Managing the Development Process

City of Liberty - Mayor Lyndell Brenton
City of Liberty - Karan Johnson
Legacy Development – Keaton Knott
History

- 13 properties – 5 property owners (Kmart/Sears holdings majority owner)
- Property owned by Councilmember
- Assessed value declined 17.4% since 2008 – 2.3% from the previous year
- Built in 1984
- Kmart/Cinema/retail
- In 2005 Kmart converted to Sears Grand.
- City entered into Sales tax reimbursement agreement to help pay for some of the new improvements – sales never reached minimum requirement
- In 2012 Sears converted to Kmart
- Inline shops were 50% vacant
Decision to Pursue Redevelopment

• Entrance to community at 152 Hwy was/is deteriorated
• Landowner was unresponsive to any request City made – unresponsive to requests tenants made

City Development Decision

• Threat of condemnation letter/blight study completed
• Finally got attention
• Attorney to attorney conversations only
• Preliminary RFP sent to potential developers to seek interest
Request for Preliminary Proposals

- Obtain interest in developing site
-Received 4 responses, none were Sears
-Committee interviewed 2 determination of which development plan was more in line with City’s goals
  - Entrance to City
  - Retail tenant relationships
  - Hotel
  - The ASK
  - Success stories
- Legacy Plan selected
## Financing

<table>
<thead>
<tr>
<th>Assistance Discussed</th>
<th>Assistance Not Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Super TIF</td>
<td>• No Super TIF</td>
</tr>
<tr>
<td>• City backed bonds</td>
<td>• No City backed bonds</td>
</tr>
<tr>
<td>• TIF</td>
<td></td>
</tr>
<tr>
<td>• CID 1¢ Sales Tax</td>
<td></td>
</tr>
<tr>
<td>• TDD 1¢ Sales Tax</td>
<td></td>
</tr>
<tr>
<td>• CID ±$1.50/sq ft Special Assessment</td>
<td></td>
</tr>
<tr>
<td>• City’s portion of hotel sales tax rebate</td>
<td></td>
</tr>
<tr>
<td>• Capital contribution (after conclusion of revenue study)</td>
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</tbody>
</table>
Financing (cont.)
Special Obligation TIF & Special District Bonds

- Paid solely from revenue
- Series A Bonds
  - Typical P & I paid twice/year
- Series B
  - Subordinate to A
  - Cash flow (excess revenue)
- Certain % space leased by certain dates
- Bond funds released by Trustee commensurate with leases executed
The Project
- $85 M project
- 315,000 sq ft
- 550 jobs
- 85% - 90% leased
- Complete by April 2017 – grand opening of center
LEGACY Development

- LEGACY Development
  - RED Development
    - RED Legacy
    - LEGACY Development

- LEGACY Asset Management
Considering a Project

Developer considerations:
• Site
  • Tenant voids
    • Competition (proximate)
    • Demographics, densities, education levels, incomes
• Municipality Goals
• Tenant Discussions
  • Sales projections (projected Health Occupancy Ratios (“Health”))
  • Economics
  • Co-tenancy
• U/W
  • Size the public private partnership
    • Finalize development agreement
    • Source private financing
Considering Liberty Commons

- Tenant Discussions
  - Sales projections (projected Health Occupancy Ratios ("Health")
    - Strong sales projects
      - i.e. Homegoods to leave Zona Rosa
  - Economics of tenant deals
    - Mid teens, -in-line retailers
    - Mid to upper $20’s – shop retailers and restaurants
  - Co-tenancy
    - Example: named co-tenancy, tied to Academy, Homegoods

- U/W
  - Size the public private partnership
    - $31.7 million
    - Sources:
      - TIF (100% property tax, 50% sales tax increment), CID (1% sales tax, $1.50 PSF special assessment), TDD (1% sales tax)
  - Finalize development agreement
    - Source private financing
      - A note (land acquisition, bond reimbursement), B note (construction loan)
Considering Liberty Commons

Developer considerations:
• Site
  • Tenant voids
    • Competition (proximate)
      • Zona Rosa (Dillards, Dick’s, Barnes & Noble, Homegoods)
      • Barrywoods Crossing (AMC, Office Max, Bed Bath & Beyond)
  • Characteristics of area
    • Demographics
      • 1 mile, 4,190; 3-mile, 42,000; 5-mile, 76,184; 7-mile 138,608
      • Home values, $175,000 average 7 mile
    • Densities, 650,000 people in trade area
    • Education levels, 67% college or higher in 7-mile
      • Liberty fastest growing school district in country
    • Incomes, $91,000 median household income (implication of disposable income)
• Municipality Goals
  • Congruence with tenant interest and discussions
  • City goals consistent with tenant mix!
The Project

https://www.youtube.com/watch?v=7FjwPbHcWTo
Example: Escrow Release

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Building Square Footage</th>
<th>Anticipated Opening Date</th>
<th>% of Shopping Center</th>
<th>Escrow Release PSF</th>
<th>Total Escrow Released</th>
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<tr>
<td>Executed Leases Prior to Bond Closing</td>
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<tr>
<td>Academy</td>
<td>62,917</td>
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<td>18.88%</td>
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<td>Gordman's</td>
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<td>Off Broadway</td>
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<tr>
<td>Ulta</td>
<td>10,000</td>
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<td>3.00%</td>
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<tr>
<td>Maurice's</td>
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<tr>
<td>Spin Pizza</td>
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<tr>
<td>McAlister's Deli</td>
<td>3,600</td>
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<tr>
<td>Homegood's</td>
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<td>Petco</td>
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<td>Available in-line</td>
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<tr>
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<td>Louie's Wine Dive</td>
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<td>Aveda Salon</td>
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<td>Future Pads - Escrow Eligible Upon Permit to Build</td>
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<tr>
<td>Pad 1 - Hotel</td>
<td>64,000</td>
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<td>Pad 3 - Natural Grocers</td>
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<td>Pad 4</td>
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<tr>
<td>Pad 5</td>
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<td>TOTAL</td>
<td>333,252</td>
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</table>

Total Escrowed Funds Available $ 13,015,000
Next Step
Kansas Ave/I-35 Bridge

Liberty Commons