

Amendment to the Service Plan for the Foothills Metro District

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1. Public Hearing on the proposed amendment to the Foothills Metropolitan District
2. Consideration of a resolution approving a First Amendment to the Amended and Restated Service Plan for the Foothills Metropolitan District.
 - Enabling the issuance of additional debt.
 - Supporting the reinvestment and redevelopment in the former Foothills Mall site.

- District formed May 2013 at request of the Original Developer
- Intended to support a comprehensive redevelopment of the site
- \$53 million in net bond proceeds to fund:
 - Public infrastructure improvements
 - The Foothills Mall Activity Center
 - An underpass connecting to the MAX Bus Rapid Transit
- Bond Supported by five revenue sources
 - Metro District Capital Mills (50)
 - Metro District Specific Ownership Tax
 - Property Tax Increment
 - Add-On Public Improvement Fee Revenue
 - Sales Tax Increment
- Incremental revenues were pledged 100% from 2014 to 2038





- College Avenue shops ~ 90% leased (consistent)
- Enclosed retail shops ~ 49% occupancy
- Since 2016 significant international and national trends have impacted consumer behaviors
- Five revenue sources currently are just sufficient for debt service
- Current Developer's underwriter forecasts revenues may not be sufficient by 2028
- Requesting refunding and additional debt to facilitate a renewed attempt at redevelopment and repositioning of the site

Evolution of the Proposed Project



Initial Discussions

- McWhinney acquires property in 2021
- Community discussions occur (2021/2022)
- Request to consider resetting the Urban Renewal Plan Area and clock (2023)
- **Original Project Proposal**
 - “Right size” the retail (approx. 32% reduction)
 - Proposed 600 +/- residential units (*urban flats, walk-up townhomes, luxury brownstones, attainable condos*)
 - Potential for 70,000 square feet of office
 - 11 acres of open space

Current Discussions

- Began in 2024; pivot to Metro District Amendment
- Need to refund debt and obtain additional capital for public improvements
- Extend the debt period and amount for the District
- **Current Project Proposal**
 - “Right size” the retail (approx. 32% reduction)
 - Proposed up to 300 residential units
 - 30,000 square feet of land donated/contributed to Affordable Housing; (approximately 14-28 units)

Staff does not recommend strictly enforcing the 2021 Metro District policy:

- District approved in 2013 prior to policy revisions
- It **serves** primarily ***as a financial conduit***
- Primary purpose is ***not to serve/facilitate residential development***
- Delivers on the public benefit of ***infill/redevelopment***





Definitions:

- **Add-On PIF Revenues** – allows the Current Developer to adjust the amount to raise additional revenue; 1.0% percent floor with 3.0% ceiling; anticipated at 1.25%
- **Eligible Improvements** – expands the list to include additional improvements associated with the proposed plan; total now \$113 million
- **Financial Plan** – swaps for a revised plan based on the proposed development plan, revenue, and debt anticipated

Financial Plan:

- **Maximum Debt Authorization** – increased to \$166 million
- **Annual & Total Net Debt Service** – increased to an average of \$11.5 & \$350 million, respectively
- **Maximum Debt Maturity Term** – increased from 25 to 40 years

Amendment does not alter the obligations:

- **City has never had an obligation for the debt**
- **Property Tax Increment:** Remains 100%; terminates in 2038 (*payable in 2039*)
- **Sales Tax Increment:** Remains 100% of the 2.25% rate; terminates in 2038; first dollars out if no longer needed for debt service



Estimated Sales Tax: Proposed Amendment

Tax Revenue Year	Est. Taxable Sales	City Sales Tax Revenue (@4.35%)	Dedicated & Non-Pledged Taxes (2.10%rate)	Pledged Sales Tax (2.25%rate)	LESS: Collection Admin Fee	LESS: Base Collections (2.25%rate)	Pledged Increment (2.25%Rate)
2025	\$ 119.7	\$ 5.2	\$ 2.5	\$ 2.7	\$ 0.0	\$ 1.8	\$ 0.8
2026	\$ 75.3	\$ 3.3	\$ 1.6	\$ 1.7	\$ 0.0	\$ 1.8	\$ -
2027	\$ 75.3	\$ 3.3	\$ 1.6	\$ 1.7	\$ 0.0	\$ 1.8	\$ -
2028	\$ 164.3	\$ 7.1	\$ 3.5	\$ 3.7	\$ 0.1	\$ 1.8	\$ 1.8
2029-2038 (Annually)	\$ 208.1	\$ 9.1	\$ 4.4	\$ 4.7	\$ 0.1	\$ 1.8	\$ 2.8
Total	\$ 2,515.6	\$ 109.4	\$ 52.8	\$ 56.6	\$ 0.8	\$ 25.6	\$ 30.5

Updated estimate: **\$30.5 Million** ♦ Anticipated non-pledged & base revenues: **\$78.4 million**

Proposed Bond Details

Status	Refunding	New	New	Total
Item	2014 Bonds	2026 Bonds	2026 Bond	All
Position	Senior	Senior	Subordinate	---
Name	Series 2026A	Series 2026A	Series 2026B	---
Net Proceeds	\$69.9	\$78.0	\$18.2	\$166.1
<i>Use of Funds</i>				
New Money	\$0.0	\$57.2	\$17.8	\$75.0
Repay Existing	\$62.7	\$0.0	\$0.0	\$62.7
Capitalized Interest	\$0.0	\$12.7	\$0.0	\$12.7
Reserve Fund	\$6.3	\$7.1	\$0.0	\$13.4
Soft Costs	\$0.9	\$1.0	\$0.3	\$2.3
Total Use of Funds	\$69.9	\$78.0	\$18.2	\$166.1



Thank you!

Impact on Urban Renewal Plan & Agreement

Reviewed by outside legal Counsel for the Authority

- **Conclusion:** Neither the Plan nor the Agreement require changes

The purpose of Urban Renewal continues to be achieved:

- **Blight Remediation:** Vacant Macy's Building
- **Prevention:** Reposition an out-of-date and underperforming retail center with additional housing and a broader mixture of uses



May 2013 estimates provided context and perspective

- Assumed early “retirement” of sales tax increment in 2018; ***not realized***
- Significant market challenges (international and national trends; consumer behavior; COVID)
- Despite estimate, the pledge has always been 100% of increment – 2014 to 20238
- Without renewed redevelopment efforts, remains likely the pledge will exceed 2013 estimate

Original Assumptions							
Year	Metro District Revenue	City Sales Tax Revenue	Non-Pledged Sales Tax	Pledged Increment	Bond Payments & Reserve	Increment Returned to City	City Contribution
2012		4.8					
2015	2.1	5.0	5.0	2.5	4.6	-	2.5
2016	2.3	5.3	5.3	3.1	5.4	-	3.1
2017	6.5	5.4	5.4	3.2	9.7	-	3.2
2018	6.5	8.8	5.5	3.3	6.0	3.3	-
2019	6.7	9.0	5.6	3.4	5.7	3.4	-
TOTAL				15.4		6.6	8.8

Revenues Received by Metro District: 2014 to 2024

Source	Amount (Millions)	Percentage of Total
Sales Tax Increment	\$3.4	8.3%
Property Tax Increment	\$19.6	47.8%
O&M Property Tax	\$2.0	4.8%
District Personal Property Tax & Specific Ownership	\$7.3	17.8%
Public Improvement Fee	\$8.7	21.3%
Total	\$41.1	100.0%

Revenue Forecast for Metro District: 2025 to 2038

Source	Amount (Millions)	Percentage of Total
Sales Tax Increment	\$30.5	17.6%
Property Tax Increment	\$57.5	33.2%
Metro District Other: O&M, Personal Property & Specific Ownership	\$53.8	31.1%
Public Improvement Fee	\$31.2	18.0%
Total	\$172.9	100.0%

Revenue Forecast for Metro District: 2039 to 2061

Source	Amount (Millions)	Percentage of Total
Sales Tax Increment	\$0.0	0.0%
Property Tax Increment	\$0.0	0.0%
Metro District Other: O&M, Personal Property & Specific Ownership	\$134.3	69.2%
Public Improvement Fee	\$59.8	30.8%
Total	\$194.1	100.0%

Revenue Actual & Forecast for Metro District: 2014 to 2061

Source	Amount (Millions)	Percentage of Total
Sales Tax Increment	\$33.9	8.3%
Property Tax Increment	\$79.1	19.4%
Metro District Other: O&M, Personal Property & Specific Ownership	\$195.4	47.9%
Public Improvement Fee	\$99.8	24.4%
Total	\$408.1	100.0%

Will the Tax Increment Fund Additional Improvements?

What is the Total value of the Tax Increment Pledge (2025 forward)?

- Total Tax Increment = Property Tax Increment + Sales Tax
- \$91.4 million = \$57.5 million + \$33.9 million

What is the total cost of the refunding portion of the Series 2026A bonds?

- Total cost = Net Proceeds + Interest
- \$101.0 Millions = \$69.9 million + \$31.1 million

Comparing total Tax Increment Pledge to Refunding Cost?

- Tax Increment Pledge \leq Refunding Cost
- \$91.4 million < \$101.0 million

**The *Tax Increment Pledge* alone is
not sufficient to fund the *Refunding Cost***