

## **History of Coleraine TIF #4 Wildwood Pointe, LLC.**

### **Initial deal: Fall 2002**

City created TIF #4 from vacant parcels surrounding the golf course, and entered into a development agreement providing for the reimbursement of \$1.6 million of development costs with 7% interest, payable from 80% of TIF collected (pay-as-you-go.) Developer had to complete improvements to two phases of development around the golf course to earn this reimbursement. 20% of the TIF is available to the City to help make payments on the golf course bonds.

### **Revised deal: Summer 2004**

City amended and expended the TIF plan budget and modified the development agreement to provide for additional assistance to a possible hotel and water park project. The City issued TIF Improvement revenue bonds Series 2005A to pay for \$1.2 million of new Public Improvements. (Actual bond amount was \$1,510,000 to cover issuance costs and fund a \$151,000 reserve fund.) These bonds were to be paid from a \$971,754 assessment on development property supplemented by TIF revenues as needed. These bonds were additionally secured by a personal guarantee from the developers. The development agreement was revised, with TIF to be allocated as follows:

1. As TIF is received from the County, the City first sets aside funds to cover the City's TIF administrative costs, such as TIF reporting, audit expenses, etc.
2. Then, that portion of TIF needed to supplement special assessment revenue is transferred to the debt service fund for the 2005A bonds.
3. Then, if surplus TIF remain, the City transfers up to 20% of the TIF collections to the debt service fund for the golf course bonds. If less than 20% is available, the shortfall can be made up in the future.
4. Any TIF remaining is to be transferred to the 2005A TIF bond account .
5. Once the 2005 TIF bond is paid off, 80% of TIF revenue is then to be used to reimburse the developer for initial development costs.

The concept was for TIF to be first used to assure that the 2005A TIF bonds are paid, then used to make sure the City get to use it's 20% for the TIF for golf course bonds, and then to start to make payments on the original \$1.6 million obligation to the Developer.

When the hotel project fell thru, the City used \$270,000 of unspent proceeds from the 2005A issue to pay off a portion of the bond principal, reducing outstanding principal to \$1,210,000 with a final payment on February 1, 2019.

### **How the City actually did the accounting:**

The City accounted for TIF revenue using a different technique from the one outlined above, but a technique that produced the same end result. As TIF was received from the County each year, 20% of TIF revenue from TIF District #4 was actually booked as revenue generated by the old golf course TIF District No 1. These funds were then available to be used to help make golf course bond payments. While this is confusing, because the County TIF records do not agree with City TIF records or its audit (they differ by the 20%) the end result meets the intent of the TIF agreement:

- The City has enjoyed 20% of TIF #4 revenue to help cover golf course bond payments.
- All other TIF revenue was used or preserved to make payments on the 2005A bonds.

**Current Status:**

In 2018, the City collected \$217,914 in TIF #4 revenues. After applying the standard practice of recording 20% of this amount as TIF #1 revenue for golf course bond payments, the \$174,331 that remained covered the \$130,350 in 2005A bond payments due in 2018. At yearend, the TIF account was left with a cash balance of \$190,080.

**Immediate Action Required:**

In just a few days on February 1, 2019 the City will make the final payment on the 2005A TIF bond of \$123,450. These bonds are now fully retired, and there will be a cash balance in the TIF fund of \$73,900.64.

The development agreement provides that once the 2005A bonds are paid off, the City is to start to reimburse the developer for his original \$1.6 million investment in subdivision improvements. Accordingly, the City should approve and promptly make a payment to the developer equal to \$73,900.

**Going forward:**

The City's development contract provides for reimbursement payments to be made to the developer through calendar year 2022. So, the developer is entitled to 80% of the TIF revenues for the next four (4) years. If TIF revenues continue to be generated at current levels, four years of payments at \$175,000 per year will total about \$700,000. This will not be sufficient to reimburse the full \$1.6 million of development expenses, but once the final payment is made in 2022 any remaining amount will be cancelled.

The golf course bonds are the only other obligation of this TIF District. These golf course bonds have a final payment on February 1, 2024. The City is entitled to apply its 20% share of TIF revenue – about \$44,000 – to help with these payments through 2022 when the developer's obligation is paid off. In 2023, the City can apply the full \$220,000 of TIF revenues for golf course bond payments.

When the golf course bonds are finally paid off in early 2024, all obligations of this TIF district will be paid. The TIF District can then be decertified and the property returned to the normal tax rolls. That should produce about \$75,000 in additional city general tax revenue at current rates.