorize the Council President to provide written submissions and notices required by law; and, to direct the Department of Urban Development to prepare a proposed TIF Project.

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City Council Approval Actions

► Establishment of a Tax Increment Financing District TIF-D5

- The TIF statute requires that notice be made to all entities which ordinarily would receive any part of the ad valorem taxes being used to pay for the public improvements. These entities are the City of Huntsville; Madison County; the Huntsville Board of Education; and the Madison County Board of Education. Consideration of the Resolution establishing TIF-D5 by the City Council is scheduled, currently, for May 13, and consideration of a similar resolution by the Madison County Commission would occur as soon thereafter as possible.

(continued)

Redstone E.U.L. Project

Public Meetings Required In Order To Establish TIF-D5

- ▶ March 25, 2010 (Thursday) Approval of the three (3) above-referenced preliminary TIF-D5 Resolutions.
- ▶ April 22, 2010 (Thursday) Public Hearing on the establishment of TIF-D5 at the Regular City Council Meeting.
- ▶ May 3, 2010 (Monday) Special Session Meeting of Deferred Tax Recipients.
- ▶ May 13, 2010 (Thursday) City Council considers resolutions related to the establishment of TIF-D5.
- ▶ May 17, 2010 (Monday) (or thereafter, depending upon the wishes of the Madison County Commission) – Madison County Commission considers resolution approving the establishment of TIF-D5.

Redstone E.U.L. Project City Council Approval Actions

- ▶ Approval of contracts required, as needed, to follow through with the public improvements obligation of the City under the Annexation and Development Agreement.

Redstone E.U.L. Project Annexation and Development Agreement

- ▶ Term: Expires on December 31st of the year in which the last Ground Lease between the Army and the Owner expires. The Master Lease between the Army and the Owner is for a minimum of 50 years, with an option to extend for 25 more years
- ▶ Conditioned upon annexation into Huntsville of 870 acres, more or less, by the Army
- ▶ Developer Improvements: 1 million square feet of office space; 112,000 square feet of retail space; and two hotels

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Redstone E.U.L. Project Annexation and Development Agreement

- ▶ City of Huntsville Improvements:
- ▶ Sanitary Sewer for the Project Site
 - Mass grading, storm water detention and retention areas, storm drainage, utilities (gas, water, electrical), relocation of electrical substation and overhead power lines, roadways within Project Site, improvements for Goss Road, Overlook Road and Rideout Road, railroad spur relocation, visitors center and security gate demolition and relocation, and professional fees for design, project management, testing and inspection fees, and other fees typical of such work.

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Redstone E.U.L. Project Annexation and Development Agreement

► Jurisdiction:

- Currently, the City has no jurisdiction over the property, including general police powers, code enforcement, or issuance of building permits.
- If requested by Owner and approved by the Army, the City will provide such services.
- Contemplated that Army will consider providing limited jurisdiction to the City.

(continued)

Redstone E.U.L. Project Annexation and Development Agreement

► Maintenance of Public Improvements:

- Obligation of City for duration of agreement, except for stormwater detention and retention ponds.

► Project Manager:

- City will contract with a qualified Project Manager (with input from the Owner) to coordinate and manage the construction and installation of the sewer work and all public improvements.
- All contracts for work will be competitively bid and will be let by the City.

Redstone E.U.L. Project Project Finances Outline

Randy Taylor, Finance Director

- ▶ City Financial Commitments
- ▶ General Review of TIF Financing
- ▶ Review of Current TIF Finances
- ▶ Redstone TIF Project Finances

Redstone E.U.L. Project

City Financial Commitments

Annexation and Development Agreement

- ▶ \$2.5 million for Redstone Arsenal gate improvements
 - Funds held in Capital Improvement Fund since 2007.

- ▶ \$6.5 million for City Sewer Work
 - Cash held in WPC Fund since 2007, City may finance costs depending on years expended.

- ▶ \$76 million for Public Infrastructure Work
 - Costs over 15 years financed through TIF-D5 over 30 years, minimal risk to City (slides 25 & 26).

Redstone E.U.L. Project

General Review of TIF Financing

► City TIF History

- TIF 1 – 2000, Westside Center \$3,000,000
 - (closed 2006, three years early)
- TIF 2 – 2000, Huntsville High/Parkway Place \$15,500,000
- TIF 3 – 2000, Columbia High/Providence K-8 \$40,000,000
- TIF 3A – 2001, No. Ind. Park/8 NW schools \$25,400,000
 - TIF had \$42 million Project Plan, City reduced debt to fit within conservative tax projections.
- TIF 4 – 2006, Public facilities/Lee High \$35,000,000

Redstone E.U.L. Project

General Review of TIF Financing

► TIF Financing Review

- Geographic area defined
- Tax values of property defined (becomes tax base \$)
- City builds **PUBLIC** improvements
 - Schools, roads, drainage, utilities
- Private sector builds improvements
 - Housing, industrial, office and retail
- Private properties generate property tax
- New property tax (TIF tax) pays City back
- TIF ends when City is paid back

Redstone E.U.L. Project

General Review of TIF Financing

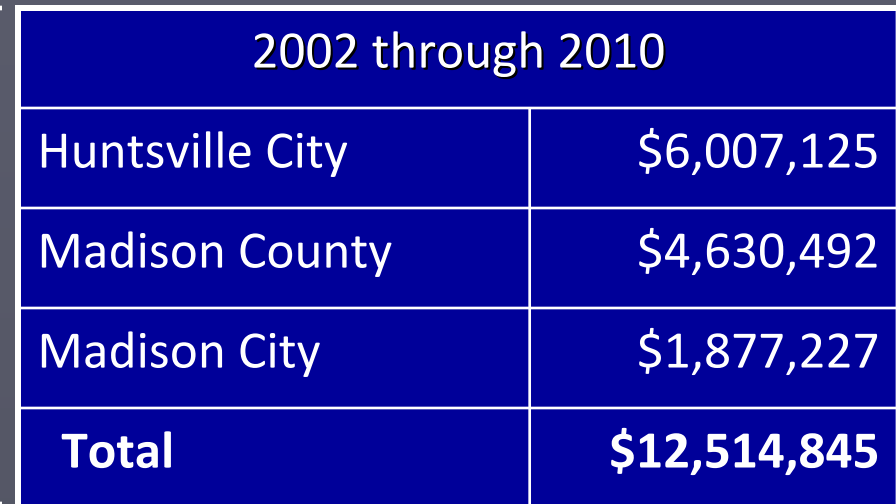
► TIF Reminders

- City only uses TIF property taxes to pay for City work – not other City funds.
- TIFs do not increase taxes – no public body acts to increase tax rates through a TIF.
- TIFs stimulate non-TIF developments that increase tax base for City, all local school systems, and County (next slide).

Redstone E.U.L. Project

General Review of TIF Financing

- ▶ TIF Reminders - 5.5 mill County-wide school tax increase because of City TIFs (paid to schools)



2002 through 2010	
Huntsville City	\$6,007,125
Madison County	\$4,630,492
Madison City	\$1,877,227
Total	\$12,514,845

- ▶ TIF Reminders – TIFs cause development to occur INSIDE and OUTSIDE the TIFs.



Outside developments pay taxes to all local governments and schools.

Redstone E.U.L. Project

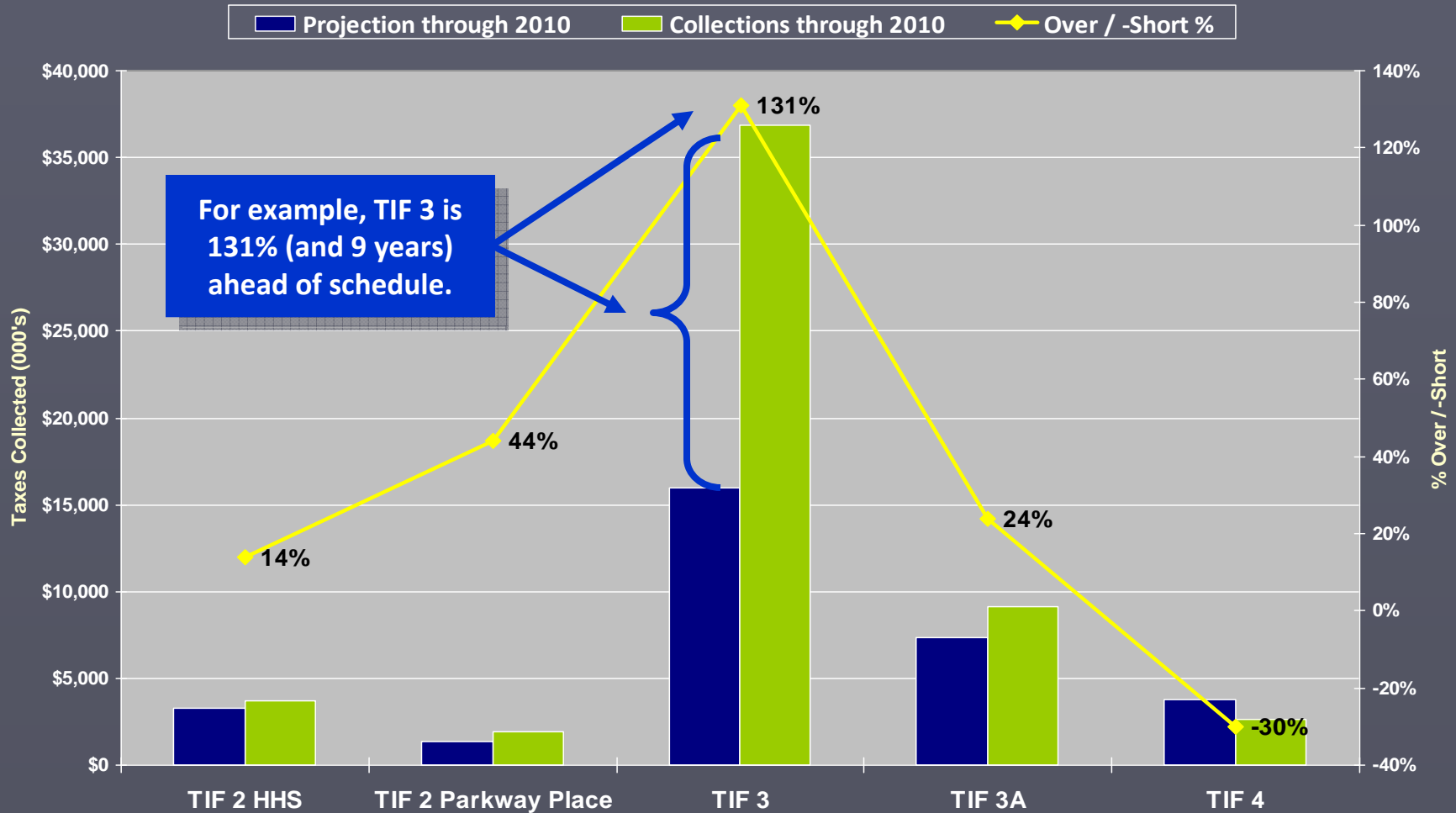
General Review of TIF Financing

▶ TIF Priorities

- Increased public tax base is not TIF goal.
- City development is primary goal:
 - ▶ Stimulate private investment
 - ▶ Create new business opportunities
 - ▶ Create new jobs
 - ▶ Improve Huntsville economy
 - ▶ Improve citizen quality of life

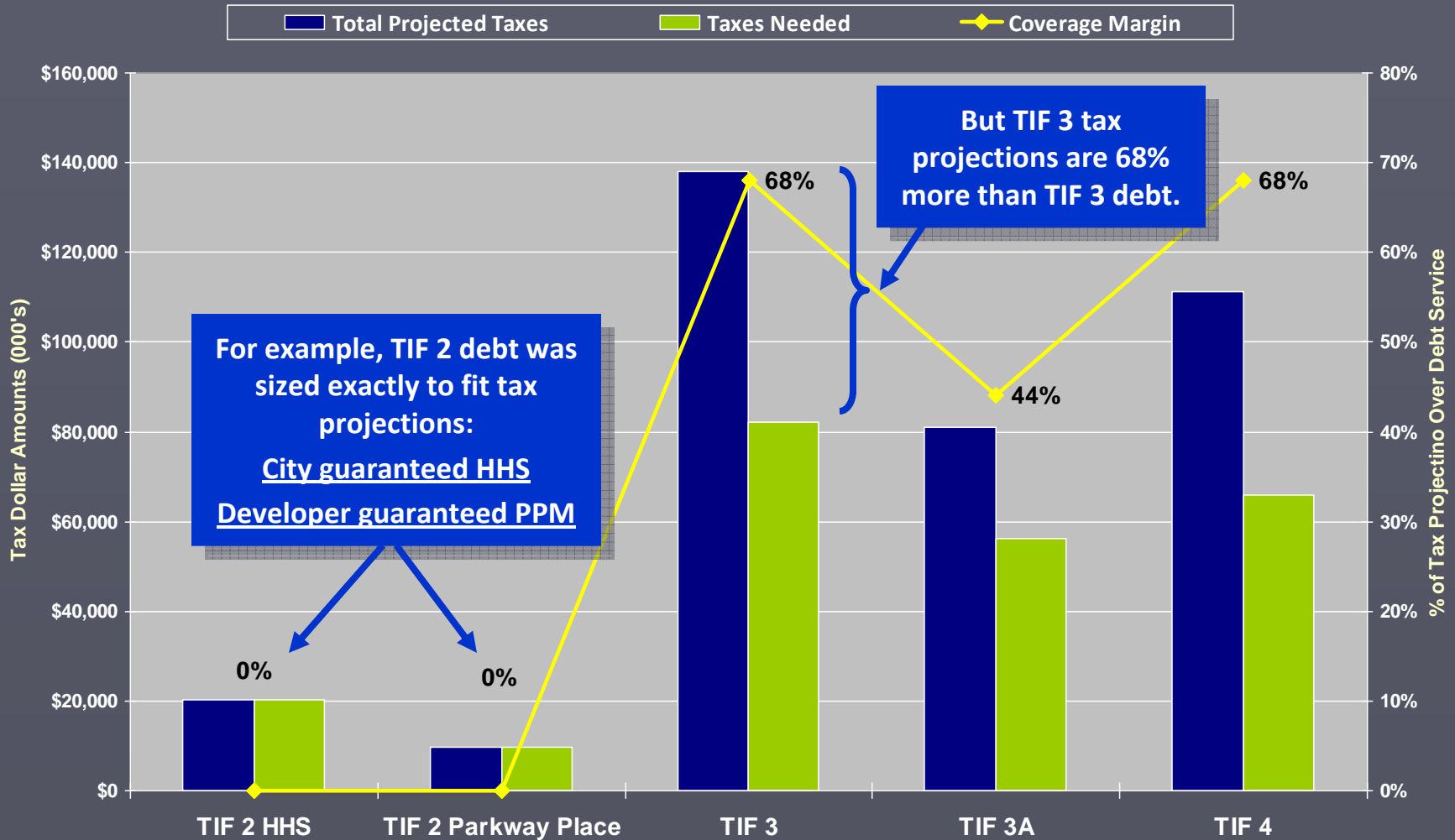
Redstone E.U.L. Project Review of Current TIF Finances

How are City TIF Finances Right Now?



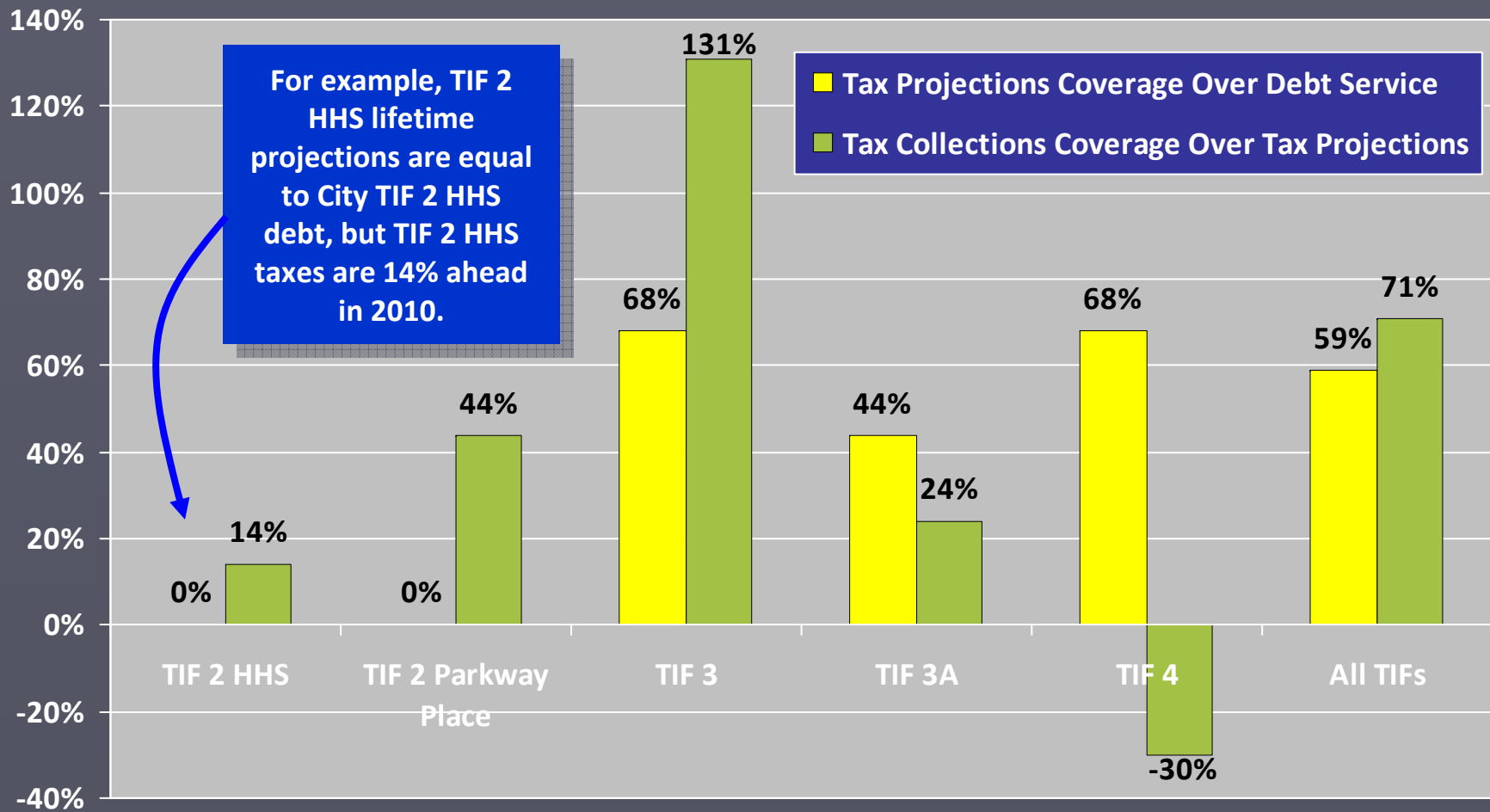
Redstone E.U.L. Project Review of Current TIF Finances

How well do City TIF Projections Cover City Debt?



Redstone E.U.L. Project Review of Current TIF Finances

Combine slides 22 &
23 – complete
“coverage” snapshot.



Redstone E.U.L. Project

Redstone TIF Project Finances

- ▶ City proposes to establish TIF as usual.
 - TIF will include 52.5 mills of property tax.
 - 5.5 mill County-wide school tax excluded.
- ▶ City and Developer will perform work in phases.
 - City Phase 1 will occur from 2010 – 2012
 - Developer Phase 1 will occur from 2010 – 2015

Redstone E.U.L. Project

Redstone TIF Project Finances

- ▶ City TIF cost commitment - \$76 million (max)
- ▶ Initial TIF financing source - Developer

Unique City TIF

City will borrow project funds from Developer (not Public) over a 15-year period, as needed to pay for infrastructure.

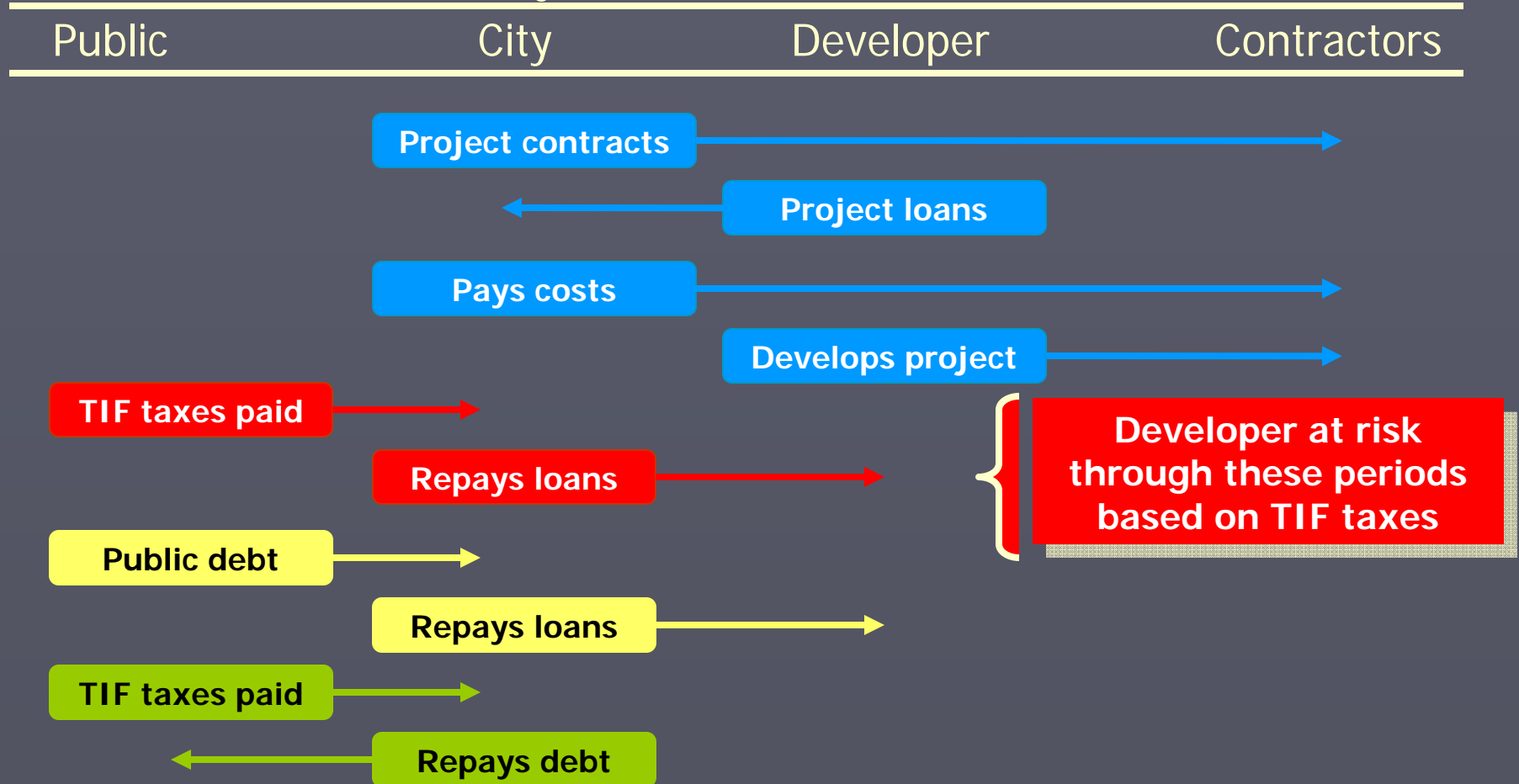
City will pay back Developer loans only when Developer's properties generate sufficient TIF tax ("TIF Revenue Debt" vs. "G.O. Debt").
This debt does not count against constitutional debt limit or credit rating.

City will issue "traditional" debt related to the TIF only when TIF taxes will support repayment.

Redstone E.U.L. Project

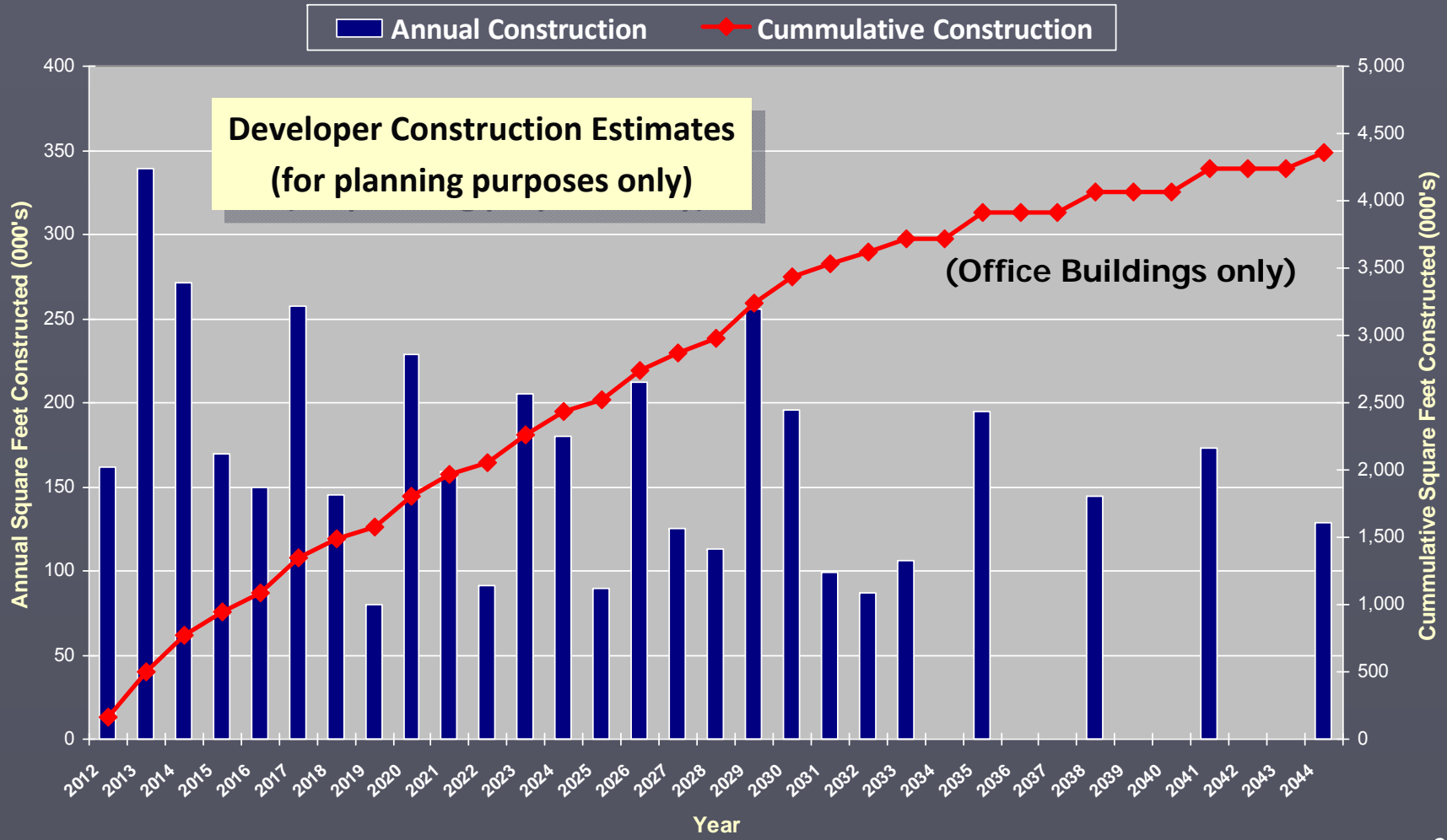
Redstone TIF Project Finances

Project Finances Illustration



Redstone E.U.L. Project

Redstone TIF Project Finances



Redstone E.U.L. Project

Redstone TIF Project Finances

