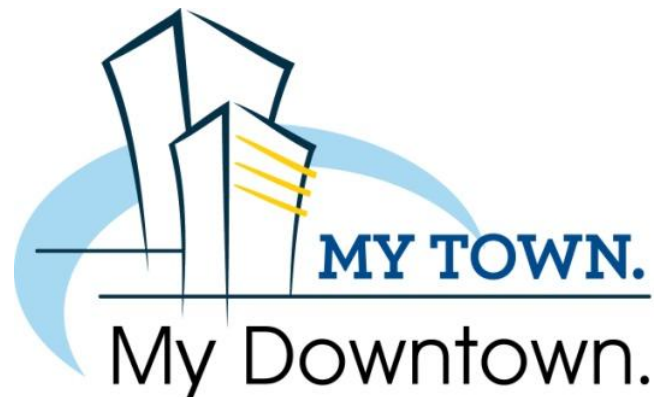


AMARILLO DOWNTOWN REVITALIZATION PROJECT

Presentation to Amarillo, LGC

June 15, 2011

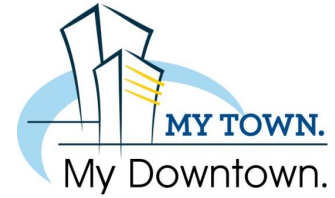


Presentation Goals



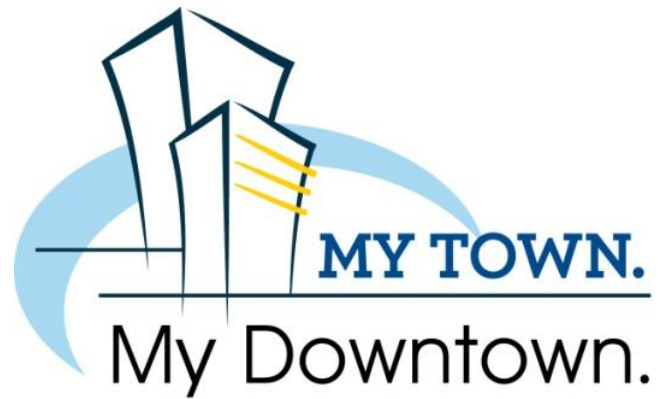
- Review
 - The basic premise for a Public Private Partnership, and
 - The conditions for providing a positive recommendation for proceeding on this project
- Provide an overview of the variety of funding sources and economic development tools available for the project

Overview

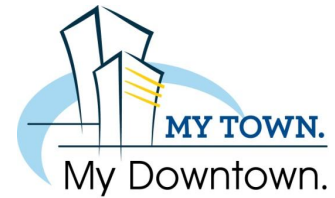


- Private investment
- Role of government
- Public Private Partnership fundamentals
- Summary of public sector programs/tools
- Presentation Summary

Private Investment

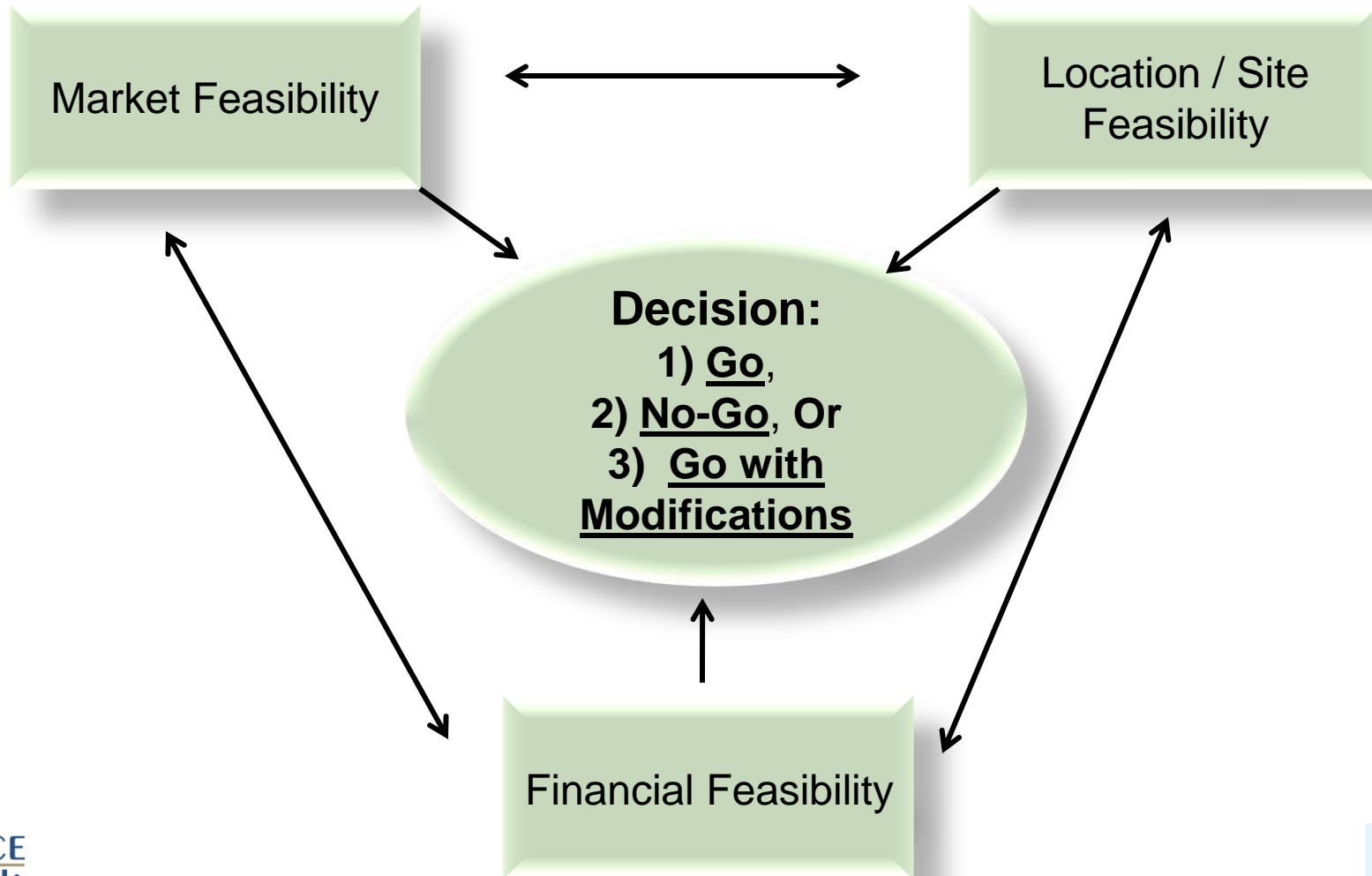


Private Investment

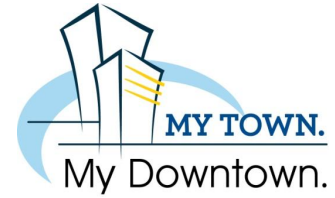


- Persons and companies seek business opportunities where they may make investments to receive a **“risk adjusted rate of return on their investment”** and to receive a **return of their investment**
- In short, people invest to make money and receive their original investment back in the future
- If the private sector does not see that they receive a return on their investment at a rate equal to the risk then they won't do the project

Market Analysis Model

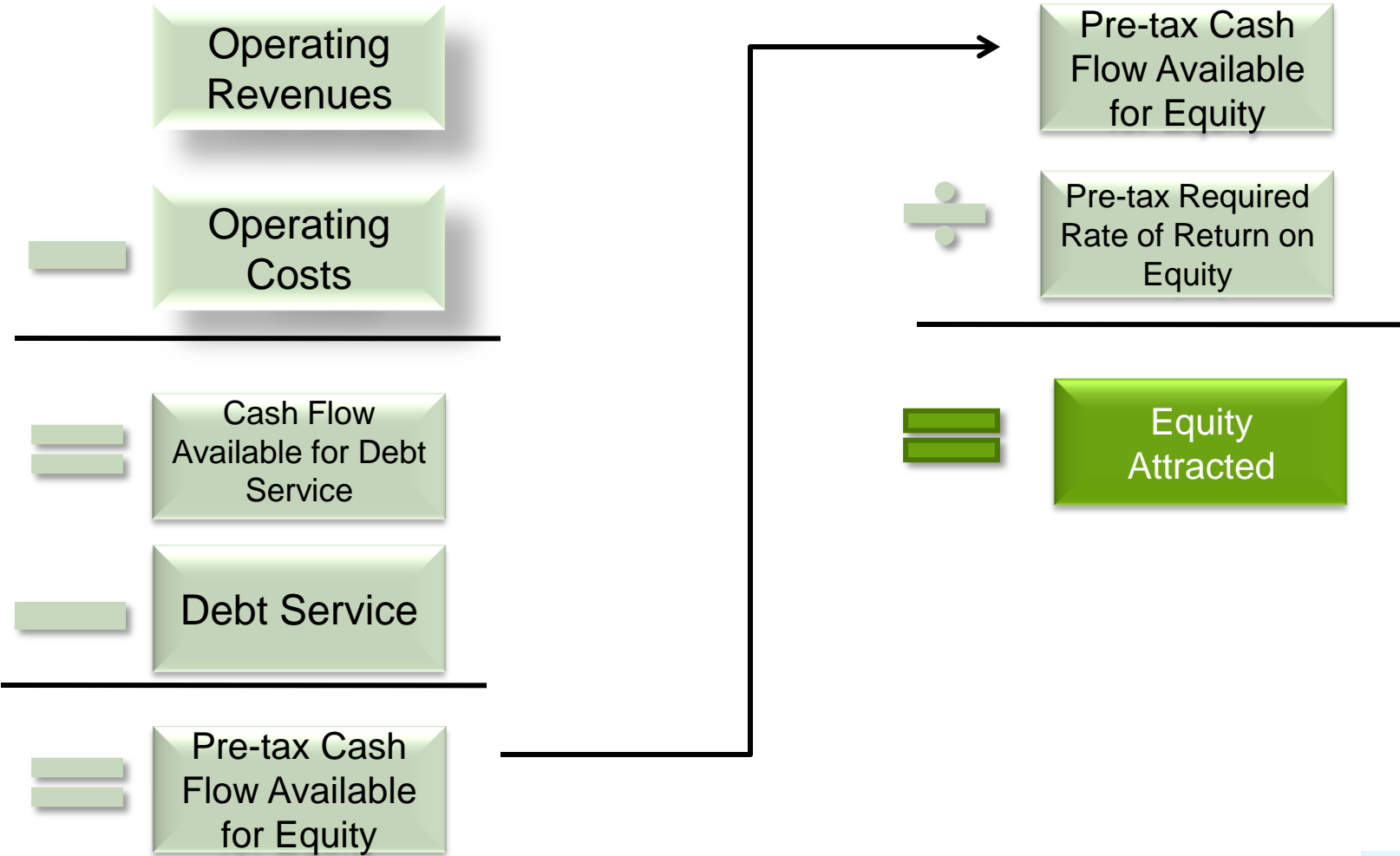
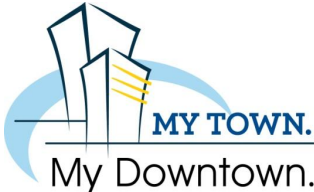


Private Finance

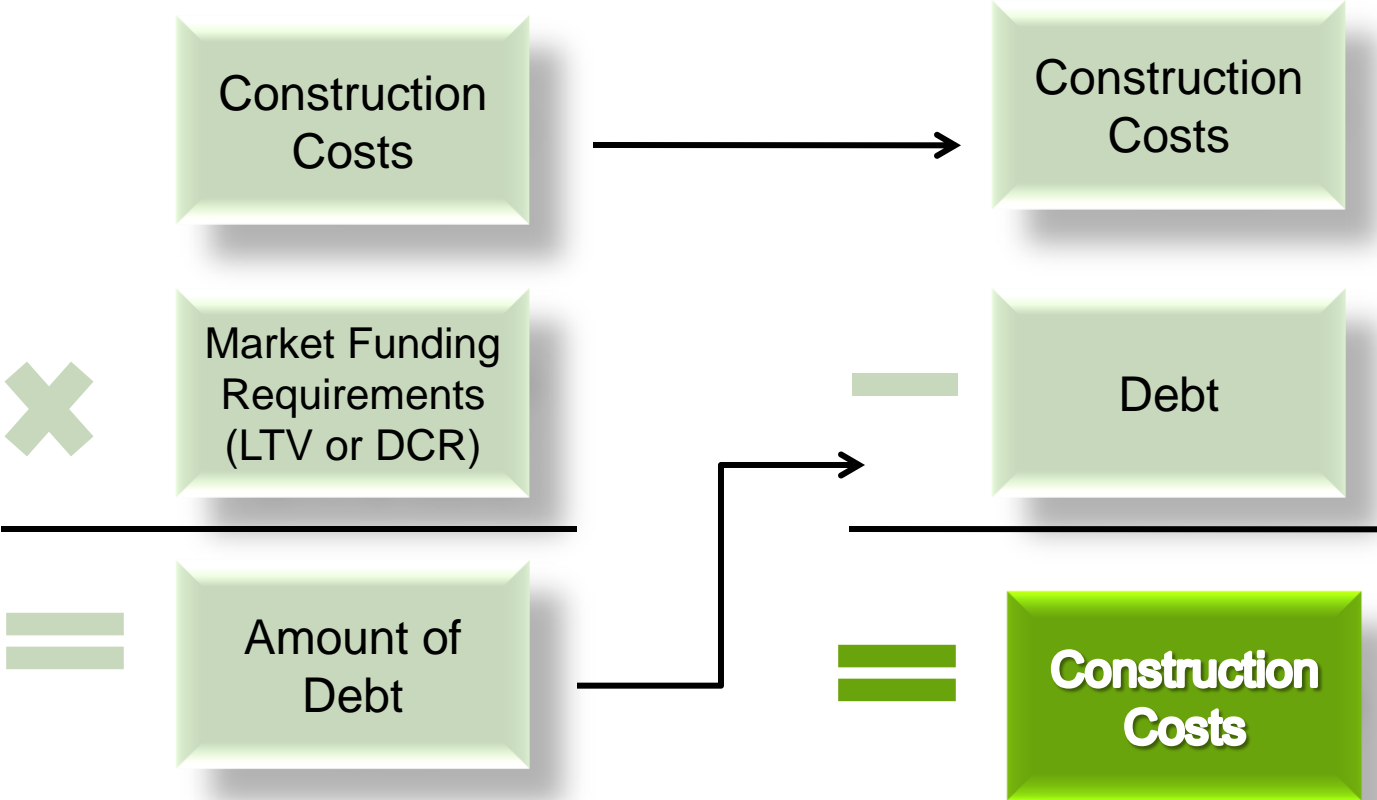
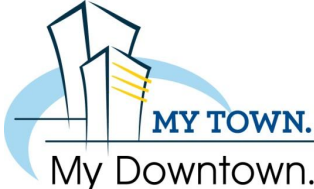


- Private Sector Enterprise Finance has two basic components:
 - Debt
 - Money borrowed, specified amount, repayment terms, interest rates
 - Equity
 - Money at risk in an ownership role based on an expected return on the money and of the money

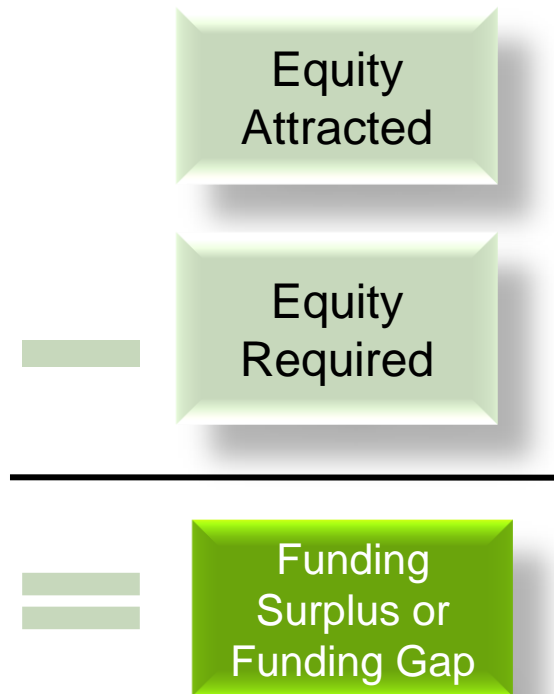
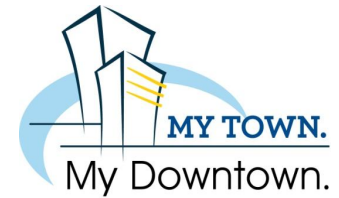
Equity Attracted



Equity Required

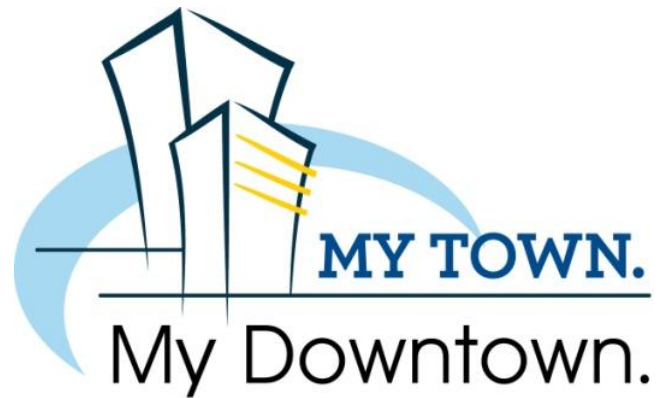


Funding Surplus/ Gap

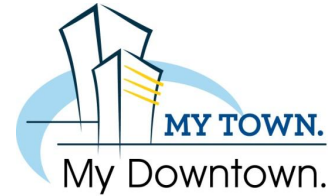


Role of Government in PPP

WHY?

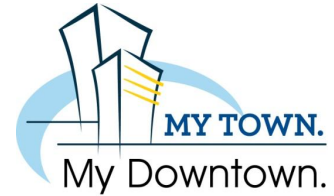


Role of Government



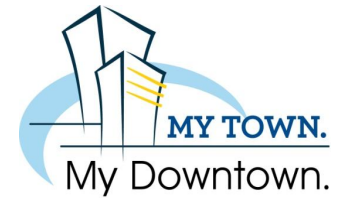
- Role of government includes
 - Life - Safety
 - Offer responsible city government operations
 - Create a stable predictable environment for living, working, shopping, learning, playing
 - Support a strong local economy
 - Livable neighborhoods through quality of life amenities
 - Mobility for people
 - Well planned community

Typical Services



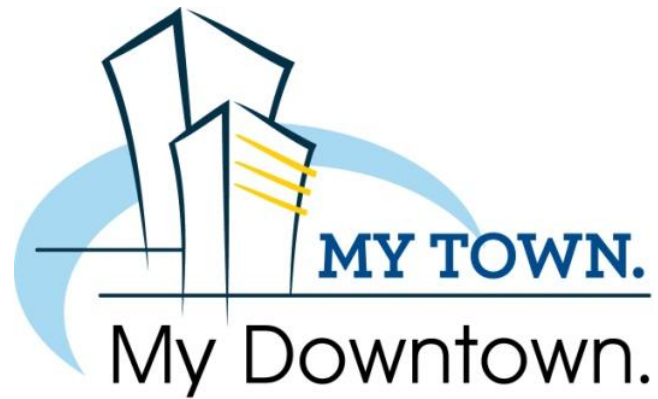
- Provide list of identified services at best value for example:
 - Fire
 - Utilities
 - Parks
 - Infrastructure
 - Economic Development
 - Community Development
 - Etc.

Local Gov Revenues



- Property Taxes
- Sales and Use Taxes
 - Sales Tax
 - Hotel Occupancy Tax
 - Rental Car Tax
 - Etc.
- Fees
 - Sewer and Water
 - Etc...

PUBLIC PRIVATE PARTNERSHIPS

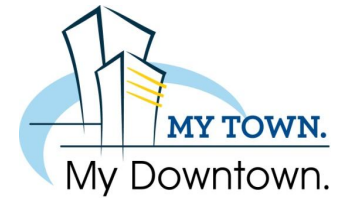


Guiding Principles



- A project is a Public Private Partnership where:
 - Each has something they wish to accomplish
 - Each participates in the development and approval of the plans for redevelopment
 - Each will receive benefits for their participation consistent with their identified needs and participation
 - Each makes a commitment and investment consistent with objectives, needs, abilities and comfort
 - Each has input and approvals
 - Each has defined role and responsibilities

Public Benefits



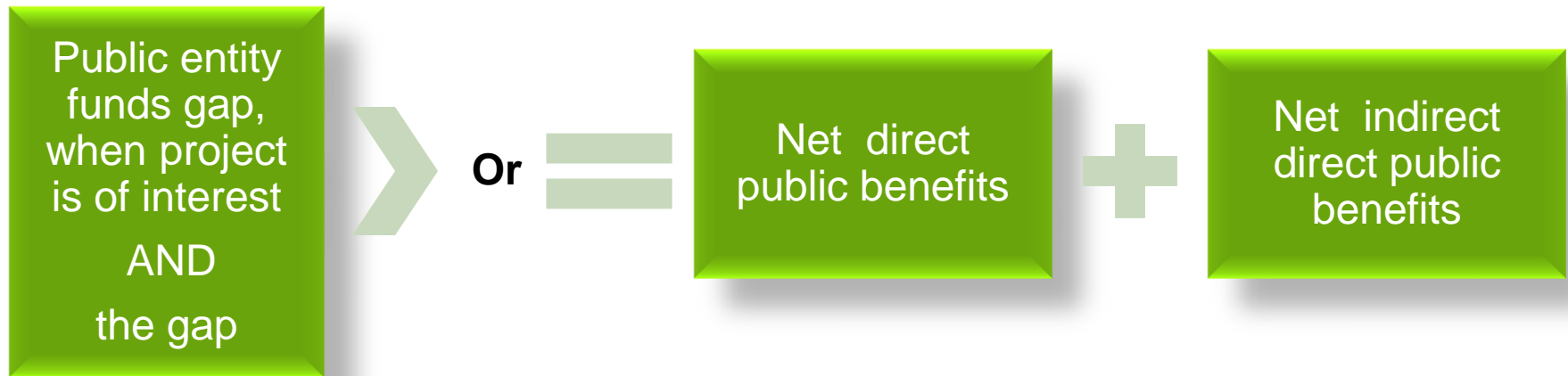
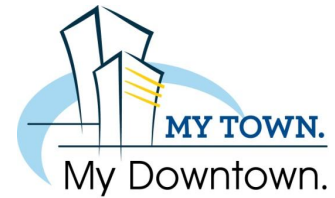
Direct Impacts

- Tangible
 - Sales Tax
 - Property Tax
 - Hotel Occupancy Tax
 - Fees
 - Jobs
 - Other (venue taxes, rent,...)
- Intangible
 - Fills identified need in community

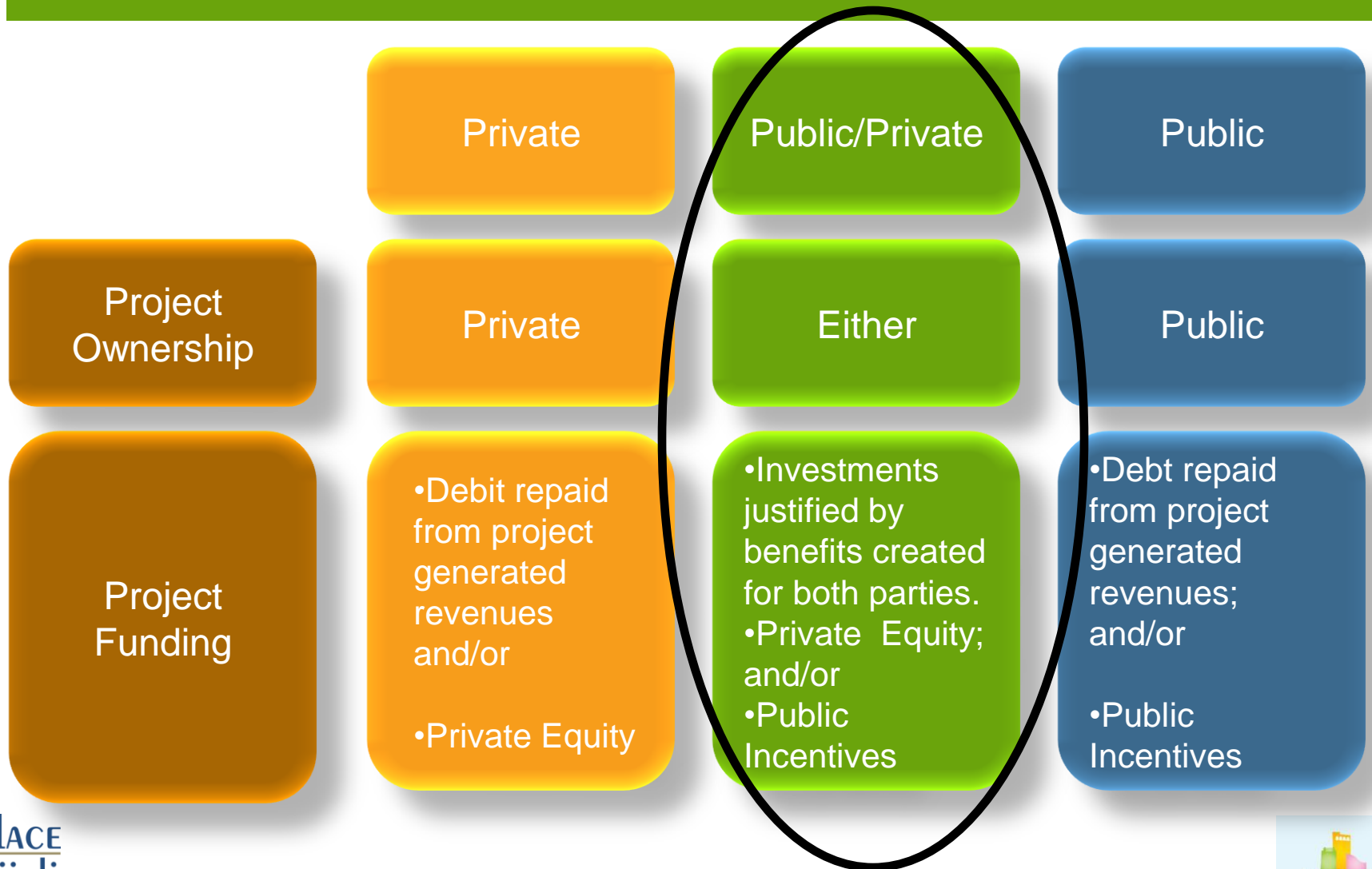
Indirect Impacts

- Community amenity/ quality of life enhancement
- Activity center
- Inducement to surrounding development
- Maintains community's competitive position in market place

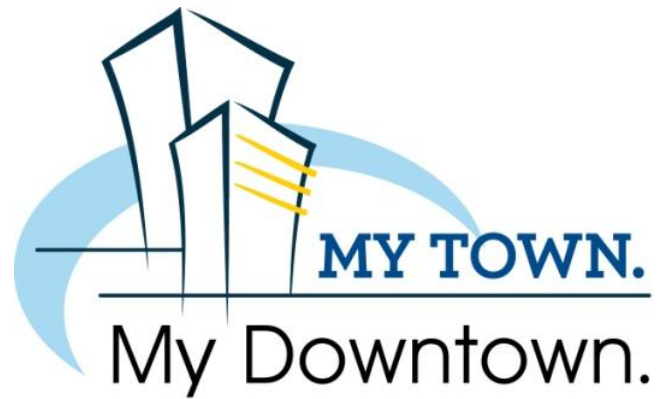
Public Sector Participation



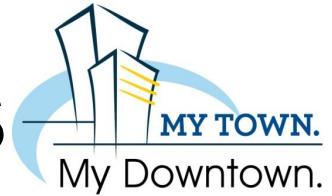
Public Private Partnerships



SUMMARY OF PUBLIC SECTOR PROGRAMS/TOOLS



Programs/Tools, Categories



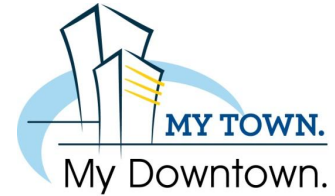
- Federal Programs
- State Programs
- Local Programs

Federal Programs/Tools



- Historic Tax Credits
- New Market Tax Credits
- EB5

Federal Programs/Tools



□ Historic Tax Credits

■ Goal:

- Preserve historic buildings, stimulate private investment, create jobs, and revitalize communities

■ Process:

- 3 Part effort run through National Park Services, applications processed through State of Texas
- Numerous standards and requirements to qualify for credit

■ Benefit:

- Source of funds for Qualifying Projects where the return to the investor in the credits is based on the tax savings created rather than on the pro forma of the project

■ General Election Required: NO

Federal Programs/Tools



□ New Market Tax Credits

■ Goal:

- Spur development, investment and job creation in qualifying areas

■ Source:

- Annual Federal Allocation to Community Development Entities (CDEs)

■ Process:

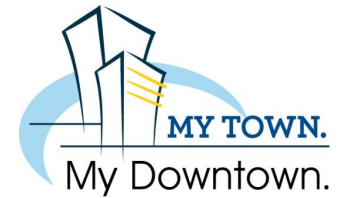
- CDE's identify projects

■ Benefit:

- Source of funds for Qualifying Projects where the return to the investor in the credits is based on the tax savings created rather than on the pro forma of the project

■ General Election Required: NO

Federal Programs/Tools



- EB5
 - Goal:
 - Stimulate capital investment, economic activity, job creation in qualifying areas
 - Background:
 - US Government provides a certain number of visas each year and allocates a portion of those visas to the EB5 Program
 - Summary of Requirements:
 - Persons interested in obtaining a visa through the EB5 are required to make an at risk investment of \$500,000 in a qualifying project located in a qualifying area or rural area
 - Investments are made through Regional Centers which are approved by Federal Government
 - Investors and funds must go through evaluation and verification process
 - Benefit:
 - Lower cost source of funding which may be structured as private sector funds at risk
 - General Election Required: No

State Programs/Tools



- Enterprise Zone
- Neighborhood Empowerment Zone
- State Rebates

State Programs/Tools



□ Enterprise Zone

■ Goal:

- To promote job creation and capital investment with emphasis on distressed areas through incentives

■ Benefit:

- An enterprise zone is automatically a reinvestment zone for tax abatement and tax increment financing if a community chooses to designative it as such

■ General Election Required: No

State Programs/Tools



- Neighborhood Empowerment Zone
 - Goal:
 - Increase capital investment, job creation and benefit the economy of a qualifying area
 - Requirements:
 - To qualify areas must meet certain economic measures
 - Benefits:
 - City may choose to offer incentives which include local sales and use tax refunds and ad valorem tax abatements. These incentives may last for up to 10 years and are not tied to employment requirements
 - General Election Required: No

State Programs/Tools



□ State Rebates

■ Tool:

- Rebate of State HOT and Sales and Use Taxes for Hotel

■ Description:

- The funds available include a refund, rebate or payment of State HOT revenues collected at the new hotel and State sales and use tax revenues collected at the new hotel and at businesses located in the new hotel

■ Benefits:

- Source of funds created by the project and collected by the State could be used to fund the development of the hotel

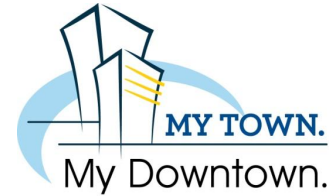
■ General Election Required: No

Local Programs/Tools



- Chapter 380
- Sales Tax for Economic Development
 - 4A
 - 4B
- Hotel Occupancy Tax
- Public Improvement District
- Tax Abatement
- TIRZ
- Venue Taxes
- General Obligation Bonds
- Certificates of Obligation

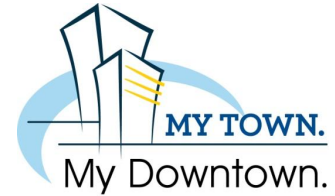
Local Programs/Tools



□ Chapter 380

- Authority given to cities under Chapter 380 of Texas Local Government Code to provide grants, loans or city services to promote economic development
- Uses: Broad, promotion of economic development
- Requirements include:
 - City must establish a program to implement the Chapter 380 incentive
 - Approvals must be done in an open meeting
 - Expenditure must be included in the budget
- Source of funds: Varied

Local Programs/Tools

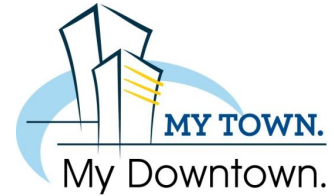


□ Sales Tax for Economic Development

■ 4A

- Local option sales tax used for traditional economic development
- Board of at least 5 members
- Local example: Amarillo EDC
- The types of projects permitted under Section 4A include the more traditional types of economic development initiatives that facilitate manufacturing and industrial activity
- Additionally, state law allows the expansion of the authority of the 4A to 4B Projects; requires a public vote to expand authority

Local Programs/Tools



- 4A allowable uses include:
 - Land, buildings, equipment and facilities
 - Marketing and administration
 - Targeted infrastructure and improvements that are for the creation or retention of primary jobs for qualifying projects
 - primary job training facilities for use by institutions of higher education, and regional or national corporate headquarters facilities
 - General Election Required: YES - A vote is required to create a 4A

Local Programs/Tools



■ 4B

- Local Option Sales Tax created by vote of general public and used for traditional economic development
 - Scope: Similar to 4A but broader authority in use of funds
 - Can do quality of life projects
 - Board of 7 members with limits on board composition
 - Requires public hearing to undertake projects
- General Election Required: YES, a vote is required to create a 4B

Local Programs/Tools



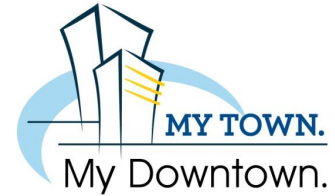
- Examples of additional project types allowed for a 4B
 - Professional and amateur sports and athletic facilities
 - Entertainment, tourist and convention facilities
 - Public parks and related open space improvements
 - Affordable housing
 - Water supply facilities
 - Airports facilities
 - Etc.

Local Programs/Tools



- Summary of differences between 4A and 4B
 - Authorized uses of the tax proceeds
 - Oversight procedures regarding project expenditures
 - Means for adopting and altering the tax by election

Local Programs/Tools



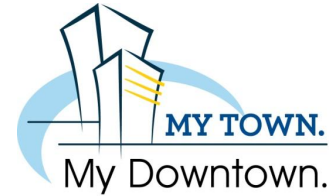
- Hotel Occupancy Tax (HOT)– Local
 - City wide HOT: City collects a 7% local tax on **ALL** hotel rooms and a 2% local option venue tax which was approved by the voters
 - Use of HOT: Potential source of funds for hotel project: City is authorized to use its 7% HOT revenues **ONLY** from the new hotel as a source of funds for development of the hotel
 - Limitation: the earlier of 20 years or the date the revenue pledged equals 40% of the hotel's total construction cost.

Local Programs/Tools



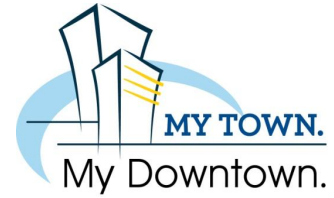
- Hotel Occupancy Tax (HOT) – Local
 - Use of city-wide HOT for MPV: Upon the effective date of HB 970, Amarillo will also be entitled to spend its 7% City-wide HOT revenues for the construction of the MPEV

Local Programs/Tools



- Public Improvement District - uses include:
 - Infrastructure
 - Water, wastewater, health and sanitation, or drainage improvements, street and sidewalk improvements
 - Transportation
 - Mass transit improvements
 - Parking improvements
 - Creation of pedestrian malls
 - Quality of Life
 - Library improvements
 - Park, recreation and cultural improvements
 - Landscaping and other aesthetic improvements
 - Public Art
 - Supplemental safety services
 - Supplemental business-related services (i.e. advertising and business recruitment and development)

Local Programs/Tools



□ Tax Abatement

- State law allows for cities and counties who adopt a policy to grant tax abatement on value added to qualifying business entities
- The tax abatement is for up to 100% of the value for a maximum of 10 years
- The value of the land and existing value is not subject to the abatement
- General Election Required: NO

Local Programs/Tools



□ TIRZ

■ Summary Description:

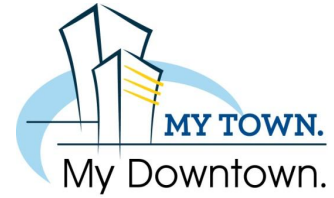
- A designated area where increases in assessed value above an established base may be captured for allowable public improvements contained in an approved TIRZ project plan and plan of finance. Additionally, if included in the TIRZ plan and approved by the City, local sales taxes generated in the zone may be captured and applied to the project.

■ Benefit:

- A means of capturing the positive impact of a project to directly reinvest in the project; currently there is capacity in the TIRZ which could be considered for this project

■ General Election Required: NO

Local Programs/Tools



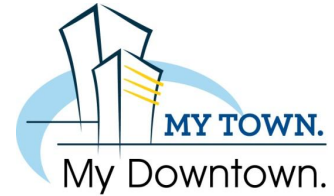
□ Venue Taxes

■ Summary Description:

- State law allows for the creation of 4 specific taxes which may be used for qualifying projects:
 - Ticket Tax of up to 10%
 - 2% increase in the Hotel Occupancy Tax
 - Rental Car Tax
 - Parking Tax of up to \$3.00/car

■ General Election Required: YES

Local Programs/Tools



□ Venue Tax – Allowable Project types

- An arena, coliseum, stadium or other type of area or facility
 - that is used or will be used for professional or amateur sports, or for community civic and charitable events; and where a fee for admission to these events will be charged
- Convention center
- Related improvement located in the vicinity of the convention center
 - The term “related improvement” is used rather broadly and includes such things as civic center hotels, auditoriums, theaters, opera or music halls, exhibition halls, rehearsal halls, parks, zoos, museums or plazas
- Tourist development area along an inland waterway
- Municipal parks and recreation system, with limitations

Local Programs/Tools



- General Obligation Bonds
 - Debt issued by City which is backed by the full faith and credit of the City
 - General Election Required: YES

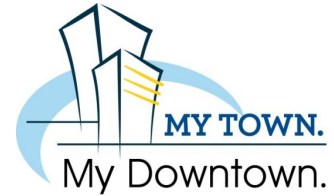
- Certificates of Obligation
 - Debt issued by the City which is backed by the full faith and credit of the City
 - General Election Required: NO, but can be required if a valid petition is submitted to the City

Summary



- Public-Private-Partnerships don't make bad projects good projects, they make good projects possible
- Public should only participate in a PPP when it meets its defined goals and the combination of direct and indirect, tangible and intangible benefits exceed their cost of participation

Summary



- Programs exist at the federal, state and local level which may benefit this project
- We are presently working with the City on 17 different potential programs which may be appropriate for this project
- Some programs require a public vote, some do not
- No final decisions have been made on the application of these tools
- More information will be provided as we move through this project

Questions?

