Public / Private

Scott McCarty, CPA
Town of Paradise Valley, Arizona
smccarty@paradisevalleyaz.gov
Trends

1. Development Agreements
   - Addresses Uniqueness of Development
   - Outcomes Defined
   - Milestones and Dates Important
   - City’s Focus
     - Protect Status Quo
     - Increase Revenues (Expand Base)
Trends (continued)

2. Cities More Flexible on “Soft Costs”

- Streamline / Speed Up Development Approval and Inspection Processes
- Cap Charge for Building Review Fees, Inspection Fees, Zoning Fees, etc. (“Soft Costs”)
- Willing to Entertain Other Requests
3. Cities May Consider **SOME** Cash Incentives (Jobs, Jobs, Jobs)

- Pay Impact Fees “on behalf of”
- Site Improvements
- Claw back Provisions Include:
  - Initial Occupancy Level
  - Expansion Occupancy Level
  - Number of Jobs Created Today/At a Future Date
Trends (continued)

4. Buy-In Agreements Fading

- Initial Developer Only Has Enough Money for Its Project

- Great Uncertainty about Timing of Next Development for Payback
Trends (continued)

5. Redevelopment: City Trying to Make Itself At Least Whole

- In Lieu of Payments to Replace Lost Revenues
  - Replace Sales/Bed Tax Revenues
Case Study #1: Prasada

- 3,300+ Acres
  - 1,200+ Acre Regional Core
  - 1,600 Acre Lake Village
  - 530 Acre Urban Core
- 7,300 Residential Units
- 295 Acre Auto Mall
Prasada: Financial Impacts

- 18,500 Jobs and Construction Employment
  - ~$1.5 Billion of Infrastructure
  - ~$1.3 Billion Revenue over 50 year agreement life
  - 530 Acre Urban Core

- Annual Revenues at Build out
  - City: ~$40 Million
  - School District: ~$16 Million
Outcomes

City
- Expand Revenue Base
- Share New Revenues (Performance Based)
- Willing to Use Credit Rating for ID

Developer
- Share New Revenues (Performance Based)
- Build Infrastructure then Receive Reimbursement
- No Third Party Borrowing
  - Receive Interest on Installed Infrastructure
Financial Elements

- $200M. Performance Based Reimbursement
  - 2.2% Sales Tax Split 50 / 50
  - All Other Revenues: 100% City

- Interest
  - 5.5% Pre-Tier
  - 8.0% Post-Tier

- City Can Issue Debt Using Both Halves of Revenue Stream
  - Use “Established” Revenue Stream
Case Study #2: Montelucia Resort
Case Study: Montelucia Resort

- Resort with Ownership Units Replaced
  - Resort Only Property
    - Rezoning Needed for Owned Properties via Special Use Permit
- Sales and Bed Taxes Lost on Owned Units
- In Lieu of Payment Replaced Lost Revenues
  - ~$100,000 Annually
  - 30 Year Term