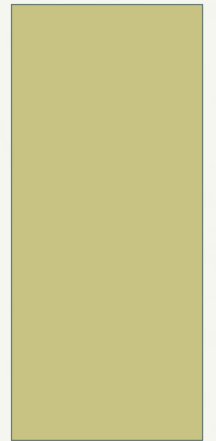


REINVESTMENT DISTRICT PROJECT

UPDATE – MAY 2, 2017



PURPOSE

- Update on current activities
- Review of project items
- Provide information and clear up misinformation
- What is next after pre-development agreement

VISIT TO IEDA

- Good feedback to the changes we are proposing
- Will require rescore but amended application may score higher than the original with these changes
- Board stated we need to stick with this developer and get the project completed
- 'We need to be done by the end of year' was said to us and Sioux City
- City will need to contract again with our consultant to do an amendment to the feasibility study
- City staff will need to redo application as we did the original to incorporate changes
- Staff will begin to work on preparing the necessary documents and feasibility study

URBAN RENEWAL PLAN

- Consultation with Cerro Gordo County and Mason City School District on Downtown Reinvestment Urban Renewal Plan changes had no issues.
- May 11th, next step is hearing on Urban Renewal Plan changes and to approve the changes
- May 11th, next step is hearing on pre-development agreement with Mason City Gatehouse LLC and to approve pre-development agreement

PRE-DEVELOPMENT AGREEMENT

- One change in the terms as agreed to previously
 - The requirement in the pre-development agreement for the development of the site has been removed.
 - It was estimated the City would need to spend between \$52,000 and \$75,000 on the preliminary site work.
 - The item was pulled from the pre development agreement by Mason City Gatehouse.
- \$150,000 would be provided by May 15th, upon approval of the City Council

GUIDING PRINCIPLES WHEN WE STARTED PURSUING THIS PROJECT

- No property tax increase
- Critical mass downtown with new facilities which would provide new economic activity for downtown and Southbridge Mall
- Better venue for hockey based on their facility needs and provide other entertainment opportunities

PROJECT BUDGET REVIEWED BY COMPONENT AND REPAYMENT FUNDS

- Information regarding our application has been available online since March 2015
- Components of amended application
 - Hotel
 - Music Man Square Renovation
 - New Museum
 - Skywalk
 - Performing Arts Pavilion
 - Multi-purpose Arena

HOTEL

- Hotel Expense \$15,000,000
- Revenue
 - Private Loan \$ 9,250,000
 - Equity \$ 1,500,000
 - Interest Free Loan from City \$ 4,250,000
- Interest Free Loan principal would be paid back at the end of 20 years
- Money for loan would come from TIF funds

MUSIC MAN SQUARE RENOVATION

- Convention Center Renovation Expense \$1,000,000
- Revenue would be \$1,000,000 form IRD
- Revenue would come from the Reinvestment District Funding

NEW MUSEUM

- Museum Expense \$750,000
- Revenue would be \$750,000 from IRD
- Revenue would come from the Reinvestment District Funding

SKYWALK

- Skywalk Expense \$1,500,000
- Revenue would be
 - \$1,250,000 from IRD
 - \$ 250,000 TIF funds
- Revenue would come from the Reinvestment District Funding and TIF funds

PERFORMING ARTS PAVILION

- Performing Arts Pavilion Expense \$1,650,000
- Revenue would be \$1,650,000 from IRD
- Revenue would come from the Reinvestment District Funding

MULTI-PURPOSE ARENA

- Multi-purpose Arena Expense \$12,550,000
- Revenues
 - Iowa Reinvestment District \$4,650,000
 - Cerro Gordo County Contribution \$ 500,000
 - MCYH Donations \$2,000,000
 - Local Option Sales Tax \$1,200,000
 - TIF \$4,200,000
 - Total \$12,550,000

STATE FUNDING MECHANISM

- How much will we receive?
 - Request is for \$10 million based on projections of what the district will create
 - How is the figure calculated
 - State sales tax generated in the district with primary source being the multi-purpose arena sales which we receive 4 cents of the state's 5 cents sales tax they collect
 - State hotel/motel tax generated by the hotel room sales which is 5 cents for each dollar of hotel room cost for each room rental in the new hotel
 - The state collects the money and sets it in an account for us and then it is paid to us on a quarterly basis
 - The City will put the money in an account to use to pay off the bonds sold to pay for the projects
 - We expect to be awarded a figure between \$10 million and \$7.1 million which will be designated by the IEDA board but the amount actually received over the 20 years will depend on how successful the district is

TIF FUNDING AND HOW IT WORKS

- TIF is a funding mechanism that will be used to provide a large portion of the funding for the project
- The current property value is the base value before the creation of an Urban Renewal TIF district
- When the improvement is completed a new property value is computed
- The difference between the base and new value is the incremental increase in property tax
- The incremental value is then multiplied by the tax rate to determine the amount of funds that can be used for an incentive for a project
- If a project does not happen the incentive money does not happen
- The RCR project uses the increment created by the private investment and taxes paid for the new hotel and the multi-purpose arena since they are privately owned
- The TIF funds created will be used to pay the bonds off that were sold to fund the projects

PRO FORMA PRESENTED FOR THE OPERATION OF THE ARENA

		City of Mason City	
		Pro Forma Income Statement	
		Draft 3	
		Arena	
Revenues			
Rent-Hockey	18,000		\$3000/mo for 6 months Hockey
Rent-Recreation Dept	30,000		\$2500/mo
Concessions	200,000		Double concession cost
Beer Concession	200,000		400% of beer cost
Arena Revenue	28,800		6 concerts, 2 comedy, 4 trade shows, 4 basketball x \$1800 each
Amateur Arena Fee	7,600		10 high school games, 6 youth hockey games, 4 basketball tournament @ .50/ticket
Arena Fee	76,000		2000 seats x 24 plus 3500 x 8
Advertising revenue	2,000		
Utility Fees	58,000		one-half of total due from Hockey
Sales Tax	25,000		Concessions x 7 %
Miscellaneous	4,000		
Total Revenues		649,400	
Expenses			
Program coordinator	48,500		
Part time	12,000		1200 hours x \$10 per hour
FICA	4,628		7.65% of wages
IPERS	5,403		8.93% of wages
Health insurance	12,000		one employee
Janitorial contract	50,000		Based on City Hall contract
Janitorial supplies	10,000		
Uniforms	1,000		
Annual Rent	180,000		From Southbridge Mall Year 1-5
Office expense	6,000		
Insurance	5,000		
Utilities	115,000		Based on Young Arena
Grounds maintenance	5,000		
Beer purchases	50,000		Based on Young Arena
Concession supplies	100,000		Based on Young Arena
Taxes	25,000		Sales tax based on total sales
Total expenses		629,531	
Income (Loss)		19,869	

LEASE ARRANGEMENT WITH THE MALL OWNER

- Why it makes sense to build it and pay for it
 - The mall will own the property and pay property taxes on it which provides the TIF financing to the City to pay off the loan instead of purchasing it and using General Obligation bond money which will raise all property owners taxes
 - Lease payment is below the amount paid for taxes for first 10 years. The City has a lease for an initial 20 years with 4 five year options at our discretion to ensure a usage of 40 years minimum. The long term lease is necessary to ensure our benefit is equal to the amount of money to build the facility
 - The new taxes paid by the mall owner on the arena and the performing arts pavilion is projected to be \$212,006 per year
 - The rent payment for years 1-5 is \$180,000, years 6-10 is \$198,000, years 11-15 is \$217,800 and years 16-20 is \$239,000.
 - A copy of the lease is provided for your information.

HOCKEY MOU FROM APPLICATION

- MCYH submitted a Memorandum of Understanding to the City in February of 2015 that was part of the packet submitted to the state with our application that was approved by the City Council
- MCYH will donate up to \$2 million towards the arena costs
- MCYH will oversee/operate/manage the ice operation during the season; maintenance of the ice equipment is MCYH responsibility
- The ice season will be 6 months long basically from mid-September through the first week of April and they will have control over use of the facility during this time.
- A copy of the MOU is provided for your information

MONEY SPENT SO FAR AND PROJECTIONS

- The City has spent the following amounts on the River City Renaissance Project so far:
 - Parking Structure Design \$437,769
 - Attorney Fees Development Agreement (Approx.) \$ 65,000
- Future expenses
 - Feasibility Study Update \$??
 - Attorney Fees Development Agreement \$??

TAX REBATE HELP FOR HAMPTON INN HOTEL REVIEWED

- The comment has been made that the City did not help the Hampton Inn and Suites with a tax incentive so why are we helping Gatehouse Capital with their hotel costs.
 - The truth is that we did do a development agreement with Hampton Inn and Suites and it included the provision of a tax rebate for 10 years that would provide a maximum rebate of \$745,000

VEHICLE PARKING NUMBERS

- Jessy Willadsen, GIS Specialist, was able to determine that there are 993 parking spaces in the four lots controlled by the City that provide parking for the mall.
- The dimensions of a similar sized hotel to the proposed hotel and the predicted size of the museum were placed in the parking lot of the mall. These buildings would cause the loss of 63 spaces plus there would need to be approximately 75 spaces designated for guests and employees so a minimum of 138 spots would be lost. The exact amount lost will depend on the actual location of the hotel and museum and the ability to reconfigure parking around these buildings
- There would remain approximately 855 spaces or less depending on final design of the parking area

WHAT IS TO BE DONE AFTER THE PRE-DEVELOPMENT AGREEMENT DONE

- Negotiations on parking agreement change with Mr. Kohen
- Begin development agreement negotiations
- Prepare changes for application to the state for approval

CONCLUSION

- My intent tonight was to provide a review of the current information we are working from in order to correct some of the misinformation that has been going around. The studies by the University of Iowa students for our Comprehensive Plan update, Sustainability Plan and the Vision North Iowa project show that this project is what the community wants and is excited about what it will provide for them in the way of something to do in Mason City. This type of project excites people about the future of Mason City.