


**UPDATE OF
FISCAL EVALUATION OF
UNIVERSITY CORNERS PROJECT
GAINESVILLE CRA**

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**FISCAL EVALUATION OF UNIVERSITY CORNERS PROJECT
UPDATE OF PREVIOUS REVIEW**

INTRODUCTION

The following report is an additional review of the University Corners Application for the Transformation Projects Incentive Program of the Gainesville CRA. A previous review completed in October 2005 has been updated to include a revision of the development program. This review will follow the same issues as the 2005 report. The focus will include the Return on Investment, Gap Analysis and the projected Present Value of the revenue stream. All other aspects are considered to be the same as in the 2005 review.

PROJECT DESCRIPTION

The elements of the project have been revised to account for changes in the overall market as well as to provide for an enhanced return due to the increase in construction costs over the past two years. The basic development concept has remained the same as the original proposal. However, the number of units and the size of the retail space have been altered. During the original application process, one of the conditions required the Applicant to return to the CRA for approval of any significant changes to the development of the project.

The elements of the project are as follows:

Project Element	Original Proposal	Current Proposal
Condominium Units	157	227
Condo-Hotel Units	238	243
Retail Uses	115,630	98,000
Parking Spaces	1,146	950+
New Church Building	Replacing existing structure	

INDEPENDENT SCORING OF APPLICATION

Using the scoring sheet for the College Park/ University Heights Redevelopment District, PMGA conducted its own analysis of the score that should be awarded to the University Corners project. This evaluation was based on our review of the project, the goals of the CRA and the application submitted. We also reviewed the explanation of the scoring supplied by the Applicant. The Applicant suggested that the project generated a total of 58 points in the scoring. A total of 50 points is required to receive the maximum permitted TIF enhancement.

The review of the project in 2005 resulted in a score of 50 from PMG Associates, which would permit the Applicant to receive 80% of the TIF generated from the project. A re-evaluation of the application determined that the 45 point total is appropriate.

GAP ANALYSIS

Gap Analysis refers to the ability of the developer to attain the normal rate of return on investment for the proposed project. Any return less than the normal rate generates a “gap” in revenue. The measurement of a gap is important since the only funding that can occur is to close this gap. Typically, the gap is generated from two sources;

1. When the project cannot produce market levels of sales or lease rates
2. The costs to develop the property are extraordinarily high due to construction costs, land assembly or other factors

The current pro forma was reviewed particularly in the context of the increased costs and sales activity. The original conclusion that a Gap exists is still valid based on the pro forma. The current Gap with the new configuration is estimated at \$42,629,000.

The reasons for the Gap and all other aspects remain the same as in the original application.

TAXABLE VALUE

For the original application, an estimate of the Taxable Value of the project was determined by the Alachua County Property Appraiser’s Office. Information was provided to the Property Appraiser’s Office from the Applicant and all of the elements of the project were examined. The result was a range identifying the potential Taxable Value. The mid-point of that range was used in the analysis.

No review from the Property Appraiser’s Office is available for this review. However, the standard estimate of Taxable Value is approximately 85% of Project Costs. This figure has been used repeatedly by the Property Appraiser’s Office in our evaluations of the TIF requests. Based on this ratio, the Taxable Value of the revised University Corners Project is \$175,021,000.

TIF RATES

TIF amounts are generated by applying the incremental value times the Ad Valorem Tax Rates for the City of Gainesville and Alachua County. TIF only applies to operating tax rates and excludes Debt Service millage rates. TIF does not apply to School Board and Library District levies. The current Ad Valorem Rates for the City and County are 8.8887 for Alachua County and 4.8509 for the City of Gainesville. These rates were verified by PMGA as the latest official figures. The total TIF rate is then 13.7396 mills.

GROWTH RATES

The estimates of Taxable Value will be increased by a rate of 3% per year throughout the time frame of the incentive program.

DISCOUNT RATES

The Discount Rate for the calculation of the Net Present Value will be 7.75%.

TERM OF THE INCENTIVE

The Applicant has used a 30 year time frame for the calculation of the Incentive amount that will be returned. The CRA only has authorization until the year 2035.

PRESENT VALUE OF TIF REVENUE

Table A-1 provides a calculation of the TIF generation from the project and the allocation to the developer for an Incentive of 80%. The remaining 20% will be retained by the CRA. This is the same scenario that was approved in 2005. The allocation of the incremental revenues is as follows:

Amount	CRA	Incentive
Total Revenue Generated	\$19,173,466	\$76,693,865
Present Value of Revenue Stream	\$ 7,490,847	\$33,416,282

CONDITIONS OF APPROVAL

Should the CRA decide to alter the Development Agreement for University Corners, PMG Associates, Inc. strongly urges that the following conditions be made part of the agreement.

1. The Developer must start construction on all phases of the project within two years from the date of the revised agreement.
2. The incentive should be established with an upper limit equal to the Present Value of the income stream. When the Applicant reaches the pre-set Present Value amount, the TIF payments cease.
3. No changes to the architectural design and building materials are permitted without approval of the CRA. The CRA would be able to reopen the incentive agreement.
4. No change in ownership (other than sale of residential units) is permitted without approval of the CRA.

**TABLE A-1
PRESENT VALUE ANALYSIS**

Calendar Year	Project Value	Homestead Exemptions	Base Value	Incremental Value	Inremental Taxes	TIF @ 95%	CRA Amount 20%	Incentive Amount 80%	PV CRA	PV Incentive
2007	\$175,021,000	\$5,100,000	\$2,836,100	\$167,084,900	\$0	\$0	\$0	\$0	\$0	\$0
2008	\$180,271,630	\$5,100,000	\$2,836,100	\$172,335,530	\$0	\$0	\$0	\$0	\$0	\$0
2009	\$185,679,779	\$5,100,000	\$2,836,100	\$177,743,679	\$2,442,127	\$2,320,021	\$464,004	\$1,856,017	\$464,004	\$1,856,017
2010	\$191,250,172	\$5,100,000	\$2,836,100	\$183,314,072	\$2,518,662	\$2,392,729	\$478,546	\$1,914,183	\$444,126	\$1,776,504
2011	\$196,987,677	\$5,100,000	\$2,836,100	\$189,051,577	\$2,597,493	\$2,467,618	\$493,524	\$1,974,095	\$425,083	\$1,700,331
2012	\$202,897,308	\$5,100,000	\$2,836,100	\$194,961,208	\$2,678,689	\$2,544,755	\$508,951	\$2,035,804	\$406,840	\$1,627,362
2013	\$208,984,227	\$5,100,000	\$2,836,100	\$201,048,127	\$2,762,321	\$2,624,205	\$524,841	\$2,099,364	\$389,367	\$1,557,466
2014	\$215,253,754	\$5,100,000	\$2,836,100	\$207,317,654	\$2,848,462	\$2,706,039	\$541,208	\$2,164,831	\$372,630	\$1,730,502
2015	\$221,711,366	\$5,100,000	\$2,836,100	\$213,775,266	\$2,937,187	\$2,790,327	\$558,065	\$2,232,262	\$356,600	\$1,656,060
2016	\$228,362,707	\$5,100,000	\$2,836,100	\$220,426,607	\$3,028,573	\$2,877,145	\$575,429	\$2,301,716	\$341,249	\$1,584,767
2017	\$235,213,589	\$5,100,000	\$2,836,100	\$227,277,489	\$3,122,702	\$2,966,567	\$593,313	\$2,373,253	\$326,547	\$1,516,493
2018	\$242,269,996	\$5,100,000	\$2,836,100	\$234,333,896	\$3,219,654	\$3,058,671	\$611,734	\$2,446,937	\$312,469	\$1,451,115
2019	\$249,538,096	\$5,100,000	\$2,836,100	\$241,601,996	\$3,319,515	\$3,153,539	\$630,708	\$2,522,831	\$298,989	\$1,388,513
2020	\$257,024,239	\$5,100,000	\$2,836,100	\$249,088,139	\$3,422,371	\$3,251,253	\$650,251	\$2,601,002	\$286,082	\$1,328,572
2021	\$264,734,966	\$5,100,000	\$2,836,100	\$256,798,866	\$3,528,314	\$3,351,898	\$670,380	\$2,681,518	\$273,724	\$1,271,183
2022	\$272,677,015	\$5,100,000	\$2,836,100	\$264,740,915	\$3,637,434	\$3,455,563	\$691,113	\$2,764,450	\$261,893	\$1,216,238
2023	\$280,857,326	\$5,100,000	\$2,836,100	\$272,921,226	\$3,749,828	\$3,562,337	\$712,467	\$2,849,870	\$250,567	\$1,163,637
2024	\$289,283,045	\$5,100,000	\$2,836,100	\$281,346,945	\$3,865,594	\$3,672,315	\$734,463	\$2,937,852	\$239,724	\$1,113,282
2025	\$297,961,537	\$5,100,000	\$2,836,100	\$290,025,437	\$3,984,833	\$3,785,592	\$757,118	\$3,028,473	\$229,344	\$1,065,079
2026	\$306,900,383	\$5,100,000	\$2,836,100	\$298,964,283	\$4,107,650	\$3,902,267	\$780,453	\$3,121,814	\$219,408	\$1,018,938
2027	\$316,107,394	\$5,100,000	\$2,836,100	\$308,171,294	\$4,234,150	\$4,022,443	\$804,489	\$3,217,954	\$209,898	\$974,773
2028	\$325,590,616	\$5,100,000	\$2,836,100	\$317,654,516	\$4,364,446	\$4,146,224	\$829,245	\$3,316,979	\$200,796	\$932,500
2029	\$335,358,335	\$5,100,000	\$2,836,100	\$327,422,235	\$4,498,651	\$4,273,718	\$854,744	\$3,418,974	\$192,084	\$892,041
2030	\$345,419,085	\$5,100,000	\$2,836,100	\$337,482,985	\$4,636,881	\$4,405,037	\$881,007	\$3,524,030	\$183,746	\$853,319
2031	\$355,781,657	\$5,100,000	\$2,836,100	\$347,845,557	\$4,779,259	\$4,540,296	\$908,059	\$3,632,237	\$175,766	\$816,260
2032	\$366,455,107	\$5,100,000	\$2,836,100	\$358,519,007	\$4,925,908	\$4,679,612	\$935,922	\$3,743,690	\$168,129	\$780,795
2033	\$377,448,760	\$5,100,000	\$2,836,100	\$369,512,660	\$5,076,956	\$4,823,108	\$964,622	\$3,858,487	\$160,821	\$746,856
2034	\$388,772,223	\$5,100,000	\$2,836,100	\$380,836,123	\$5,232,536	\$4,970,909	\$994,182	\$3,976,727	\$153,827	\$714,379
2035	\$400,435,390	\$5,100,000	\$2,836,100	\$392,499,290	\$5,392,783	\$5,123,144	\$1,024,629	\$4,098,515	\$147,135	\$683,301
Total					\$100,912,980	\$95,867,331	\$19,173,466	\$76,693,865	\$7,490,847	\$33,416,282

Growth Rate @ 3%

Discount Rate 7.75%