

## MEMORANDUM

TO: Town Council  
FROM: Fred Carpenter, Town Manager   
SUBJECT: Event Center  
DATE: June 2, 2006

In preparation for Tuesday's discussion regarding the issue of leasing or selling the portion of the event center property that would be used for the hotel conference center, I prepared a Council decision request to frame the issue, which is attached. I have also included a copy of my memorandum from the March 30 special meeting to provide background on potential financing of event center improvements under the lease option.

Addendum to: JUN 06 2006 Sp. 2

MEMORANDUM

TO: Town Council  
FROM: Fred Carpenter, Town Manager *FC*  
SUBJECT: Event Center Special Meeting  
DATE: March 24, 2006

Staff has completed preparations for next week's special meeting on the 36-acre event center project. Since the last meeting on this issue, we brought together a committee consisting of the following individuals to develop a concept plan:

- Tina Bruess Chamber of Commerce
- Leon Keddington Citizen
- Rex Hinshaw Rodeo Committee
- Bill Schwind Town Staff
- Glenn Smith Town Staff
- Charlene Hunt Town Staff
- Steve Nielsen NFPD consultants
- Jerry Owen Town Staff
- Fred Carpenter Town Staff

The committee held two meetings and agreed on the outline of the concept plan, which is included as the first attachment.

Staff, with the assistance of NFPD, also developed a cost estimate for the Town's (event center) portion of this project, which totals about \$2.9 million, including bond issue costs. Grant Hamill, the Town's financial advisor with Stone & Youngberg, developed a debt service schedule for a bond program to complete the event center using sales and bed tax revenues from the hotel/conference center, which is also attached. The final attachment is the Council briefing paper on the project that was developed by Dave Fackler of NFPD.

Staff is seeking authorization to proceed with negotiating a development and disposition agreement for this project. Upon successful completion of the negotiations, staff would bring back a completed DDA for approval. Following approval of the DDA by all

MAR 30 2006 *Sp.1*

parties, we would proceed with final design of the event center portion of the project, bidding (as necessary) and bond issue.

Steve Nielsen will be at the meeting to answer questions about the project. I have also invited committee members to provide their input.

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SOURCES AND USES OF FUNDS

Payson Event Center  
Certificates of Participation  
Series 2006 (15 Year Term)

Dated Date 09/01/2006  
Delivery Date 09/01/2006

Sources:

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Bond Proceeds:	
Par Amount	3,780,000.00
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	3,780,000.00

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Uses:

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Project Fund Deposits:	
Construction Fund	2,900,000.00
Other Fund Deposits:	
Debt Service Reserve Fund*	378,000.00
Capitalized Interest Fund**	356,620.00
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	734,620.00
Delivery Date Expenses:	
Cost of Issuance	50,000.00
Underwriter's Discount	94,500.00
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	144,500.00
Other Uses of Funds:	
Additional Proceeds	880.00
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	3,780,000.00

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Notes:

- \* Held by Trustee Bank for benefit of Certificate holders. Liquidated at end of lease term to make final year's payment.
- \*\* Interest Funded on the COPs for 24 months. First payment due from Town on March 1, 2009.

**BOND DEBT SERVICE**

Payson Event Center  
Certificates of Participation  
Series 2006 (15 Year Term)

Period Ending	Principal	Coupon (1)	Interest	Debt Service	Annual Debt Service
09/01/2006					
03/01/2007			89,155.00	89,155.00	
09/01/2007			89,155.00	89,155.00	178,310.00
03/01/2008			89,155.00	89,155.00	
09/01/2008			89,155.00	89,155.00	178,310.00
03/01/2009			89,155.00	89,155.00	
09/01/2009	220,000	4.100%	89,155.00	309,155.00	398,310.00
03/01/2010			84,645.00	84,645.00	
09/01/2010	230,000	4.200%	84,645.00	314,645.00	399,290.00
03/01/2011			79,815.00	79,815.00	
09/01/2011	240,000	4.300%	79,815.00	319,815.00	399,630.00
03/01/2012			74,655.00	74,655.00	
09/01/2012	250,000	4.500%	74,655.00	324,655.00	399,310.00
03/01/2013			69,030.00	69,030.00	
09/01/2013	260,000	4.600%	69,030.00	329,030.00	398,060.00
03/01/2014			63,050.00	63,050.00	
09/01/2014	270,000	4.700%	63,050.00	333,050.00	396,100.00
03/01/2015			56,705.00	56,705.00	
09/01/2015	285,000	4.750%	56,705.00	341,705.00	398,410.00
03/01/2016			49,936.25	49,936.25	
09/01/2016	300,000	4.800%	49,936.25	349,936.25	399,872.50
03/01/2017			42,736.25	42,736.25	
09/01/2017	310,000	4.850%	42,736.25	352,736.25	395,472.50
03/01/2018			35,218.75	35,218.75	
09/01/2018	330,000	4.900%	35,218.75	365,218.75	400,437.50
03/01/2019			27,133.75	27,133.75	
09/01/2019	345,000	4.950%	27,133.75	372,133.75	399,267.50
03/01/2020			18,595.00	18,595.00	
09/01/2020	360,000	5.000%	18,595.00	378,595.00	397,190.00
03/01/2021			9,595.00	9,595.00	
09/01/2021	380,000	5.050%	9,595.00	389,595.00	399,190.00
	3,780,000		1,757,160.00	5,537,160.00	5,537,160.00

Notes:

(1) Assumes Certificates of Participation are issued on a non-rated basis with an optional call date of September 1, 2011 (5-year call). Interest rates subject to change based on market conditions at the time of sale.

NET DEBT SERVICE

Payson Event Center  
Certificates of Participation  
Series 2006 (15 Year Term)

Date	Principal	Interest	Total Debt Service	General Fund	Debt Service Reserve Fund*	Capitalized Interest Fund**	Net Debt Service	Annual Net D/S
03/01/2007		89,155.00	89,155.00	-7,560	7,560	89,155		
09/01/2007		89,155.00	89,155.00	-7,560	7,560	89,155		
03/01/2008		89,155.00	89,155.00	-7,560	7,560	89,155		
09/01/2008		89,155.00	89,155.00	-7,560	7,560	89,155		
03/01/2009		89,155.00	89,155.00	30,240	7,560		51,355.00	352,950.00
09/01/2009	220,000	89,155.00	309,155.00		7,560		301,595.00	
03/01/2010		84,645.00	84,645.00		7,560		77,085.00	
09/01/2010	230,000	84,645.00	314,645.00		7,560		307,085.00	384,170.00
03/01/2011		79,815.00	79,815.00		7,560		72,255.00	
09/01/2011	240,000	79,815.00	319,815.00		7,560		312,255.00	384,510.00
03/01/2012		74,655.00	74,655.00		7,560		67,095.00	
09/01/2012	250,000	74,655.00	324,655.00		7,560		317,095.00	384,190.00
03/01/2013		69,030.00	69,030.00		7,560		61,470.00	
09/01/2013	260,000	69,030.00	329,030.00		7,560		321,470.00	382,940.00
03/01/2014		63,050.00	63,050.00		7,560		55,490.00	
09/01/2014	270,000	63,050.00	333,050.00		7,560		325,490.00	380,980.00
03/01/2015		56,705.00	56,705.00		7,560		49,145.00	
09/01/2015	285,000	56,705.00	341,705.00		7,560		334,145.00	383,290.00
03/01/2016		49,936.25	49,936.25		7,560		42,376.25	
09/01/2016	300,000	49,936.25	349,936.25		7,560		342,376.25	384,752.50
03/01/2017		42,736.25	42,736.25		7,560		35,176.25	
09/01/2017	310,000	42,736.25	352,736.25		7,560		345,176.25	380,352.50
03/01/2018		35,218.75	35,218.75		7,560		27,658.75	
09/01/2018	330,000	35,218.75	365,218.75		7,560		357,658.75	385,317.50
03/01/2019		27,133.75	27,133.75		7,560		19,573.75	
09/01/2019	345,000	27,133.75	372,133.75		7,560		364,573.75	384,147.50
03/01/2020		18,595.00	18,595.00		7,560		11,035.00	
09/01/2020	360,000	18,595.00	378,595.00		7,560		371,035.00	382,070.00
03/01/2021		9,595.00	9,595.00		7,560		2,035.00	
09/01/2021	380,000	9,595.00	389,595.00		385,560		4,035.00	6,070.00
	3,780,000	1,757,160.00	5,537,160.00	0	604,800	356,620	4,575,740.00	4,575,740.00

**TOWN COUNCIL BRIEFING PAPER  
HOTEL & CONFERENCE CENTER REDEVELOPMENT PROJECT**

**Developer:** Hospitality Support Group  
**Development:** Hotel and Conference Center

	<u>Hotel Phase:</u>	<u>Event Center Phase:</u>	<u>Residential Phase:</u>	<u>All Phases:</u>
<b>Project Size:</b>	10 Acres	None	None	10 Acres
<b>Total Footage:</b>	84,100 sf.	N/A	N/A	84,100 sf.
<b>Construction Start:</b>	2007	N/A	N/A	2010
<b>Project Costs:</b>	\$21 Million	N/A	N/A	\$21 Million

**History:**

Following the Town meeting on February 16, Town staff working with NFPD, Inc., the Town’s redevelopment consultant, has held an additional visioning workshop with the community to determine if the project could be redesigned to provide for the development of the Hotel and Conference Center without utilizing any of the property currently being utilized by the Rodeo Arena. The Concept Master Plan for the site has been redesigned; moving the Hotel and Conference Center to the approximately 10 acre hillside property northwest of the existing Rodeo grounds. Access to this new Hotel site will be developed along the Westside of the property from Green Valley Pkwy. The Developer was asked to revise his development proforma to include the development of only the Hotel and Conference Center; with the improvement of the Rodeo Grounds to be accomplished separately by the Town.

**REQUESTED / RECOMMENDED INCENTIVES:**

Town staff working with NFPD, Inc., the Town’s redevelopment consultant, has reviewed the Developer’s development proforma and requested development incentives for the Payson Events Center Hotel Project, have prepared an Economic Forecast Analysis for the Project (summary attached) and offer the following recommended development incentives for the Town Council’s consideration. These incentives should be considered as the “redevelopment tools” needed to ensure a successful Project for both the Town and the Developer. These “redevelopment tools” fall into three categories; **(A) Town Investment Incentives**, i.e. Town investments in its own land and improvements; **(B) Town Development Incentives**, i.e. incentives made to the Developer to help fill the “gap” between project revenues and costs to ensure that the development is successful to within industry standards, and **(C) Private Investment Commitments**, i.e. Developer commitments that generate revenue from the project itself, which provide additional project revenue to both the Developer and the Town.. The Project is projected to generate significant new tax and surcharge revenues on property that has generated *little* tax revenues for decades. Within the first fifteen years of the Project, these new revenues should more than offset the tax abatements and economic development investment incentives proposed for the development. Thereafter, tax revenues should continue to increase, as evidenced in the following Financial Impact Summary:

**Financial Impact Summary: (measured in Net Present (current dollars) Value (NPV))**

<b><u>Town Revenues:</u></b>	<b><u>15-Year NVP</u></b>	<b><u>20-Year NPV</u></b>
1.) Land Value & Leases	\$ .56 Million	\$ .91 Million
2.) Sales & Bed Tax Revenues	\$ 2.54 Million	\$ 2.99 Million
3.) Misc. Taxes & Fees	\$ .12 Million	\$ .12 Million
<b>Total Revenues:</b>	<b>\$ 3.22 Million</b>	<b>\$ 4.03 Million</b>

**Town Costs:**

**Town Land Investments:**

1.) 15-Yr. Land Value Write-down	\$ .56 Million	\$ .39 Million
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**Town Development Incentives:**

1.) 20-Year Government Property Lease / Tax Reduction	\$ .02 Million	\$ .03 Million
<b>Total Costs:</b>	<b>\$ .58 Million</b>	<b>\$ .42 Million</b>

<b><u>Net Town Revenues:</u></b>	<b>Total Net Revenues:</b>	<b>\$ 2.64 Million</b>	<b>\$ 3.61 Million</b>
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**Private Investment Commitments**

1.) 15-Yr. Surcharge	\$ 1.52 Million	\$ 1.65 Million
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**A. Town Investment Incentives (Town investment in its own land).**

**1) Land Lease:** The Town owns the proposed approximate 10 acre redevelopment site and has for many years during which time the land value of the site has continued to increase. Although the site is under the Town's ownership it still has development restrictions, limited access, infrastructure limitations, etc. These restrictions restrict the fair market development value of the land. Developer has requested that the land be leased for development of the Project, with consideration given to the development restrictions on the land and the extraordinary costs of the Project, in particular the cost of moving the project to the hillside location, at a no cost (\$0) rate for the first fifteen (15) years of the Lease. After the first fifteen (15) years, the annual lease rate will be based on fifty percent (50%) of the private contractually-imposed 2% development surcharge proposed for the Project (surcharge is discussed in detail below), plus the following percentage of the Hotel room revenues for the remaining term of the Lease: Two percent (2%) of room revenues for years sixteen (16) through twenty (20); Three percent (3%) of room revenues for years twenty-one (21) through twenty-five (25); Four percent (4%) of room revenues for years twenty-six (26) through thirty (30) and Five percent (5%) of room revenues for years thirty-one (31) through fifty-five (55). This 55-year deferred rent proposal provides a current net present value of Town's land of approximately NPV \$883,000, based on the Project's projected revenues, however rents are not generated until after the fifteen year deferment.

**2) Infrastructure Financing:**

Moving the Hotel & Conference Center to the hillside significantly increases the cost of basic infrastructure (streets, sewer & water) necessary to develop the site. However, in addition to the infrastructure needs of the Hotel & Conference Center and the infrastructure improvements needed for the Rodeo Grounds, the Rim Overlook development property of Read Homes will also need the same type of infrastructure to develop their property. The Town should consider, in the negotiations with both

development groups, the use of and participation in an infrastructure Improvement District to provide a long term low interest rate method for financing the development of the infrastructure needed to develop all three properties.

**3) Rodeo Grounds Improvement Finance and Cost Offset:** Under the revised Concept Plan the Town will provide the finance and the improvements to the Rodeo Grounds. The Town, using the estimated NPV \$2.54 million in project-generated sales tax and bed tax revenues, will offset the costs of the improvements to the Rodeo Grounds and any participation in the development of the area infrastructure.

**B. Town Development Incentives.**

**1) Property Tax Abatement:** Developer has requested 8-year Property Tax Abatement under the Government Property Lease Excise Tax (GPLET) provision of state law for the Project. However, the Town cannot provide the abatement requested by the Developer because of a recent change in state law related to Redevelopment Districts. Therefore the Town will not need to declare any portion of its property as blighted. Under state law and by virtue of the long-term lease of the property for the Project there will be a property tax reduction for the project. The reduction occurs automatically by the GPLET being approximately 60% of the normal Property Tax. This is a significant incentive to the Project at relatively little cost to the Town. The full value to the Project is that, in addition to the Town’s tax rate being reduced the tax rate of all other taxing jurisdictions (i.e. School districts, County, etc.) are reduced as well during the lease period. There is no loss-of-tax impact on the town or the other jurisdictions as they are not currently receiving any tax dollars from this Town-owned parcel, but will begin receiving the GPLET payments upon completion of the Project. **The other taxing jurisdictions will receive approximately NPV \$1.25 million in GPLET revenue during the term of the Lease from land that would not normally be taxed.**

	<u>Estimated Incentive – 20-year NPV</u>
• Twenty-year Property Tax Reduction – Town	\$29,900
• Twenty-year Property Tax Reduction – Other Jurisdictions	\$1,021,000

The Project will continue to pay the statutory Government Property Lease Excise Tax per state law throughout the term of the Lease. The Town will continue to collect the GPLET and distribute the tax to the other taxing jurisdictions on a proportional basis. As a provision of the Development Agreement, starting in year twenty-one, the Lease will require the Developer to annually pay to the Town a Municipal Service Fee equal to the difference between the GPLET payment and what normal full property tax would be if the Project land were privately owned.

**Staff concurs and estimates that this Municipal Service fee will provide the Town with approximately NPV \$1.66 million during the 55-year term of the lease.**

**C. Private Investment Incentives.**

**1) Hotel Self-Sufficiency Program:** Under the Development Agreement and Land Lease with the Developer, the Developer will be responsible to pay for the construction and operation of the Hotel and Conference Center. The Developer will agree to contractually obligate itself and all tenants to the collection of a 2% development surcharge on all taxable sales made within the Hotel and Conference Center Project during the term of the Project Lease. The Development and Lease Agreement will call for the Developer to receive 100% of this surcharge revenue during the first fifteen years of the Lease term. Thereafter for the remainder of the Lease term, the Town and Developer will split revenues generated from the surcharges on a 50-50% basis. In addition, as part of the lease agreement negotiations with the developer, Staff and NFPD will seek to provide the Town with 30 days rent-free use of the Hotel Conference Center on a non-priority basis.

**Staff concurs and estimates that the surcharge will provide the Developer with approximately NPV \$1.52 Million during the first fifteen years of the Project and NPV \$1.65 Million during the first twenty-years. In addition, as mentioned above, the surcharge will provide a portion of the land lease fees to the Town after the 15-year deferment period.**

**RECOMMENDATION:**

**Assuming that the Town Council concurs with the above discussed deal points, Staff and NFPD will prepare the initial drafts of the required Development and Disposition Agreement and Land Lease and proceed with negotiations with the Developer.**

# TOWN ECONOMIC FORECAST

## Payson Hotel & Conference Center

### Single-Phase, 2-Year Development Project

## Expressed in 10 & 20 year Net Present Value & Gross Dollars

### SITE DATA

Land Area in Acres:	10	Area in Square Feet:	435,600
Total Building Area in Square Feet:	84,100	Floor Area Ratio	19%
<b>Land Use:</b>			
Office Square Footage:	-		
Retail Square Footage:	-		
Restaurant Square Footage:	8,000		
Events Center Square Footage:	6,000		
Hotel Square Footage:	70,100		
Total Parking Spaces:	260	Rooms:	150
<b>TOTAL LAND AND CONSTRUCTION COST:</b>	<b>\$ 21,000,000</b>		

TOWN REVENUES & VALUE	10 Year NPV	10 Year Gross	15 Year NPV	15 Year Gross
Town All Direct Site General (2.0%) Sales Taxes	\$ 1,153,717	\$ 1,736,327	\$ 1,519,850	\$ 2,758,441
Town All Direct Hotel Tax (3.0%)	\$ 745,273	\$ 1,167,267	\$ 1,016,106	\$ 1,923,001
Planning & Building Fees	\$ 88,785	\$ 94,160	\$ 88,785	\$ 94,160
Town Government Property Lease Excise Tax (GPLET)	\$ 23,771	\$ 35,827	\$ 28,917	\$ 50,157
Municipal Service Fee	\$ -	\$ -	\$ -	\$ -
Land Market Value	\$ 429,196	\$ 651,464	\$ 557,350	\$ 1,009,220
Land Market Value - Deferred Payment Lease	\$ -	\$ -	\$ -	\$ -
<b>GROSS TOWN REVENUES</b>	<b>\$ 2,440,742</b>	<b>\$ 3,685,045</b>	<b>\$ 3,211,008</b>	<b>\$ 5,834,979</b>
<b>OTHER TAX JURISDICTION GPLET REVENUES</b>	<b>\$ 813,243</b>	<b>\$ 1,225,673</b>	<b>\$ 989,277</b>	<b>\$ 1,715,943</b>

TOWN SUPPLIED - INCENTIVES	10 Year NPV	10 Year Gross	15 Year NPV	15 Year Gross
Land Value Writedown - Deferred Payment Lease	\$ 429,196	\$ 651,464	\$ 557,350	\$ 1,009,220
Property Tax Deferralment - Town	\$ 17,025	\$ 26,256	\$ 24,304	\$ 46,610
<b>NET TOWN REVENUES</b>	<b>\$ 1,994,521</b>	<b>\$ 3,007,325</b>	<b>\$ 2,629,354</b>	<b>\$ 4,779,149</b>
Property Tax Deferralment - All Other Jurisdictions	\$ 582,455	\$ 898,262	\$ 831,476	\$ 1,594,597

# TOWN ECONOMIC FORECAST

## Payson Hotel & Conference Center

### Single-Phase, 2-Year Development Project

## Expressed in 10 & 20 year Net Present Value & Gross Dollars

20 Year NPV	20 Year Gross	35 Year NPV	35 Year Gross	55 Year NPV	55 Year Gross
\$ 1,785,205	\$ 3,859,544	\$ 2,217,924	\$ 7,700,260	\$ 2,396,346	\$ 14,356,177
\$ 1,210,949	\$ 2,732,983	\$ 1,530,048	\$ 5,565,227	\$ 1,672,079	\$ 10,473,473
\$ 88,785	\$ 94,160	\$ 88,785	\$ 94,160	\$ 88,785	\$ 94,160
\$ 32,378	\$ 64,488	\$ 35,827	\$ 93,149	\$ 36,435	\$ 111,062
\$ -	\$ -	\$ 1,446,561	\$ 6,032,232	\$ 1,655,287	\$ 13,354,424
\$ 650,035	\$ 1,393,808	\$ 807,644	\$ 2,792,712	\$ 877,798	\$ 5,216,998
\$ 263,132	\$ 1,091,875	\$ 692,224	\$ 4,900,396	\$ 883,213	\$ 11,500,518
<b>\$ 4,030,484</b>	<b>\$ 9,236,857</b>	<b>\$ 6,819,013</b>	<b>\$ 27,178,136</b>	<b>\$ 7,609,943</b>	<b>\$ 55,106,813</b>
\$ 1,107,706	\$ 2,206,212	\$ 1,225,694	\$ 3,186,751	\$ 1,246,496	\$ 3,799,588
20 Year NPV	20 Year Gross	35 Year NPV	35 Year Gross	55 Year NPV	55 Year Gross
\$ 386,903	\$ 301,933	\$ 115,420	\$ (2,107,684)	\$ (5,415)	\$ (6,283,520)
\$ 29,847	\$ 69,645	\$ -	\$ -	\$ -	\$ -
<b>\$ 3,613,734</b>	<b>\$ 8,865,279</b>	<b>\$ 6,703,593</b>	<b>\$ 29,285,820</b>	<b>\$ 7,615,359</b>	<b>\$ 61,390,333</b>
\$ 1,021,108	\$ 2,382,638	\$ -	\$ -	\$ -	\$ -