Aquia Town Center Incremental Tax Return Incentive Proposal

**Mosaic has provided an updated request. The major difference from the original 2015 proposal below:**

1. Incentive is 80% of the revenue rather than 75%
2. The term of the agreement is 20 years rather than 15
3. The total value of the incentive has increased from $6.25M to $16.5M in current dollars, an increase of $10.25M or 264% (16.5/6.25\*100%=264%)
4. In terms of NPV or actual payout over time***:***
   1. the incentive has increased from $8.25M after 5% escalation to between $26m to $28M depending on assumptions.
   2. the increase in the actual payout will depend on how long it actually takes to get to the total proposed incentive of $16.5M @NPV, the start date of the NPV escalation and the actual revenues received.
5. Mosaic has removed the line stating the payment is “subject to appropriation”; however, our Bond Counsel states this is required by law.
6. Eliminated attachment regarding NPV Calculation Projections – staff suggests that remain once terms are finalized.
7. Agreement needs to provide a guarantee that Harris Teeter is the grocery store that locates in the center
8. The COR has requested they receive Income and Expense Statements for Proper Assessments

**In determining whether or not this is a good investment, we looked at a couple of different sources:**

Method 1:  **Maximum Incentive = 10 Years Revenue**: As outlined in the Bond Counsel Presentation in 2015 the maximum payback time for an Economic Incentive should be ten years

* + - * Original Agreement met this test, with a projected payback of $6.25M NPV ($8.25M total) in nine years.
* The Proposed Agreement does not meet this suggested timeframe. The current projections show a payback of approximately 18 years.

Method 2:  **Leverage Ratio** = Public Investment divided by Private Investment; information suggests this should be within 10% to 20% range (Information from Best Practices Guidelines for Urban Renewal Agencies in Oregon)

* Original Agreement met this test, although it was at the upper edge of the limits, with a Leverage Ratio of 18.5%;

$6.25 (public) = 18.5%

$33.75 (private)

* The Proposed Agreement does not meet this suggested Leverage Ratio.

$16.5 (public) = 35.6% which is 1.5 to 3 times higher than the norm

$46.25 (private)

**MOU items to be considered for negotiation:**

1. The percentage of ITR to be paid annually (proposed increase from 75% to 80%)
2. Start date of NPV escalation (proposed is January 2017)
3. Discount rate of NPV (proposed is 5%)
4. When first payment is due. (Proposed states first Occupancy Permit)
5. Types of tax to be considered for ITR (proposed includes: property tax, sales tax (the 1% local portion), meals tax, and personal property tax
6. Term of agreement -Original proposal attached states indefinite time, when incentive is paid in full, Mosaic has agreed to narrow that to 20 years.
7. Current MOU states that changes may be done by the County Administrator or his designee