

TIF District/Project Status Report
Fiscal Year Ending June 30, 2014
(Pursuant to WV Code 7-11B-15)

Municipality: City of Morgantown
389 Spruce Street
Morgantown, WV 26505

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District: District No. 3 - Sunnyside
Project: Project No.1 – Sunnyside-Up

| | |
|--|------------------|
| 1) Aggregate amount and amount by source of revenue | |
| Property taxes – current | \$ 363,664.62 |
| Property taxes – prior year | 51,213.84 |
| Interest and penalties on taxes | 5,786.91 |
| Interest on deposits | <u>6.73</u> |
| | \$ 420,672.10 |
| | |
| 2) Amount and purpose of expenditures | Attachment 1 |
| | |
| 3) Amount of any pledge of revenues, including principal and interest on any outstanding tax increment financing indebtedness: | |
| Pledged for debt service on Tax Increment Revenue Bonds, Series 2010: | |
| Principal | \$ 1,285,000 |
| Interest | <u>1,693,116</u> |
| | \$ 2,978,116 |
| | |
| 4) Base-assessed value of the development/redevelopment project area: | \$ 75,683,593 |
| | |
| 5) Assessed value for the current year of the taxable property having a tax situs in the development/redevelopment project area: | \$103,178,772 |
| | |
| 6) Assessed value added to base-assessed value of the taxable property having a tax situs in the development/redevelopment project area: | \$ 27,495,179 |
| | |
| 7) Payments made in lieu of taxes received and expended: | \$ 0 |

- | | |
|--|---------------|
| 8) Contracts made incidental to the implementation and furtherance of a development/redevelopment project: | Attachment 2 |
| 9) Copy of any development/redevelopment plan, including required findings and cost-benefit analysis: | Attachment 3 |
| 10) Cost of any property acquired, disposed of, rehabilitated, reconstructed, repaired, or remodeled: | \$ 0 |
| 11) Number of parcels of land acquired by or through the initiation of eminent domain proceedings: | None |
| 12) Number and types of jobs projected by the project developer to be created, estimated annualized wages and benefits to be paid to persons filling those jobs: | Attachment 4 |
| 13) Number, type and duration of jobs created and annualized wages and benefits paid: | None |
| 14) Amount of disbursements from the tax increment financing fund during the most recently completed fiscal year: | \$ 443,415.88 |
| 15) Annual statement showing payments made in lieu of taxes received and expended during the fiscal year: | None |
| 16) Status of the development/redevelopment project: | Attachment 5 |
| 17) Amount of outstanding tax increment financing obligations: | \$ 1,285,000 |
| 18) Additional information: | None |

I hereby certify that the information contained in this report, including all attachments, is true and accurate to the best of my knowledge.

9/29/14
Date


Jeff Mikorski, City Manager

Project No. 1 - Sunnyside-Up

Attachment 1

2) Amount and purpose of expenditures:

Tax Increment Financing Fund

| | |
|--------------------------|----------------------|
| Public Improvements | \$ 22,750.51 |
| Payments to Bond Trustee | <u>\$ 420,665.37</u> |
| | <u>\$ 443,415.88</u> |

Bond Accounts Held by Trustee:

| | |
|--------------------------|----------------------|
| Administrative Fees | \$ 7,600.00 |
| Debt Service (Principal) | 280,000.00 |
| Debt Service (Interest) | <u>85,076.20</u> |
| | <u>\$ 372,676.20</u> |

Project No. 1 - Sunnyside-Up

Attachment 2

8) Contracts made incidental to the implementation and furtherance of a development/redevelopment project:

AECOM Technical Services, Inc. – Consulting Engineering Services for Project Phase II

A. DETAILED DESCRIPTION OF PROJECT

Include a description of how the project fits with the overall development plans for the Redevelopment District or the overall development plans of the City, county, or region.

The TIF District

The proposed TIF District includes certain properties located in and near the "Sunnyside" district of The City of Morgantown, Monongalia County, West Virginia. A map and boundary description of the proposed TIF District and property description are provided in Attachment 1. A public hearing has been scheduled for September 16, 2008, before the City Council in order for the City to entertain public comments on the proposed creation of the TIF District. If following such public hearing the City wishes to proceed to establish the TIF District, the City may do so by ordinance duly enacted following approval by the West Virginia Development Office. The purpose of the TIF District would be to eliminate blight in an aging portion of the City by improving public infrastructure within the TIF District in an effort to attract new investments in the redevelopment of the land and properties within the TIF District and surrounding areas within the City.

The Sunnyside Up – TIF Project Plan is the result of several years of studying the area and visioning with local businesses and citizens and the development of the Sunnyside Up Comprehensive Revitalization Plan, as updated in 2007, by the Campus Neighborhoods Revitalization Corporation. A great deal of research, evaluation, studies, and collaboration has produced a quality redevelopment and revitalization plan for the Sunnyside Up area of Morgantown (see Section III: Attachment 8).

The deteriorating condition of certain parts of the Sunnyside area has become a hindrance to the overall desire to live and work in the City. The implementation and execution of the Sunnyside Up – TIF Project Plan serve to compliment the overall goals of the Sunnyside Up Revitalization plan and the goals and future of The City of Morgantown. The real property within the TIF District and the citizens and student residents of The City of Morgantown will benefit from the elimination of and prevention of the spread of blighted and deteriorated areas, increasing employment opportunities and encouraging commerce, private investment and citizens and students to remain and relocate to the area. In addition, the real property and citizens within the TIF District will benefit in the form of public improvements from funds to be generated and captured in the tax increment financing fund (the "TIF Fund") over the 30-year life of the TIF District.

The infrastructure, multi-modal transit station facility, roadway and streetscape improvements, combined with the anticipated new development within the proposed TIF District will attract new private investment, businesses and additional housing facility options to the City and provide new employment opportunities within the City. These improvements will include water lines, storm water management culverts and facilities, sanitary sewer lines, road improvements, streetscape systems, traffic control, pedestrian ways and systems, multi-modal transit station facility, utility relocations, lighting and related infrastructure, land and right-of-way acquisition, demolition and site preparation necessary for and incidental to the construction/installation of public infrastructure improvements.

The TIF Project

The City of Morgantown proposes to develop/construct/install certain projects (the "TIF Projects") within the TIF District, which TIF Projects may be acquired and constructed in several phases. The TIF Projects include the following public improvements: water lines, storm water management culverts and facilities, sanitary sewer lines, road improvements, streetscape systems, traffic control, pedestrian ways and systems, multi-modal transit station facility, utility relocations, lighting and related infrastructure, land and right-of-way acquisition, demolition and site preparation necessary for and incidental to the construction/installation of public infrastructure improvements (see Section II.C for more detailed information).

To finance the TIF Projects, the City proposes to use a combination of available tax increment funds to directly finance the costs of the TIF Projects, including architectural, engineering, legal and other professional fees and expenses on a pay-as-you-go basis and to issue tax increment revenue bonds or other obligations (the "Tax Increment Financing Obligations"), from time to time, in an aggregate amount not to exceed \$8,000,000, with maturities not to exceed 30 years from the date of the creation of the TIF District. Such obligations may be issued from time to time in one or more series. Proceeds of the Tax Increment Financing Obligations are generally planned to be used to (i) finance a portion of the costs of the Projects, including architectural, engineering, legal and other professional fees and expenses; (ii) fund reserves for the obligations; (iii) fund capitalized interest on the obligations, and (iv) pay costs of issuance of the obligations and related costs. To the extent that tax increment funds are available, all or portions of the TIF Projects may be financed directly with such tax increment funds. See Section II.E for more detailed Financing information and Section II.G for additional information on the proposed TIF Obligations.

Projected increase in value of the taxable property in the Redevelopment District upon successful completion of the project plan:

The estimated increase in the taxable value of property in the TIF District is provided in the table below. The Estimated Appraised Value is provided in greater detail in the Tax Increment Financing Projections analysis attached to Section II.G – Tax Increment Obligations.

| Tax Year | Class II | Class IV** | Total |
|-------------|----------|-------------|-------------|
| 2008 (Base) | 0 | 0 | 0 |
| 2009 | 0 | 10,075,000 | 10,075,000 |
| 2010 | 0 | 14,677,250 | 14,677,250 |
| 2011 | 0 | 35,117,568 | 35,117,568 |
| 2012 | 0 | 54,321,095 | 54,321,095 |
| 2013 | 0 | 67,950,727 | 67,950,727 |
| 2014 | 0 | 69,989,249 | 69,989,249 |
| 2015 | 0 | 72,088,927 | 72,088,927 |
| 2016 | 0 | 74,251,594 | 74,251,594 |
| 2017 | 0 | 76,479,142 | 76,479,142 |
| 2018 | 0 | 78,773,517 | 78,773,517 |
| 2019 | 0 | 81,136,722 | 81,136,722 |
| 2020 | 0 | 83,570,824 | 83,570,824 |
| 2021 | 0 | 86,077,948 | 86,077,948 |
| 2022 | 0 | 88,660,287 | 88,660,287 |
| 2023 | 0 | 91,320,095 | 91,320,095 |
| 2024 | 0 | 94,059,698 | 94,059,698 |
| 2025 | 0 | 96,881,489 | 96,881,489 |
| 2026 | 0 | 99,787,934 | 99,787,934 |
| 2027 | 0 | 102,781,572 | 102,781,572 |
| 2028 | 0 | 105,865,019 | 105,865,019 |
| 2029 | 0 | 109,040,970 | 109,040,970 |
| 2030 | 0 | 112,312,199 | 112,312,199 |
| 2031 | 0 | 115,681,565 | 115,681,565 |
| 2032 | 0 | 119,152,012 | 119,152,012 |
| 2033 | 0 | 122,726,572 | 122,726,572 |
| 2034 | 0 | 126,408,369 | 126,408,369 |
| 2035 | 0 | 130,200,620 | 130,200,620 |
| 2036 | 0 | 134,106,639 | 134,106,639 |
| 2037 | 0 | 138,129,838 | 138,129,838 |

*The TIF Projects are designed to benefit the residents of The City of Morgantown and to generate economic development and growth. The projects are not intended to benefit any specific developer or private development/project. The projected increases in appraised values assume an annual inflation rate of 3.0% beginning TY 2010 for tax years as shown in the following table:

| Property Class | Amount | Tax Years |
|----------------|--------------|-----------|
| IV | \$10,075,000 | 2009 |
| IV | \$4,300,000 | 2010 |
| IV | \$20,000,000 | 2011 |
| IV | \$18,150,000 | 2012 |
| IV | \$12,000,000 | 2013 |
| Total | \$64,525,000 | |

C. PUBLIC IMPROVEMENTS

The TIF Projects are expected to include the following public improvements: water lines, storm water management culverts and facilities, sanitary sewer lines, road improvements, streetscape systems, traffic control, pedestrian ways and systems, multi-modal transit station facility, utility relocations, lighting and related infrastructure, land and right-of-way acquisition, demolition and site preparation necessary for and incidental to the construction/installation of public infrastructure improvements. Estimated totals include professional services fees, including architectural, engineering and consulting fees and construction contingency.

| Public Improvements | Estimated Total |
|--|------------------------|
| Roadways/Alleyways and Pedestrian Systems | \$1,114,485 |
| Multi-Modal Transit Station Facility | \$500,674 |
| Water/Sewer/Storm Water/Utility Improvements and Relocations | \$3,884,961 |
| TOTAL | \$5,500,000 |

* Please refer to Attachment 2 for a specific identification of proposed location of public improvements.

D. ESTIMATED BREAKDOWN OF PROJECT COSTS*

The Estimated Breakdown of Project Costs below is anticipated to be fully financed from Pay-As-You-Go funds from the TIF Fund and tax increment revenue bonds ("TIF Bonds"). See Section II.G – Tax Increment Obligations and Section II.E – Financing for more detailed information.

| | TOTAL |
|--|----------------------------|
| 1. Capital Costs | \$ <u>0</u> |
| 2. Financing Costs | \$ <u>387,584</u> |
| 3. Professional Services | \$ (see footnote) |
| 4. Land | \$ <u>0</u> |
| 5. Relocation Costs | \$ <u>0</u> |
| 6. Environmental Impact Studies | \$ <u>0</u> |
| 7. Public Information | \$ <u>0</u> |
| 8. Construction of Public Works | \$ <u>5,500,000</u> |
| 9. Costs of the sale/lease of City property that results in a loss to City | \$ <u>0</u> |
| 10. TIF Bonds Capitalized Interest | \$ <u>1,116,053</u> |
| 11. TIF Bonds Reserve Funds | \$ <u>676,363</u> |
| Total Project Cost: | \$ <u>7,680,000</u> |

*Notes to Items 1 through 11:

- 2) Estimated Financing Costs for the TIF Bonds as provided in Section II.G
- 3) Estimated Professional Services costs are included in Construction of Public Works.
- 8) See Section II.C for estimated breakdown of costs
- 10) Estimated Capitalized Interest on the TIF Bonds as provided in Section II.G
- 11) Estimated Reserve Funds for the TIF Bonds as provided in Section II.G

E.

FINANCING**Estimated Sources, Amounts, Rate and Term (1)**

To finance the TIF Projects, the City proposes to pay the costs and expenses of the TIF Projects on a pay-as-you-go basis from tax increment revenues in the TIF Fund and/or to issue TIF Obligations with maturities not to exceed 30 years from the date of the creation of the TIF District. Such obligations are planned to be issued in one or more series. TIF Funds may also be used for the payment of accrued but unpaid debt service, if any, due to insufficient TIF Funds to make prior debt service payments. To the extent that tax increment funds are available, portions of the Projects may be financed on a "pay-as-you-go" basis directly with such funds. To the extent the Project is deemed feasible the city could issue bonds, in an aggregate principal amount not to exceed \$8,000,000, to finance the costs of the TIF Projects and to pay costs in connection with the issuance of such TIF bonds.

| Sources | Amount | Interest Rate | Anticipated Payoff | Status |
|-----------------------|--------------------|---------------|--------------------|---|
| Series 2009 TIF Bonds | \$7,680,000 | 7.25% | 2029 (2) | Public Hearing on TIF Project and TIF District scheduled. |
| Total | \$7,680,000 | | | |

- (1) Amounts and interest rates are preliminary and subject to change based on market conditions at the time of sale of the TIF Bonds.
- (2) The TIF Bonds are planned to be issued with a final maturity in 2038. To the extent Excess Funds (as defined in Section II.G) are used to redeem outstanding bonds, it is projected that the TIF Bonds could payoff as early as 2029.

F.

ALTERNATE FUNDING

What alternate sources of funding have been explored? Why are they unavailable for this project?

Both The City of Morgantown and the Developer have made every attempt to finance the TIF Projects using alternate sources of funding. The Project Developer is a West Virginia nonprofit corporation created to facilitate the redevelopment and revitalization of the "Sunnyside" district of the City and has limited funds and limited access to sources of financing to undertake and complete the proposed TIF Project Plan. The Developer and the City have explored various mechanisms of funding over more than five years to undertake necessary public infrastructure improvements within the proposed TIF District, but have been unsuccessful in identifying and securing such funding. The lack of a revenue source from implementation/operation of the Project Plan improvements has made it prohibitive for the City and/or the Developer to finance the proposed TIF Project Plan without the assistance of TIF funding.

TIF funding is the last resort for completing these vital infrastructure projects within the City because it is not efficient to wait for other sources of funding. TIF funding will allow for these projects to be completed simultaneously and most efficiently, which is necessary for the completion of these infrastructure improvements. Simultaneous project completion is the most efficient and inexpensive process for the construction of roadway improvements, utility relocations and upgrades, improving water, sewer and storm water lines and facilities, and completing related streetscape. The development, and, thus, the effort to eliminate the blight in this district of the City is dependent on tax increment financing to create the conditions and construct the public infrastructure necessary to enable private investment in the City and the TIF District.

G. TAX INCREMENT FINANCING OBLIGATIONS

If TIF obligations are expected to be issued, the following information must also be included:

1. Maximum aggregate amount of TIF indebtedness that may be incurred: Not to exceed \$8,000,000 (see attached)
2. Other revenues to be used to finance the debt (other than tax increments in the TIF Fund): N/A
3. Other monies to be deposited in TIF Fund for the Redevelopment District: N/A
4. If less than the full tax increment is to be used for debt service payments or directly for TIF Project costs and expenses on a pay-as-you-go basis, explain how the excess will be used or distributed:

Any principal and interest on tax increment financing obligations ("TIF Obligations") issued by the City shall be payable from the tax increment financing fund ("TIF Fund") established for the TIF District. Any revenues in the TIF Fund that are not: (i) used for the scheduled payment of the principal of and interest on TIF Obligations, (ii) used for the payment of accrued but unpaid debt service due to insufficient TIF funds to make prior debt service payments, (iii) held in reserve funds established by the issuance of TIF Obligations, (iv) used for annual expenses for servicing the TIF Obligations, or (v) used for approved TIF Project costs within the TIF District on a pay-as-you-go basis, shall be deemed "excess funds" at the end of each fiscal year.

"Excess funds" may be used for (i) the scheduled payment of the principal of and interest on additional TIF Obligations, (ii) payment of accrued but unpaid debt service due to insufficient TIF funds to make prior debt service payments on additional TIF Obligations, (iii) funding reserve funds established by the issuance of additional TIF Obligations, (iv) payment of annual expenses for servicing additional TIF Obligations, (v) funding for additional TIF Projects in the TIF District approved in a Project Plan or Project Plans pursuant to the Act, (vi) distribution into current funds of the appropriate levying bodies, (vii) retention of funds for approved TIF Projects, and/or (viii) all other purposes for which TIF Fund monies may be expended pursuant to the Act. To the extent that Excess Funds are not used for any of the purposes set forth in this paragraph, such excess funds shall be used for early repayment of outstanding TIF Obligations in accordance with the financing terms therefore.

5. Terms for early repayment of the TIF obligations:

The City plans to issue TIF Bonds in one or more series with an initial final maturity 30 years from the date of the creation of the TIF District. The City anticipates that the TIF Bonds would be callable within 10 years or less from the date of issuance. Upon payment in full of the outstanding principal of, interest on and redemption premium, if any, for the TIF Bonds and all administrative or annual expenses related to the TIF Bonds and/or the TIF District, the City shall dissolve the TIF District; provided, however, that if the City has not completed all of the approved TIF Projects set forth in this application or has approved a new Project Plan or Project Plans subsequent to the issuance of the TIF Bonds, the TIF District shall not be dissolved until the obligations created on the TIF Fund by such Project Plan or Project Plans have been fulfilled.

6. Attach a letter from a bond counsel and/or financial underwriter stating that the proposed project could support tax increment financing bonds or other obligations and the terms and conditions of such offering.

Letters prepared by Steptoe & Johnson, PLLC, Bond Counsel to the project, and Raymond James & Associates, Inc., Underwriter to the project, are provided in Attachment 17 stating that the TIF Project could support the issuance of TIF Bonds.

Attachment 16: Analysis showing the fiscal impact on each local levying body. The analysis will consider the costs incurred by the local levying bodies and how those costs will be offset or funded. Possible costs include the effect on schools, public services, utilities, etc.

Preliminary Cost/Benefit Analysis

The tax increment from current levies from the State, the City, the County, and Board of Education (the "Board of Education") will be deposited in the TIF Fund. The benefits and costs on levying bodies as a result of current and planned development within the TIF District are highlighted in the table below.

| Benefits and Costs | City | County | Board of Education |
|-----------------------------|------|--------|--------------------|
| Benefits: | | | |
| Excess Levy | No | No | Yes |
| B/O taxes | Yes | No | No |
| Jobs / Economic Development | Yes | Yes | Yes |
| Excess Funds (1) | Yes | Yes | Yes |
| Costs : | | | |
| Water / Sewer / Stormwater | Yes | No | No |
| Roads | Yes | No | No |
| Fire / Police | Yes | No | No |
| Trash | Yes | No | No |
| Education (2) | No | No | Yes |

- (1) There will be a benefit to the levying bodies to the extent Excess Funds are available in the TIF Fund and if such funds are paid to the appropriate levying body.
- (2) The proposed development in the TIF District should result in minimum costs to the County and the Board of Education.

School Aide Formula

The Board of Education current levy is set, statewide, by the Legislature and is currently: Class I: 19.40 cents/\$100; Class II: 38.80 cents/\$100; and Class III & IV: 77.60 cents/\$100. Public schools also are funded by the school aide formula that allows a certain dollar amount per pupil. For purposes of the local share calculation in the school aide formula, the aggregate incremental assessed value is not included. As the school boards are not charged for the tax increment, the state aide to schools formula makes up the difference. Therefore, TIF's do not have a negative effect on funding that is made available to the local Boards of Education.

Public School Bonds

The Board of Education has outstanding general obligation bond debt. As the projected assessed property values increase in the TIF District, taxpayers benefit because the same amount of money raised by taxes is being spread among more people/businesses paying taxes.

Estimated Increase in Tax Collections from Current Levy Rates after Expiration of the TIF District

Much of the development in the TIF District is expected to have a life of over 30 years; consequently the three property tax levies (Current School, City, County and State) will revert back to these levying bodies. Tax collections for 2037-38, when compared to taxes collected for fiscal year 2008-09, represent an increase of \$393,670 in taxes paid to the City, \$369,735 to the County, \$610,976 to the Board of Education and \$7,873 to the State based on Tax Year 2008 levy rates.

B(2): ESTIMATES

Number of jobs to be created by this project in the Redevelopment District. Estimated jobs are as follows:

Estimated Job Creation within the TIF District

| <u>Job Category</u> | <u>Professional</u> \$75-\$150K | <u>Clerical/Admin</u> \$25-\$75K | <u>Skilled</u> \$40-\$75K | <u>Semi-skilled</u> \$20-\$40K | <u>Unskilled</u> \$15-\$20K | <u>Totals</u> |
|---------------------|------------------------------------|-------------------------------------|------------------------------|-----------------------------------|--------------------------------|---------------|
| Construction jobs | 4 | 5 | 15 | 20 | 16 | 60 |
| Permanent jobs | 1 | 2 | 4 | 5 | 10 | 22 |
| Subtotal | 5 | 7 | 19 | 25 | 26 | 82 |
| Benefits | | [All: Industry Standard] | | | | |

Job Creation within the Boundaries of the TIF Project Plan Area

The TIF Projects will be funded from a combination of pay as you go tax increment funds and the proceeds of the TIF Obligations. These constitute the TIF Projects in the Project Plan and they will continue to generate jobs both during the construction of and after the revitalization project is complete.

16) Status of the development/redevelopment project:

The Sunnyside Up Tax Increment Financing District was approved by the West Virginia Development Office in 2008. In 2010, the sale of \$1,700,000 in TIF Bonds to begin the first phase of the Sunnyside Up Project Plan Phase One was completed. The construction, which included new sidewalks, bus stops, plaza area and street lighting was completed in 2011.

The City of Morgantown, in cooperation with Sunnyside Up-Campus Neighborhoods Revitalization Corporation, has begun preliminary planning for the Second Phase of the Project Plan. Phase II can be divided into three general components: 1) the redesign of a segment of University Avenue at Beverly Ave. and Third Street; 2) a streetscape for Third Street in conjunction with a study of what it will take to make Third Street an arterial way between Beechurst Avenue and University Avenue, the expectation being that Third Street may replace Campus Drive as the main East-West route for vehicular traffic; 3) sidewalks and alleyway improvements, to include a "demonstration alley" which will permit experimentation with alternative materials for paving, innovative design to accommodate vehicular parking and trash storage/pickup, and as a pedestrian way to and from WVU's main campus. These three elements comprising Phase II of the TIF Project (2015) should serve as basis for a TIF Bond call.