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FINANCE & RECORDS

MEMO

To: Greg Jenkins, Interim City Administrator
Mayor and Members of City Council

From: Nancy A. Lueck, Finance Director

Date: June 5, 2020

Re: Request from Bush Construction for Amendment to the Development Agreement for the Hershey Lofts Project

Introduction and Background:

The City approved the Development Agreement with Hershey Property, LLC and Bush Development, LLC on May 2, 2019. This agreement provides for a TIF rebate of 100% of the incremental taxes for a 10-year period up to a maximum amount of \$500,000.

The \$500,000 maximum was set based on an estimated \$2.5 million in incremental value for the project. The first rebate payments under this agreement will be in fiscal year 2021/2022 and will be based on the property valuation as of January 1, 2020. This project is the first City TIF project that involved a property partially classified as multi-residential and partially as commercial for property tax purposes.

Requested Amendment to Agreement:

The Hershey Lofts project is the combination of multi-residential and commercial redevelopment project across from City Hall. When the Development Agreement was approved, the incremental value was estimated at \$2.5 million, and based on that increment, the maximum amount in the Development Agreement (and the UR Plan Amendment) was \$500,000. Based on the actual 1-1-20 valuation the increment is actually \$3,063,660. With the increased increment and how the County Assessor allocated the increment and the base between multi-residential and commercial, the total of the rebates over 10 years would be approximately \$661,000.

As I understand it, the Bush Development group was expecting to receive Workforce Housing tax credits for this project, but those were not awarded and they have a funding shortfall. They have requested the City reconsider the maximum amount in the Development agreement based on the higher actual incremental valuation. The number of years of rebates is not proposed to change.

I briefly reviewed this with our bond attorney, John Danos, and he stated this could be done if the City and developer would agree to this change. It is proposed the maximum amount of the rebates be increased to between \$675,000 and \$700,000.

If City Council concurs with this request, the City would plan to include this change in the next Urban Renewal Plan Amendment. The City generally combines projects in UR Plan Amendments and the next amendment may also include any tax credit projects that the City endorsed that would be funded as well as replenishing the Small Business Forgivable Loan Program.

If City Council concurs with this request and it would be included in the UR Plan Amendment, City Council would then need to have a public hearing on and then approve the amended Development Agreement.

Summary:

Please include the request by the Developer to amend the Development Agreement with Hershey Property, LLC and Bush Development LLC on the agenda for the June 11 In Depth meeting.

Only a consensus is being requested at this time. The formal amendment to the Development Agreement would need to be made after the UR Plan is amended and a public hearing held.

Please contact me if you have any questions or need additional information.