Menasha

MEMO

TO: Common Council
FROM: CDD Keil CK
DATE: September 30, 2010
RE: Lake Park Villas Development Proposals

The financial analysis included illustrates two potential scenarios for which the city may choose to develop both the existing platted residential lots as well as the 50 acres of undeveloped city owned property. Both examples assume a 12 year time period as well as showing a 20 year debt service schedule for city installed infrastructure. The commercial portion of the development is considered separately.

Vans / Cypress Analysis

Van's and Cypress have both expressed interest in developing a portion of the remaining 50 acres of undeveloped land. The analysis assumes that both developers would continue building out the remaining undeveloped land at the same rate. While they have both expressed interest in doing so if the first phase sells as expected, they have not laid out the scenario in which they would proceed. The total build out of vacant land and existing residential lots would result in an additional 210 homes in the Lake Park Villas development.

The analysis assumes:

The average home value, including land, in the development would be $170,000.

Van's would build and sell 10 homes per year for 7 years & 5 homes the 8th year.
Cypress would build and sell 10 homes per year for 7 years & 5 homes the 8th year.
There would be 5 lots sold and 5 homes constructed in the existing platted area each year for 12 years.

Land sales would be at $17,000 per acre for both developers.
Lot sales would be at $25,000 in the existing platted area.

There would be no performance incentive provided to either developer.

The analysis concludes:

The remaining debt and interest to be paid by the city is $9,500,977
The lot sales and property tax revenue from the residential development would be $5,047,107, leaving a deficit of $4,453,870.

If the commercial property were included, projected lot sales and tax for city purposes would net $1,551,275, leaving a deficit of $2,902,959.

Assuming $380,070 annual city tax levy on the residential and commercial area it would take an additional eight years for a total of 20 years to recoup principal and interest on the city's investment.

Conclusion:

Development of the newly platted residential area would occur over 8 years with the commercial land and lots being fully developed within a 12 year period. There is no guarantee that both developers would continue past the initial phase. There could be difficulty in the build out of the next phase due to the design of the utilities that need to be installed and how the remaining land would be divided.

Tax base to support new service requirements would not be available for approximately 20 years. The new tax base generated by the development would be entirely consumed by debt service costs, plus a substantial subsidy from the general tax levy would be needed to meet the debt repayment schedule.

Lexington / Cypress Analysis

Lexington and Cypress have both expressed interest in developing a portion of the remaining 50 acres of undeveloped land. The analysis assumes that Lexington would develop approx 120 homes, and Cypress approx 30 homes. The total build out of vacant land and existing residential lots would result in an additional 210 homes in the Lake Park Villas development.

The analysis assumes:

The average home value, including land in the development would be $170,000.

Lexington would build and sell 20 homes per year for 6 years.
Cypress would build and sell 10 homes per year for 3 years.
There would be 5 lots sold and 5 homes constructed in the existing platted area each year for 12 years.

Land sales would be at $17,000 per acre for both developers.*
Lot sales would be at $25,000 in the existing platted area.

There would be consideration of performance incentives for the developer.

A TIF district would be formed covering the entire Lake Park Villas development.

The analysis concludes:

The remaining debt and interest to be paid by the city is $9,500,977.
The lot sales and TIF increment revenue from the residential development would be $10,055,593, over a 12 year period. Increment could be applied to cover land write-down costs of $9,500,977.

If the commercial property were included, projected lot sales and TIF increment would net $2,037,150, leaving a $2,591,766 that could be considered for use as a performance incentive to developers or to retire the TIF district earlier.

Conclusion:

Development of the newly platted residential area would occur over 6 years with the commercial and existing lots being fully developed within a 12 year period. The extension of utilities would be much more easily accomplished having one developer for the southern portion of the property.

Tax base to support new service requirements would be available after approximately 12 years.

*This is the net land sale price due from the developers. The actual sale price will be higher to account for land
write-down costs, stormwater facility access charges, backbone sewer and water system assessments and related costs due the city. The difference between the actual sale price and the net sale price is to be paid to the city out of TIF increment.