<u>Development Assessments Request:</u> Over $1 million in City let public improvements (street, sidewalks and public utilities). Project is to be constructed in 2021 ahead of the phase 1 site development consisting of 12x Quad home units (3 lots) and 34x twin home units (17 lots).

Financing through assessments:

Financed by City, but repaid by special assessments levied against the improved property (can be combined w/ city tax levy or utility fee revenues as well)

- General Obligation Bonds, if issued, require at least 20% of cost assessed
- Assessments can be spread over time – up to 30 years repayment, or deferred
- Public infrastructure benefit can also be assessed to adjacent properties if applicable
- Deferrals may be set until a fixed year, platting or completed construction
- Process requires petition from developer, or city can initiate public hearing process
- Can be structured as Temporary Improvement Bonds to delay principal repayment and capitalize interest up to three years.
  - Any assessments received during temporary period will be pledged to pay off the principal balance, with the remainder refinanced prior to the end of the temporary period.
  - Can be structured for zero levy requirement during the temporary period.
  - Can be included with other bonded projects as one financing to reduce costs.

Sources Of Funds	
Par Amount of Bonds	$1,145,000.00
Total Sources	**$1,145,000.00**

Uses Of Funds	
Total Underwriter's Discount (0.600%)	6,870.00
Costs of Issuance	38,000.00
Deposit to Capitalized Interest (CIF) Fund	29,197.50
Deposit to Project Construction Fund	1,070,576.00
Rounding Amount	356.50
Total Uses	**$1,145,000.00**

$1,145,000 financing amount includes estimated financing costs and three years of capitalized interest. Equates to $24,891.30 assessment per unit.

Three Year Lot Absorption

Date	Principal	Coupon	Interest	Capitalized Interest Fund	Deferred Assessments	Balance to Refinance
02/01/2021	-	-	-	-	-	
02/01/2022	-	-	9,732.50	(9,732.50)	348,478.26	
02/01/2023	-	-	9,732.50	(9,732.50)	348,478.26	
02/01/2024	1,145,000.00	0.850%	9,732.50	(9,732.50)	448,043.48	
Total	**$1,145,000.00**	**-**	**$29,197.50**	**(29,197.50)**	**$1,145,000.00**	**-**

Five Year Lot Absorption

Date	Principal	Coupon	Interest	Capitalized Interest Fund	Deferred Assessments	Balance to Refinance
02/01/2021	-	-	-	-	-	
02/01/2022	-	-	9,732.50	(9,732.50)	224,021.74	
02/01/2023	-	-	9,732.50	(9,732.50)	224,021.74	
02/01/2024	1,145,000.00	0.850%	9,732.50	(9,732.50)	224,021.74	
Total	**$1,145,000.00**	**-**	**$29,197.50**	**(29,197.50)**	**$672,065.22**	**(472,934.78)**

Under a five-year absorption the city would expect to refinance balance of deferrals into another temporary bond or convert to permanent financing if there are no other means of recourse negotiated with the developer. Potentially $472,935 of refinancing liability.

Alternative: Contributing tax levy equal to the city's expected tax benefit

If 100% Assessment amount appears to challenge lot sales feasibility, City may be requested to share in the repayment cost of public infrastructure through tax levy or utility revenues. This alternative explores the potential impact of pledging a levy toward bond repayment in an amount up to the expected city taxes received by the completed development. The City could fix its contribution within the initial 2021 bond or wait until refinancing a temporary bond.

> Assumption: Potentially $28-35k per year city taxes created by the development. Able to reduce assessment to $20,000 per unit or 80% of public improvement costs.

Dedicated Tax Levy - 5 year Lot Absorption

Date	Principal	Coupon	Interest	Capitalized Interest Fund	Deferred Assessments	Total Net P+I
02/01/2021	-	-	-	-	-	-
02/01/2022	-	-	11,177.50	(11,177.50)	160,000.00	-
02/01/2023	-	-	11,177.50	(11,177.50)	160,000.00	-
02/01/2024	480,000.00	0.850%	11,177.50	-	160,000.00	11,177.50
02/01/2025	210,000.00	0.900%	7,097.50	-	200,000.00	17,097.50
02/01/2026	265,000.00	0.950%	5,207.50	-	240,000.00	30,207.50
02/01/2027	25,000.00	1.100%	2,690.00	-	-	27,690.00
02/01/2028	25,000.00	1.200%	2,415.00	-	-	27,415.00
02/01/2029	25,000.00	1.300%	2,115.00	-	-	27,115.00
02/01/2030	25,000.00	1.400%	1,790.00	-	-	26,790.00
02/01/2031	30,000.00	1.500%	1,440.00	-	-	31,440.00
02/01/2032	30,000.00	1.600%	990.00	-	-	30,990.00
02/01/2033	30,000.00	1.700%	510.00	-	-	30,510.00
Total	**$1,145,000.00**	**-**	**$57,787.50**	**(22,355.00)**	**$920,000.00**	**$260,432.50**

Under this example five-year absorption, the city would expect to begin its contribution starting with its 2023 levy collection and remain for 10 years. The city could offset all or a portion of the repayment with utility revenues or tax levy. By contributing the incremental taxes or new utility revenue, existing tax and rate payers would not benefit from the new tax base and may be impacted to the extent the development incurs additional city operating expenses by providing general services to the new residents.