

City of Independence

Independence Landing Project

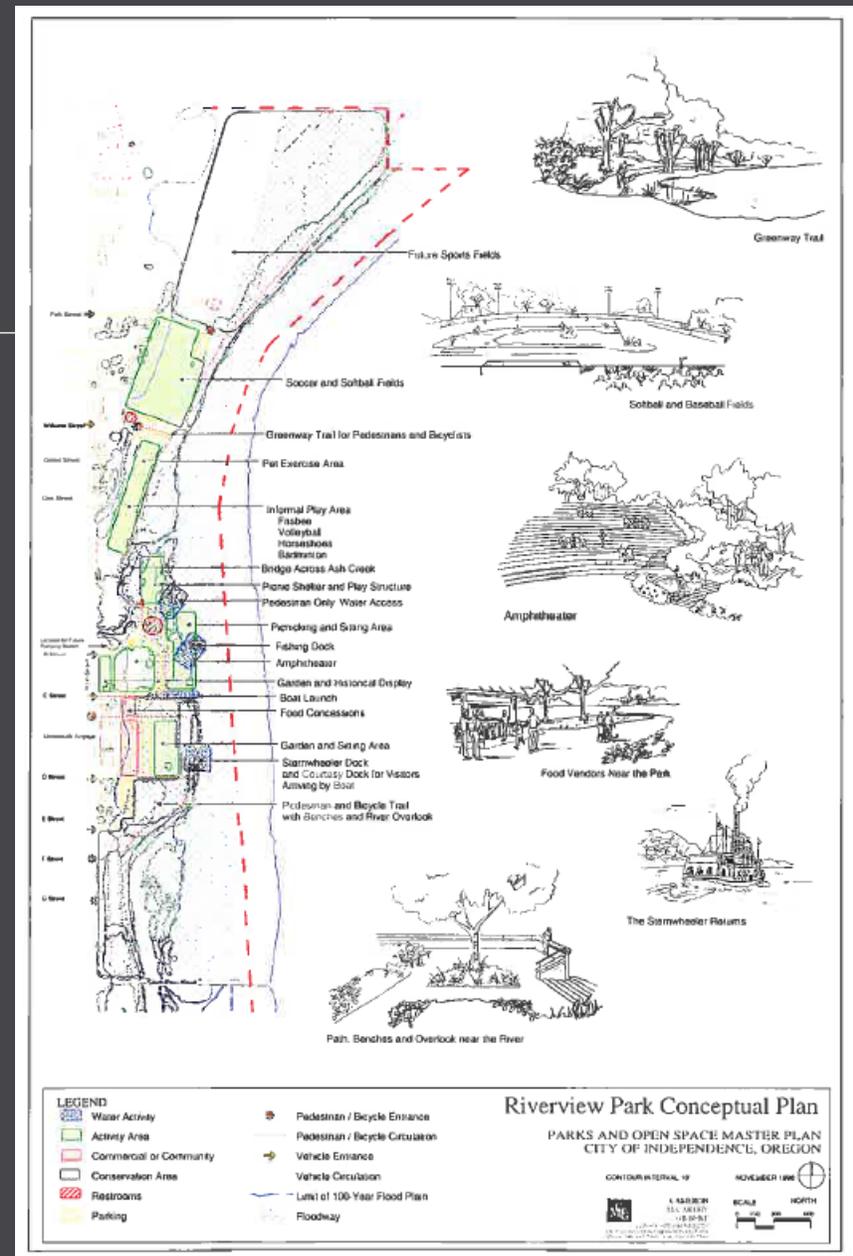
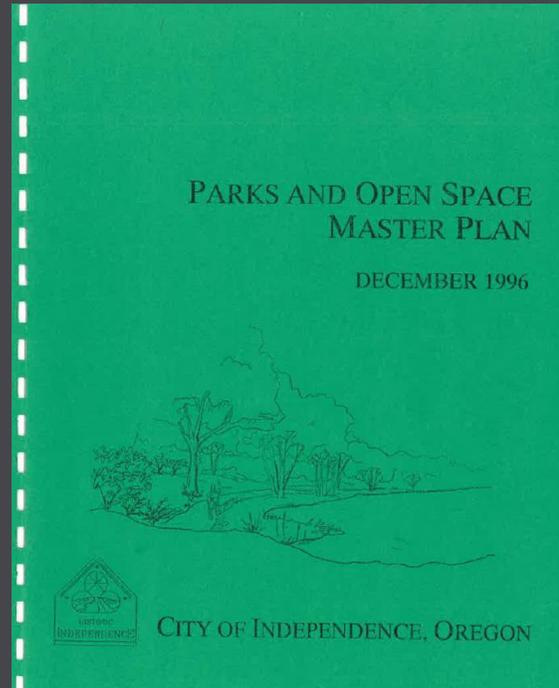
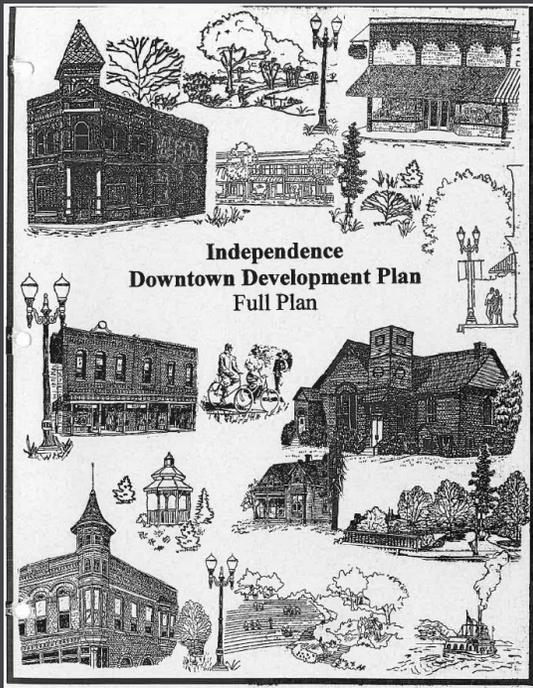
Economics & Tax Revenue Discussion

Independence City Council Meeting
November 8, 2016

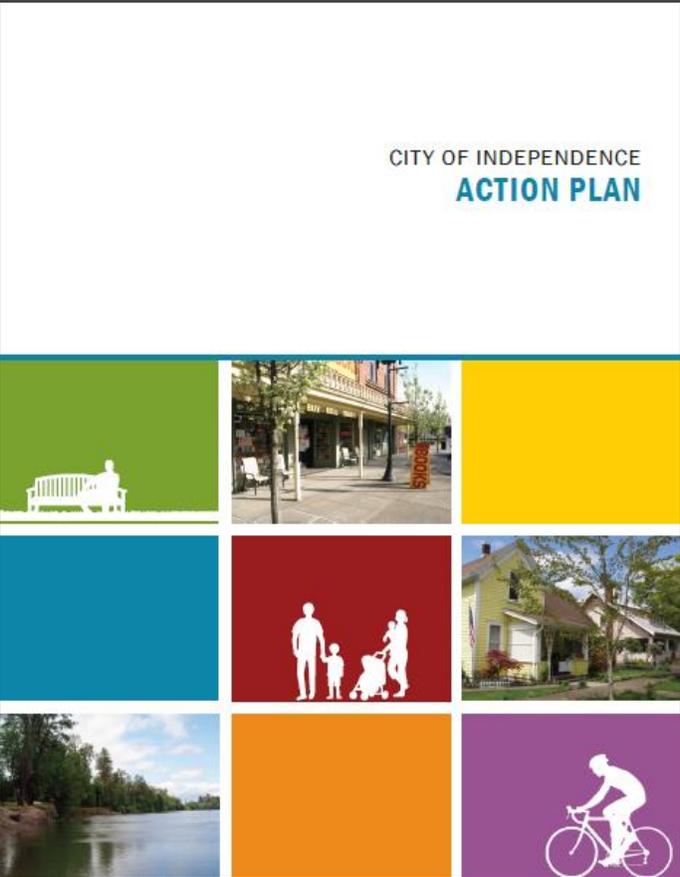
PNW ECONOMICS

Planning Began in 1996

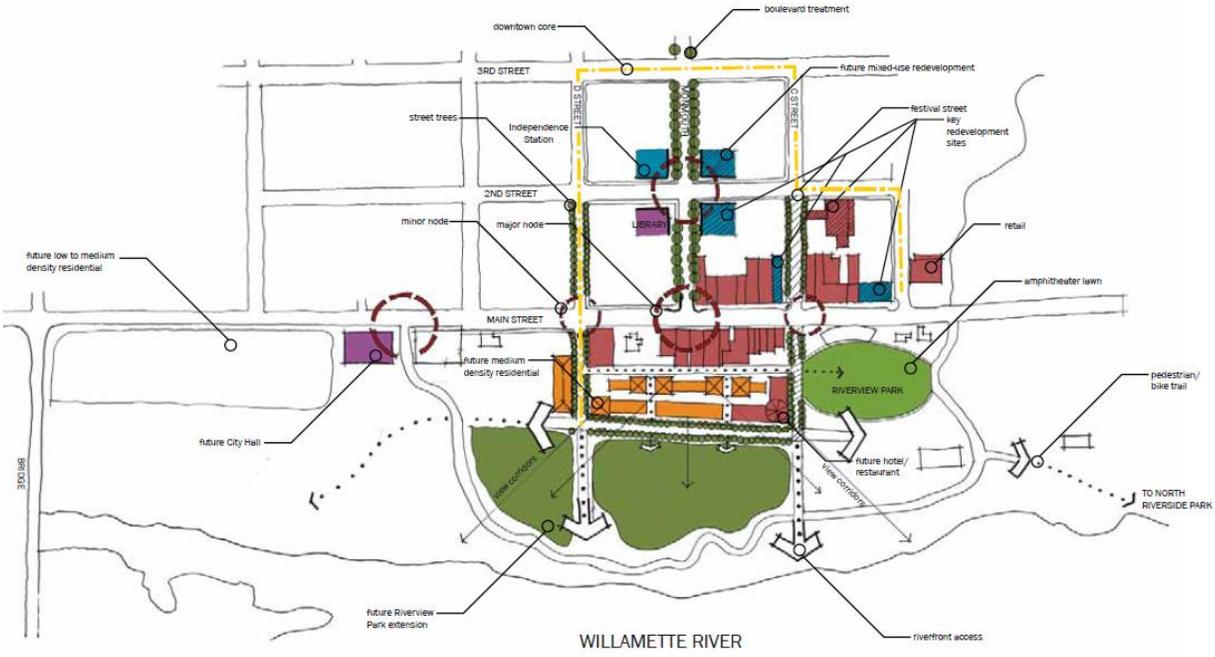
Redeveloping the Riverfront was a Key Goal



Concepts were Reinforced in 2009



DRAFT DOWNTOWN INDEPENDENCE FRAMEWORK PLAN

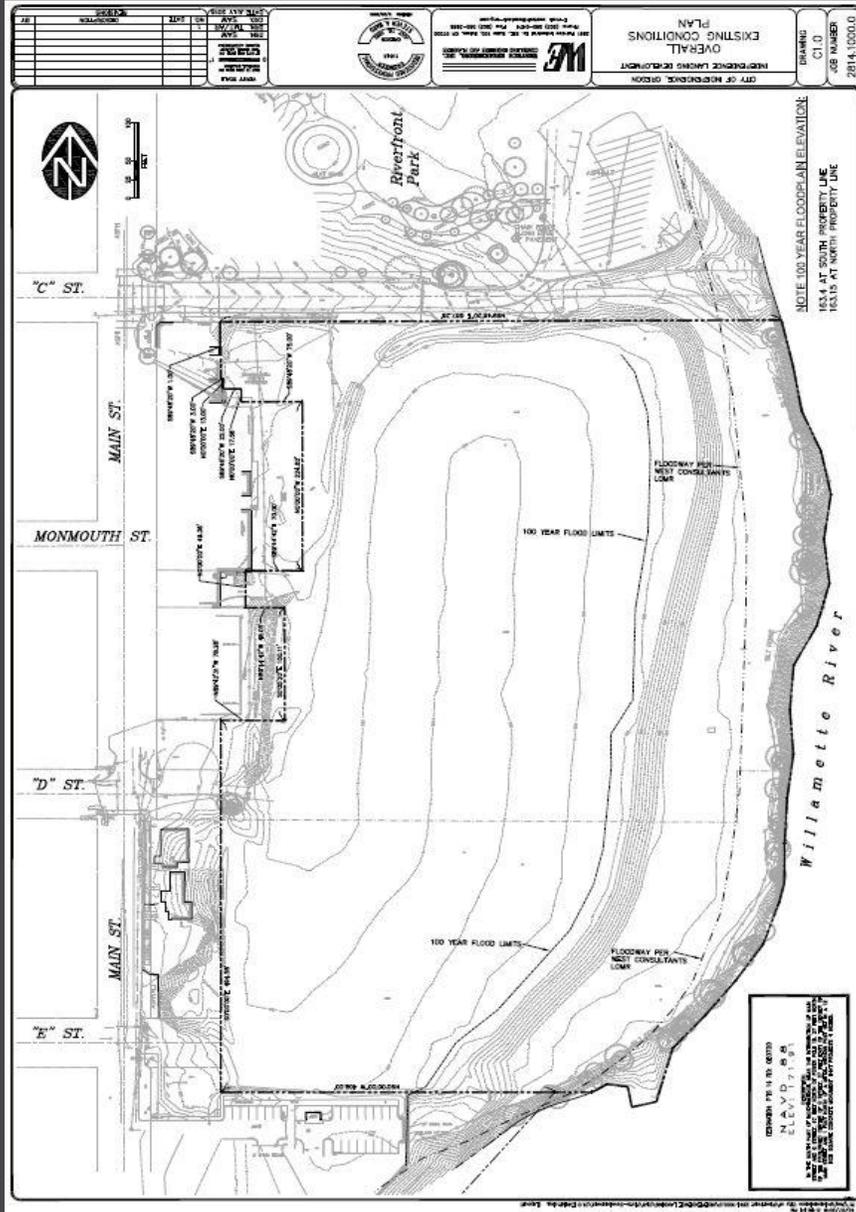




Independence Landing Project Former Valley Concrete Property

- Property is made available by Old Castle for sale
- City Develops Concept Plan Using State Grant



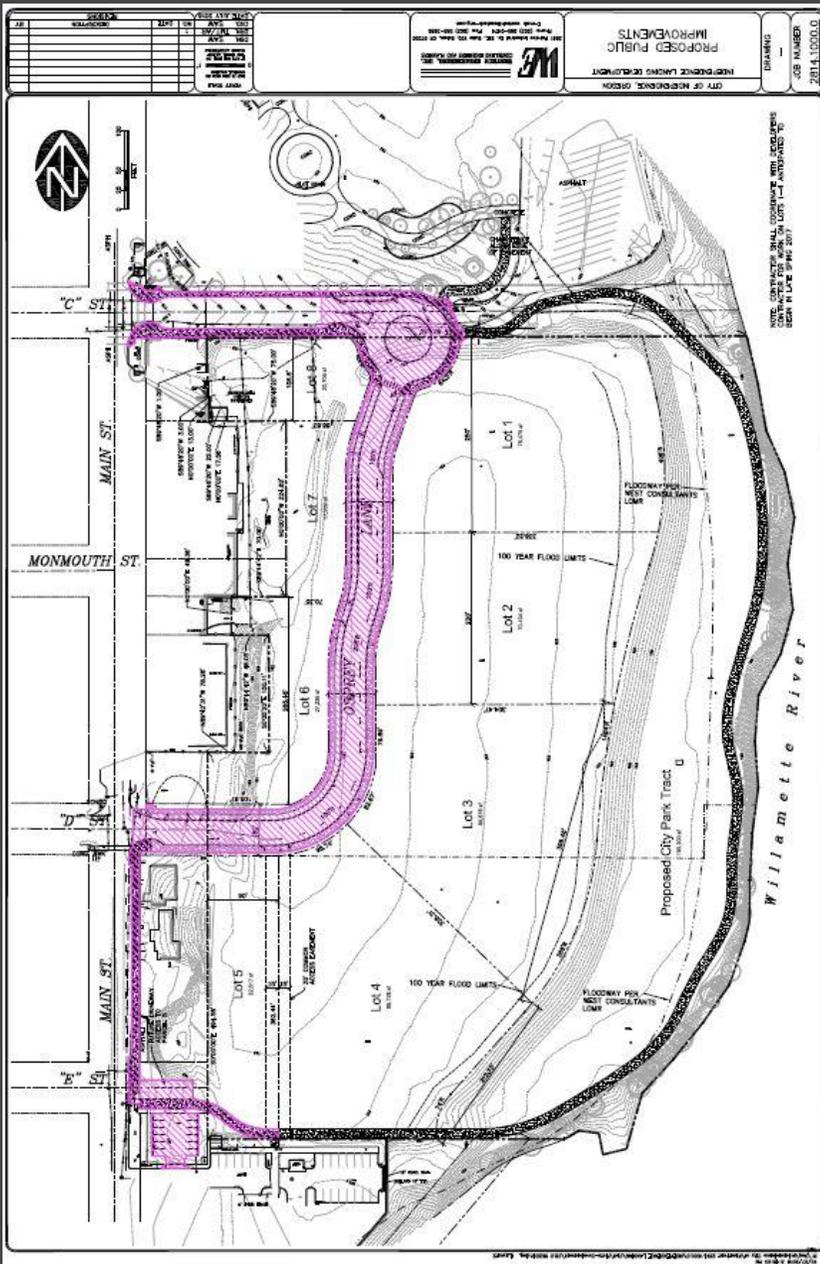


Independence Landing Project Getting it "Market Ready"

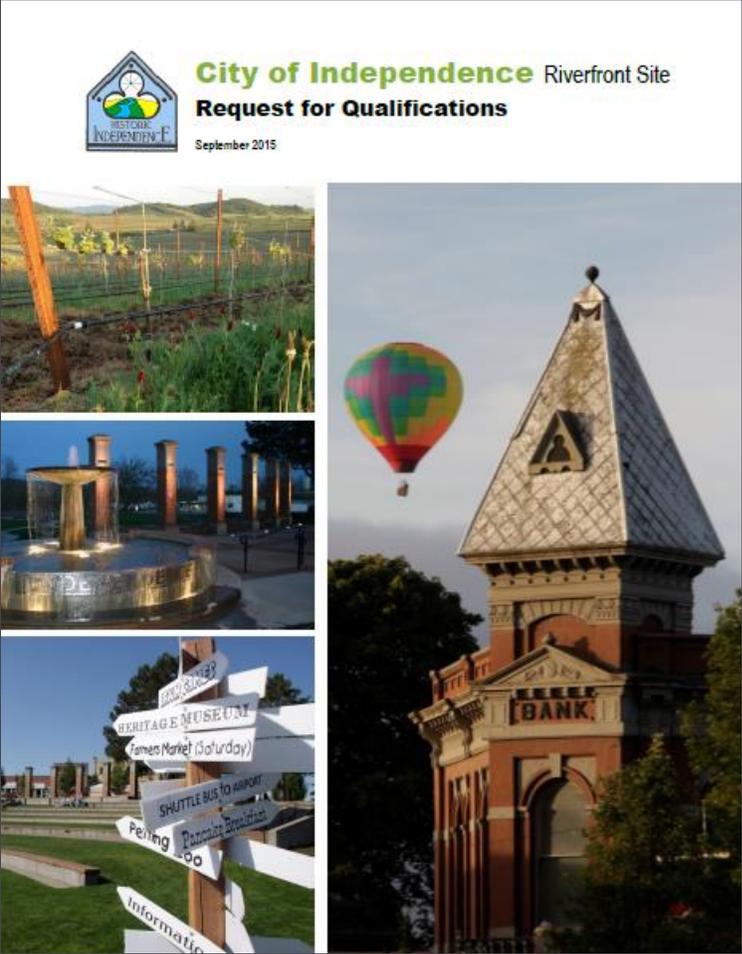
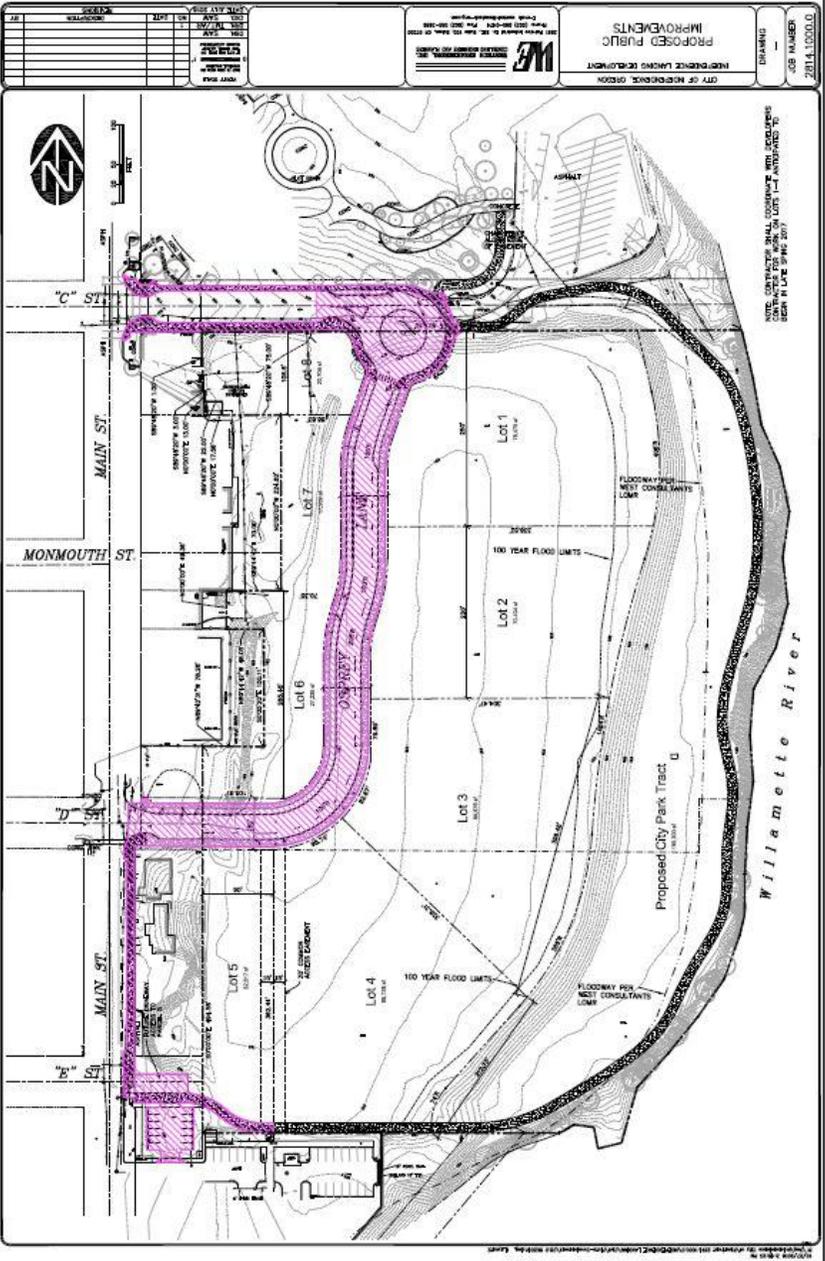
- 2014 acquisition and predevelopment site prep
- Phase 1 & 2 Environmental Analysis
- Geotechnical Analysis
- Floodplain Analysis
- Grading for a Development Terrace Outside the Floodplain

Independence Landing Project Getting it "Shovel Ready"

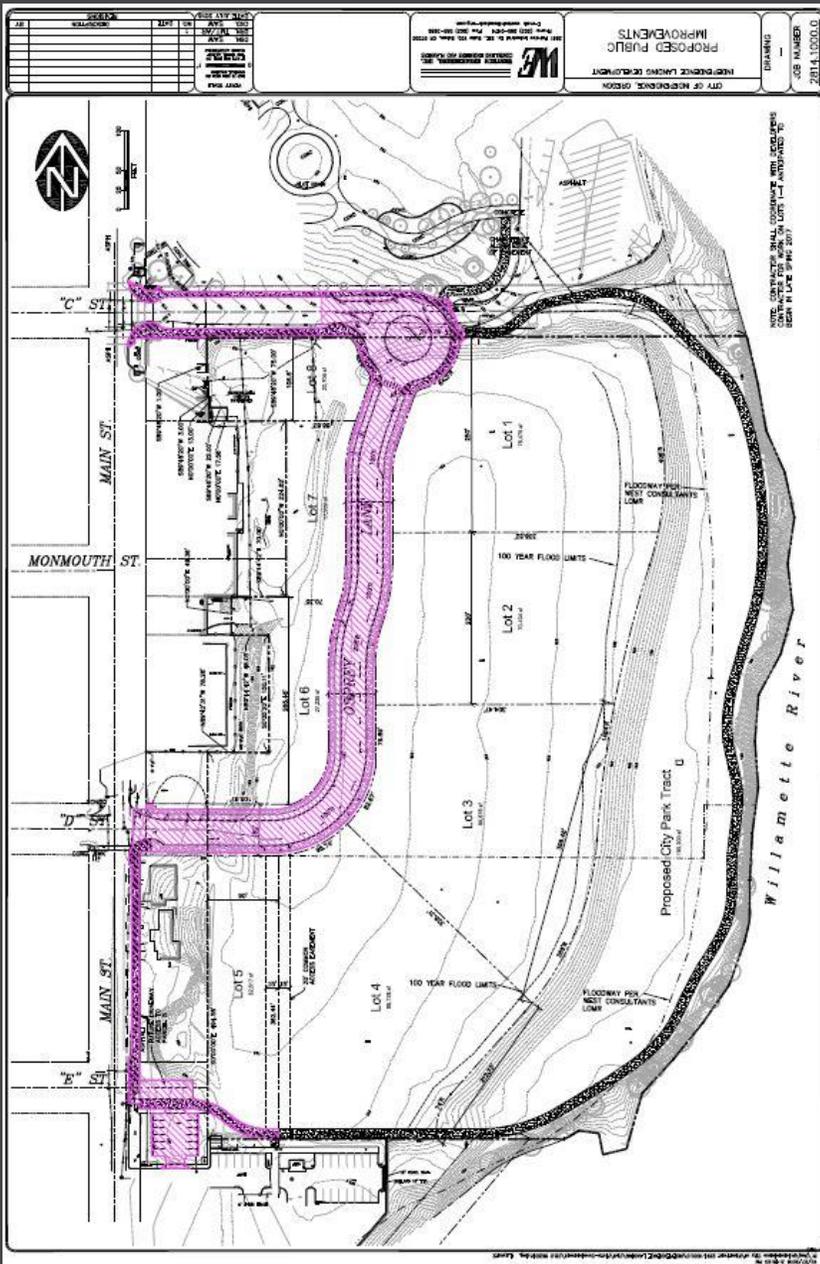
- Develop New Mixed Use Zone and Rezone Property
- Subdivide Property
- Initiate infrastructure construction



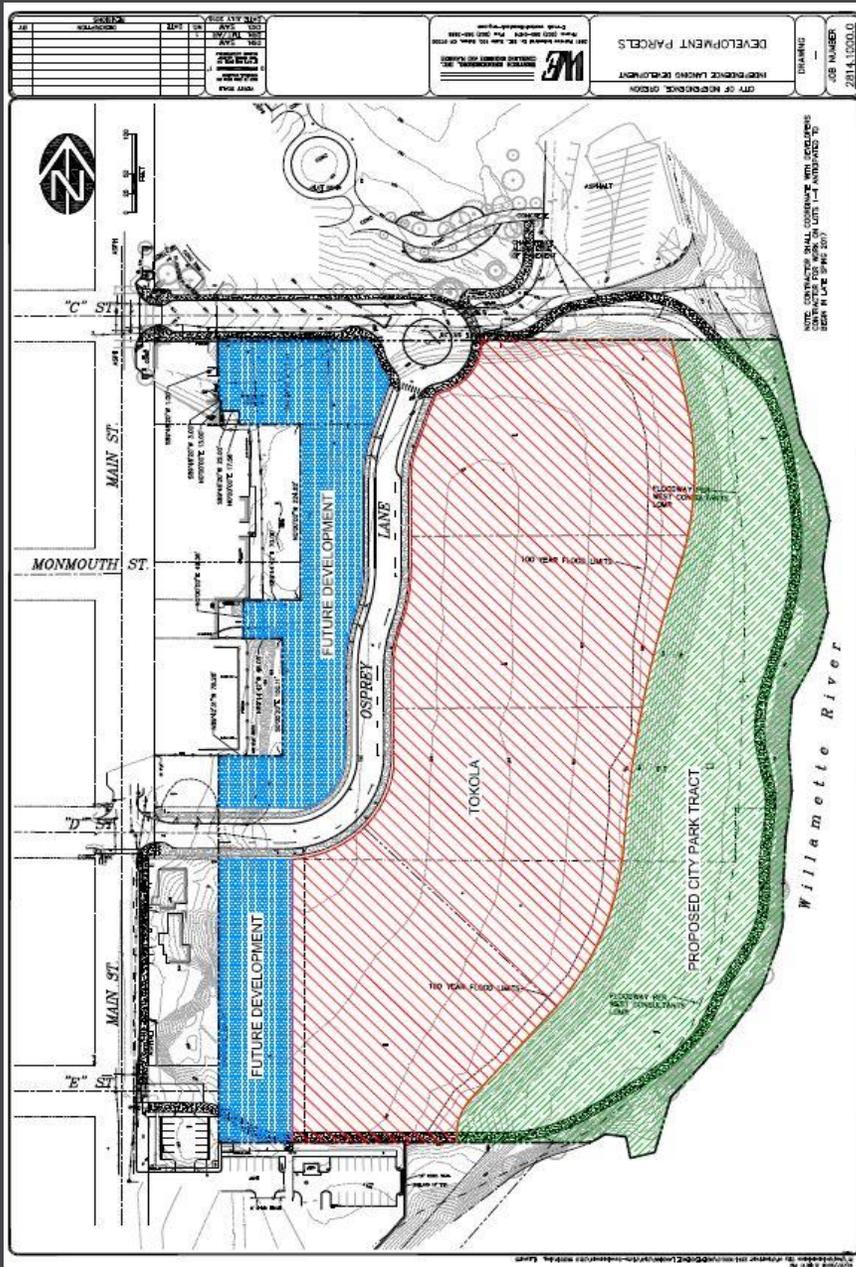
Independence Landing Project Development Solicitation



Independence Landing Project City Investment To-Date



- Roughly \$4 million investment in the whole site to date
- Includes original \$800,000 purchase price
- Includes all planning/predevelopment and site improvements to date
- project – hotel and multifamily housing – comprises roughly 60% of the property



Independence Landing Project

Hotel & Multifamily Housing

- Entire property is now a subdivided parcel (nine lots)
- Project: Lots 1-4 (shaded red)
- Future development (Lots 5-8) shaded blue
- green-shaded park designation reserved by City
- City investment ("Sunken Costs") in Lots 1-4: \$2.4 million (60%)

Independence Landing Project Hotel & Multifamily Housing

- Private Investment: \$42.2 million
 - \$15.5 million in Equity
 - \$26.6 million in Debt Financing
- City Public Partnership
 - \$2.08 million in SDC/Permit Fee Costs
 - \$750,000 in Predevelopment Costs
 - Write-Down of Land Value for Project Property to \$162,000



Independence Landing Project

Why City Partnership & Expense?

- Economic diversification: hotel and tourism draw, along with overnight visitor spending in Independence, significantly lacking
- Destination, boutique hotel is new and unprecedented in the area – with increased cost to finance and development in the eyes of lenders
- Independence, like other cities, can assist to decrease upfront project development costs and expect payback of property taxes and other revenues from the project later, over time.



Independence Landing Project Hotel & Multifamily Housing

- City Total Cost for Lots 1-4: \$5.3 million
 - \$2.4 million "Sunken Cost" to date
 - \$2.9 million in project Partnership Cost
- Analysis of City Return on Investment will focus on Total Cost (\$5.3 million) for Lots 1-4
- But traditionally, Project Partnership Cost alone (\$2.9 million) is evaluated for payback and return for individual project merit.



Independence Landing Project Hotel & Multifamily Housing



- City Payback:
 - New Property Tax Revenue
 - In Urban Renewal District
 - New Lodging Tax Revenue
 - Current Rate: 9%
- No up front City money. Payback from project proceeds.



Independence Landing Project Hotel & Multifamily Housing

When Can the City Expect to Be Paid Back?

- \$5.3 Million City Total Cost: **11 Years**
- \$2.9 Million City Partnership Cost: **8 Years**

Is Payback Fast or Slow?

- There are no set standards for Public return measures on public-private investment
- Throughout Oregon, such projects vary widely in type, size, scope, and financial and economic development goals by City
- 12-Year Payback does seem to be the most common acceptable payback period by other cities.

Independence Landing Project Hotel & Multifamily Housing

Is the Analysis Conservative? Yes

- As much as possible, given future uncertainty
- Assumed hotel occupancy rates and room rates are conservative compared to past market feasibility studies
- The City has the ability to raise its hotel tax rate to accelerate payback
- The new development and property tax impact of visitors and new residents spending money off-site in Independence is difficult to quantify but guaranteed
- Property value growth of Lots 5-8 and their future development revenues not modeled



Independence Landing Project Hotel & Multifamily Housing



Additional Economic Impacts of the Project

- 40-65 Construction Jobs Annually
- \$2.5 Million for first three years in direct labor income
- \$3.5 Million to \$4 Million in Visitor Spending \$2.5 Million in New Resident spending throughout Independence annually
- Up to 30 Hotel Jobs Permanently
- Up to 70 Visitor & New Resident Spending-Supported, Permanent Jobs Annually

Independence Landing Project Hotel & Multifamily Housing



Additional Economic Impacts of the Project

- Combined \$3.7 million in annual labor income from permanent jobs created
- Up to 38 additional jobs in Independence permanently due to economic ripple effects
- Project does fully contribute to local special levies (i.e. Sheriff, etc.) and General Obligation Bonds reducing burden on individual property taxpayers
- Utilities Revenues available to help limit future customer increases

Conclusion

THANK YOU!