



CITY COUNCIL AGENDA STATEMENT



July 10, 2018

File ID: 18-0202

ERRATA SHEET

Replace the “Fiscal Impact Analysis (FIA)” Section beginning on page 8 with the following:

Fiscal Impact Analysis (FIA)

The Applicant’s proposal includes a revised Fiscal Impact Analysis (FIA) evaluating the proposed amendment (see Fiscal Impact Analysis, Attachment 4). This FIA has been prepared using the City’s new fiscal model which was first provided to the Applicant in October of last year. Staff worked with the Applicant who provided the necessary project-specific inputs to the plan needed to calculate the City’s maintenance costs.

It is important to note that the FIA presents a projection of the anticipated fiscal impacts of the development, based upon the best information currently available. Actual fiscal impacts as a result of development may vary from model outcomes.

The FIA evaluates the following scenarios:

1. Proposed Amendment Maximum Buildout - This scenario assumes development of the proposed maximum buildout, including ~~2,550~~2,983 residential units and ~~3,1153.324~~ million square feet of non-residential uses. The non-residential uses assumed include approximately ~~2.552.7~~ million square feet of office, ~~388,000~~395,000 square feet of retail uses, 130,000 square feet of civic uses (school and fire station), and a single 135-room hotel (96,000 square feet).
2. 2009 Adopted Plan Maximum Buildout (assumes 500 hotel rooms) - This scenario assumes development of the adopted maximum building, including 2,983 residential units and 3.487 million square feet of non-residential uses. The non-residential uses assumed in the 2009 plan include approximately 2.0 million square feet of office, approximately 800,000 square feet of retail uses, 160,000 square feet of civic uses, and two hotels totaling 500 rooms (375,000 square feet).
3. 2009 Adopted Plan with reduced Hotel (assumes 135 hotel rooms) - In recognition of the fact that since the original Millenia entitlements were approved the City has approved three hotels in addition to the one approved in Millenia - this scenario looks at the 2009 full build scenario but includes only the 135-room hotel currently under construction (reduction of 365 hotel rooms).

Based on the FIA and the assumptions contained therein, all of the scenarios above are projected to generate a positive net fiscal impact to the City by year ~~two-three~~ (2019/2020/2020/2021). The relative fiscal performance of the three scenarios over a 30-year buildout term are compared in the table below.

Comparison of Modeled Fiscal Impact Scenarios (Annual Net Impact, Millions)		Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Proposed Amendment (135 Hotel Rooms)	Revenues	\$4,741	\$7,769	\$8,778	\$9,897	\$11,311.1	\$13,112.9
	Expenses	(\$3,231)	(\$6,361)	(\$7,169)	(\$7.3)	(\$7.4)	(\$7.6)
	Net Impact	\$1,510	\$1,407	\$1,508	\$2,624	\$3,836	\$5,553
2009 Adopted Plan (135 Hotel Rooms)	Revenues	\$2.4	\$6.0	\$9.9	\$12.0	\$13.8	\$15.4
	Expenses	(\$2.1)	(\$4.8)	(\$7.2)	(\$7.4)	(\$7.6)	(\$7.7)
	Net Impact	\$0.3	\$1.1	\$2.7	\$4.6	\$6.2	\$7.7
2009 Adopted Plan (500 Hotel Rooms)	Revenues	\$2.4	\$7.6	\$11.7	\$14.0	\$15.9	\$17.7
	Expenses	(\$2.0)	(\$4.8)	(\$7.2)	(\$7.4)	(\$7.6)	(\$7.7)
	Net Impact	\$0.3	\$2.8	\$4.5	\$6.5	\$8.3	\$10.0

The Proposed Amendment (135 Hotel Room) scenario assumes development phasing as summarized in the table below.

Proposed Amendment Development Phasing Assumptions						
	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Residential Units	1,596	2,983	2,983	2,983	2,983	2,983
Hotel Rooms	135	135	135	135	135	135
<u>Non-Residential SF</u>						
Hotel SF	96,148	96,148	96,148	96,148	96,148	96,148
	325,388	388,846	388,846	388,846	388,846	388,846
Retail & Hotel-SF	189,600	221,200	221,200	395,000	395,000	395,000
	688,500	1,581,000	1,657,500	1,810,500	2,040,000	2,550,000
Office SF	1,107,820	1,675,240	1,756,300	1,918,420	2,161,600	2,702,000
	1,013,888	1,969,846	2,046,346	2,199,346	2,428,846	2,938,846
Total Non-Residential SF	1,393,568	1,992,588	2,073,648	2,409,568	2,652,748	3,193,148

**Note: Civic uses are assumed to have no net fiscal impact and are therefore excluded.*

The Proposed Amendment phasing assumptions can be compared with the assumptions in the 2009 Adopted Plan fiscal analysis, summarized in the table below.

2009 Adopted Development Phasing Assumptions					
	Year 5	Year 7	Year 12	Year 17	Year 22
Residential Units	1,245	1,743	2,983	2,983	2,983
Hotel Rooms	250	500	500	500	500
<u>Non-Residential SF</u>					
Hotel SF	187,500	375,000	375,000	375,000	375,000
Retail SF	73,850	221,550	738,500	883,400	980,000
Office SF	88,650	265,950	886,500	1,552,200	1,996,000
Total Non-Residential SF	350,000	862,500	2,000,000	2,810,600	3,351,000

Overall, comparing projected net annual fiscal impacts in year 30 for the 2009 Adopted Plan and the Proposed Amendment (\$10.0 million and \$5.55.3 million, respectively) indicates a \$4.54.7 million reduced annual positive fiscal impact. It is important to note that a key driver reducing the fiscal benefit to the City between the Proposed Amendment scenario and the 2009 Adopted Plan scenario is Transient Occupancy Taxes, and the fact that the City's model attributes very little service costs to hotels. At year 30, approximately \$2.3 million of the projected net fiscal benefit associated with the 2009 Adopted Maximum Buildout Scenario is attributable to the 365 additional hotel rooms assumed under that scenario. This is a relevant comparison as it recognizes that the City has not lost the TOT revenues, but rather those revenues have been relocated to other locations in the Eastern Territories where hotels have been added since the entitlements for Millenia were approved in 2009.

Replace #1 under the “Developer Agreement” Section on page 10 with the following:

Developer Agreement

1. Net Revenue – The first benefit identified in the existing DA was annual net revenue over the cost of providing municipal services of approximately \$5.0 million in buildout year 22. As shown above, the updated fiscal impact analysis using a more current fiscal model shows that the original project could have resulted in estimated annual net revenues of \$10.0 million in year 30. Applying this new fiscal model to the proposed project amendment, including the reduced non-residential development, the estimated annual net revenue is projected to be approximately \$5.55.3 million in year 30. While this equates to a reduction of \$4.54.7 million annually from the approved plan, it still represents a significant positive fiscal impact to the City's General Fund.

Replace the “Ongoing Fiscal Impact” Section beginning on page 11 with the following:

ONGOING FISCAL IMPACT

As discussed in the Fiscal Impact Analysis section of this report, the Proposed Amendment is projected to result in net positive fiscal impacts throughout the development period, ranging from \$1.51.0 million to \$5.55.3 million annually. Cumulative impacts of the Proposed Amendment buildout scenario during the term of the 30-year analysis are anticipated to total approximately \$69.857.8 million, with an annual average positive impact of \$2.31.9 million.

The table below summarizes the projected annual net fiscal impact for representative buildout years for the Proposed Amendment, the 2009 Adopted Plan as originally approved (assuming 500 hotel rooms), and the 2009 Adopted Plan (assuming only the 135 hotel rooms constructed to date).

Comparison of Modeled Fiscal Impact Scenarios (Annual Net Impact, Millions)							
		Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Proposed Amendment (135 Hotel Rooms)	Revenues	\$4.74.1	\$7.76.9	\$8.77.8	\$9.89.7	\$11.311.1	\$13.112.9
	Expenses	\$(3.23.1)	\$(6.36.1)	\$(7.16.9)	\$(7.3)	\$(7.4)	\$(7.6)
	Net Impact	\$1.51.0	\$1.40.7	\$1.50.8	\$2.62.4	\$3.83.6	\$5.55.3
2009 Adopted Plan (135 Hotel Rooms)	Revenues	\$2.4	\$6.0	\$9.9	\$12.0	\$13.8	\$15.4
	Expenses	\$(2.1)	\$(4.8)	\$(7.2)	\$(7.4)	\$(7.6)	\$(7.7)
	Net Impact	\$0.3	\$1.1	\$2.7	\$4.6	\$6.2	\$7.7
2009 Adopted Plan (500 Hotel Rooms)	Revenues	\$2.4	\$7.6	\$11.7	\$14.0	\$15.9	\$17.7
	Expenses	\$(2.0)	\$(4.8)	\$(7.2)	\$(7.4)	\$(7.6)	\$(7.7)
	Net Impact	\$0.3	\$2.8	\$4.5	\$6.5	\$8.3	\$10.0

As illustrated in the table above, reducing the hotel rooms assumed to be developed by 365 decreases the projected annual positive impact in year 30 by approximately \$2.3 million. This accounts for just ~~over~~ under 50% of the total projected positive impact reduction in year 30 resulting from the Proposed Amendment. Additional adjustments to the development plan further reduce the year 30 projected net positive fiscal benefit from \$10.0 million (2009 Adopted Plan with 500 hotel rooms) to ~~\$5.5~~ 5.3 million.

While a comparison of the Proposed Amendment with the 2009 Adopted Plan (with 500 hotel rooms) indicates reduced positive impacts of approximately ~~\$4.54~~ 4.7 million annually in year 30, the plan continues to indicate significant net positive impacts to the City's General Fund as a result of the Millenia project.

When considering the above, it is important to note that the Fiscal Impact Analysis presents projections based upon the best information currently available. Actual fiscal impacts as a result of this development may vary from those indicated by the model.

Pursuant to Section 4.5 (Operating Deficit) of the Millenia Development Agreement, the Master Developer will cover the City's net operating deficit during the initial years of the project (excluding fire services), up to a cumulative maximum of \$500,000. The amount of the deficit is to be determined via a fiscal study to be prepared by the City at the Master Developer's cost. Per the Development Agreement, the first fiscal analysis "shall be conducted following the end of the fiscal year which is two (2) years following the first occupancy within the Property, and annually thereafter at the end of each fiscal year." The first Millenia certificate of occupancy was issued to Fairfield Residential, on October 23, 2015. Based upon this date, the first fiscal analysis shall be conducted after June 30, 2018. Initiation of the first fiscal analysis is expected in July of 2018.

Replace Attachment 4 with the revised Fiscal Impact Analysis (FIA) attached.

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