KPW – Phase 2

Objectives:

1. Provide overview of Phase 2 per initial approvals
2. Discuss key financial items relating to Phase 2 as presented
3. Review opportunities to improve Phase 2 and obtain council feedback

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KPW Phase 2 Projections

From August 2016 Submission:

	Without Assistance		With Assistance	
Total Sales	**$ 9,103,418**	**100.0%**	**$ 14,544,192**	**100.0%**
Cost of Sales:				
Purchase of Land	$ 4,107,708	45.1%	$ 4,107,708	28.2%
Construction Costs -				
Public Construction Costs	5,440,774	59.8%	5,440,774	37.4%
Private Construction Costs	3,010,222	33.1%	3,010,222	20.7%
Other Costs (Fees, Taxes, etc.)	464,137	5.1%	464,137	3.2%
Total Cost of Sales	**$ 13,022,841**	**143.1%**	**$ 13,022,841**	**89.5%**
Operating Costs	**$ 1,101,010**	**12.1%**	**$ 1,101,010**	**7.6%**
Cash Gain(Loss)	**$ (5,020,433)**	**-55.1%**	**$ 420,341**	**2.9%**

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Return on Investment	**None (loss)**	**11.2%**

What is Creating Financial Need?

- **Sales Shortfall**
  - *-Non useable acreage (60%+)*
  - *-Local market*
- **Construction Costs (On-site)**
  - *-Volume of collector streets*
  - *-Storm water basins*
  - *-Park/Kettle grading*
- **Construction Costs (Off-site)**
  - *-Hwy 51 and 138 intersections*
  - *-Storm water requirements*

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Options for Improving

- **Increase Sales**
  - ✓ *Change asset type (increase $ and velocity)*
  - ✓ *Increase developable land*
  - ✓ *Time*
- **Lower Construction Costs**
  - ✓ *Grading options*
  - ✓ *Streets and Infrastructure*
- **Evaluate Overall Design**
  - ✓ *Market Needs*
  - ✓ *Neighborhood Flow/Interaction*

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An Option B Example

Revenue By Type of Lot Sale

- **Single Family Residential** *($7 to $10+)*
  - ✓ Large Lots (80’)
  - ✓ Medium Lots (65’)
  - ✓ Small Lots (40’-45’)
  - ✓ Twins (Duplexes or Condo’s)
- **Multi-Family Residential** *($5 to $7)*
  - ✓ High Density (22 units per acre)
  - ✓ Medium Density (Townhomes/Quads)

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Other Relevant Considerations – Lot Type

- **Lower Traffic Counts**
  - ✓ *Single-family vs multi-family traffic volumes*
- **Park Land Requirement**
  - ✓ *Based on units*
- **School-aged Children**
  - ✓ *Vary by type of household*

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School Enrollment by District

Table 1 - School Enrollment by District

District	School Year																% Change		
	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	10-year	3-year	1-year
Belleville	888	897	868	900	914	933	930	934	953	956	953	961	917	955	972	966	3.4%	5.1%	-0.6%
Cambridge	1,027	961	984	976	955	950	934	922	900	884	910	908	907	915	884	844	-12.6%	-7.5%	-4.7%
DeForest	3,073	3,081	3,111	3,151	3,225	3,221	3,262	3,255	3,267	3,249	3,249	3,465	3,484	3,522	3,619	3,634	11.4%	4.1%	0.4%
Deerfield	747	760	754	718	714	731	743	726	791	819	822	833	797	791	782	775	5.7%	-2.8%	-0.9%
Marshall	1,205	1,202	1,189	1,236	1,252	1,248	1,246	1,229	1,260	1,252	1,242	1,234	1,263	1,202	1,138	1,087	-14.8%	-16.2%	-4.7%
McFarland	1,951	1,871	1,969	1,964	1,988	2,031	2,017	2,071	2,147	2,614	2,976	3,260	4,293	4,355	4,304	4,266	52.4%	-0.6%	-0.9%
Middleton/CP	5,125	5,224	5,330	5,500	5,629	5,616	5,640	5,795	5,899	5,840	6,104	6,446	6,614	6,654	6,754	6,984	19.6%	5.3%	3.3%
Monona Grove	2,702	2,768	2,819	2,817	2,859	2,917	2,885	2,830	3,068	3,088	3,100	3,121	3,152	3,201	3,283	3,332	12.5%	5.4%	1.5%
Mount Horeb	1,979	1,986	2,055	2,057	2,103	2,174	2,156	2,262	2,328	2,358	2,337	2,352	2,370	2,376	2,538	2,520	13.7%	6.0%	-0.7%
Oregon	3,430	3,480	3,429	3,468	2,200	3,549	3,588	3,609	3,623	3,595	3,725	3,718	3,736	3,793	3,828	3,943	10.0%	5.2%	2.9%
Stoughton	3,657	3,641	3,663	3,591	3,566	3,480	3,432	3,336	3,411	3,392	3,379	3,333	3,290	3,232	3,190	3,162	-10.1%	-4.0%	-0.9%
Sun Prairie	4,830	4,931	4,987	5,240	5,493	5,691	5,946	6,008	6,172	6,633	6,975	7,095	7,373	7,598	7,837	8,107	29.8%	9.1%	3.3%
Verona	4,222	4,342	4,448	4,498	4,170	4,415	4,540	4,556	4,671	4,675	4,889	4,892	5,316	5,433	5,411	5,418	18.5%	1.9%	0.1%
Waunakee	2,836	2,910	2,936	3,031	3,084	3,203	3,357	3,500	3,529	3,618	3,701	3,874	3,964	4,042	4,031	4,108	22.0%	3.5%	1.9%
Wisconsin Heights	1,195	1,194	1,130	1,062	1,006	963	917	895	862	838	804	777	751	712	751	760	-26.7%	1.2%	1.2%
Suburban Districts	38,867	39,248	39,672	40,209	39,158	41,122	41,593	41,928	42,881	43,811	45,166	46,269	48,227	48,781	49,322	49,906	17.6%	3.4%	1.2%
Madison Metro	25,087	24,893	24,966	24,913	24,894	24,452	24,755	24,670	24,496	24,628	24,806	26,817	27,112	27,185	27,274	27,112	9.8%	0.0%	-0.6%
County Public	**63,954**	**64,141**	**64,638**	**65,122**	**64,052**	**65,574**	**66,348**	**66,598**	**67,377**	**68,439**	**69,972**	**73,086**	**75,339**	**75,966**	**76,596**	**77,018**	14.9%	2.2%	0.5%
County Private	**6,207**	**6,229**	**6,282**	**6,394**	**6,293**	**6,530**	**6,646**	**6,908**	**6,635**	**6,516**	**6,696**	**6,492**	**6,397**	**6,248**	**6,551**	**6,452**	-1.2%	0.9%	-1.5%
Total County	**70,161**	**70,370**	**70,920**	**71,516**	**70,345**	**72,104**	**72,994**	**73,506**	**74,012**	**74,955**	**76,668**	**79,578**	**81,736**	**82,214**	**83,147**	**83,470**	13.6%	2.1%	0.4%

Change from Previous Year (Total # and Percent)

Suburban Districts	669	381	424	537	-1,051	1,964	471	335	953	930	1,355	1,103	1,958	554	541	584
Madison Metro	144	-194	73	-53	-19	-442	303	-85	-174	132	178	2,011	295	73	89	-162
Total County Public		0.3%	0.8%	0.8%	-1.7%	2.4%	1.2%	0.7%	0.7%	1.3%	2.2%	3.7%	2.6%	0.6%	1.1%	0.4%

Source: Wisconsin Department of Public Instruction

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School-aged Children

Takeaways:

I. Overall, there is less than one child per housing unit

II. Single-family detached units have the highest average number of children per 100 housing units, while multifamily has the lowest average number of children per 100 housing units

III. (Not seen in graph): When vacant housing is excluded, the average number of children per 100 housing units for all housing types is 46.9, slightly higher than 41.1

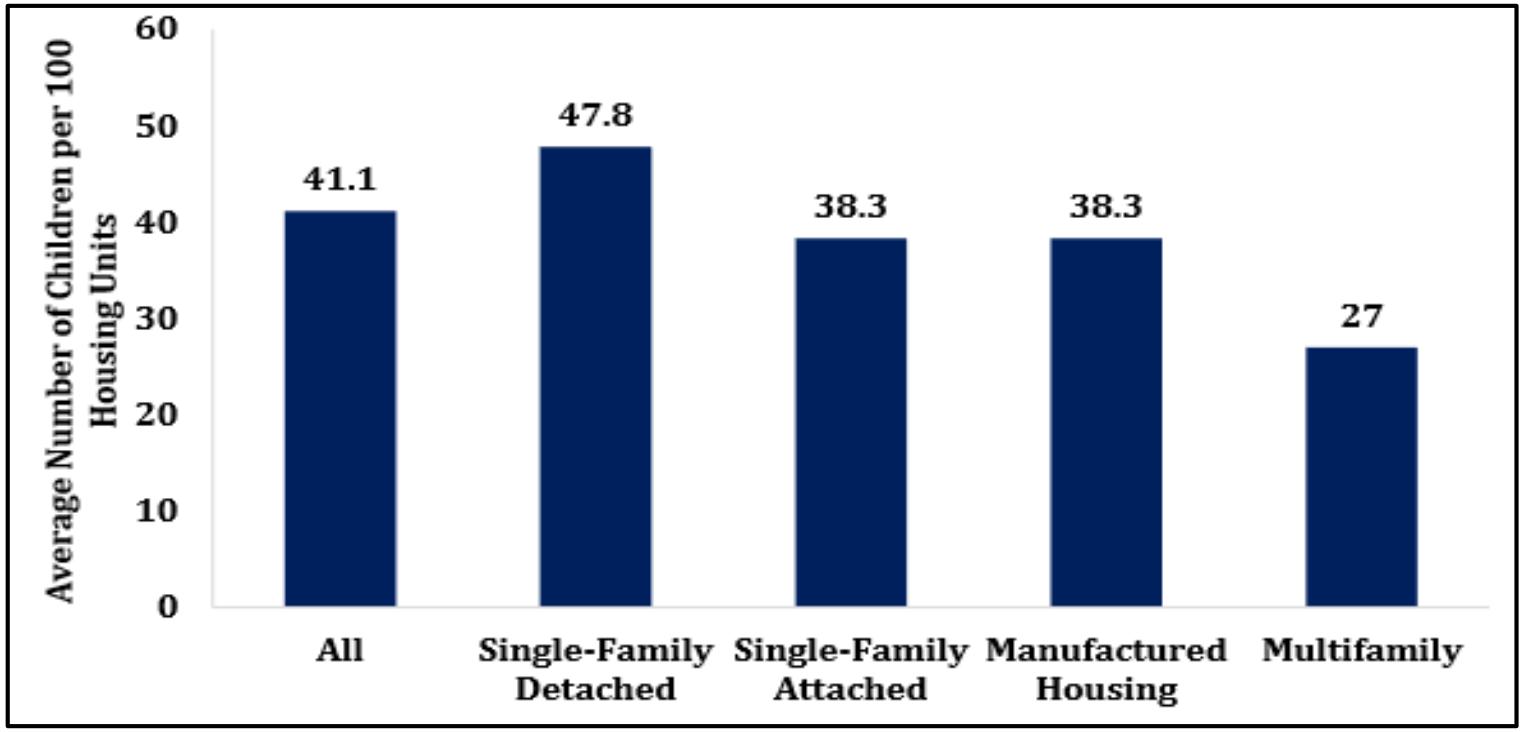

Figure 1: Average Number of Children per 100 Housing Units (Includes Vacant Housing)

Information provided by the National Association of Home Builders using data from the US Census Bureau's 2015 Survey

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School-aged Children

Takeaways:

I. There are more children in existing units than new construction
   I. *With the exception of manufactured housing*
   II. *Existing units refer to construction occurring before 2014, while new units refer to construction occurring in 2014 or 2015*

II. Single-family attached homes account for the largest difference in average number of children per 100 housing units between new construction and existing units
   I. *Other housing types are fairly similar in their composition of number of children*

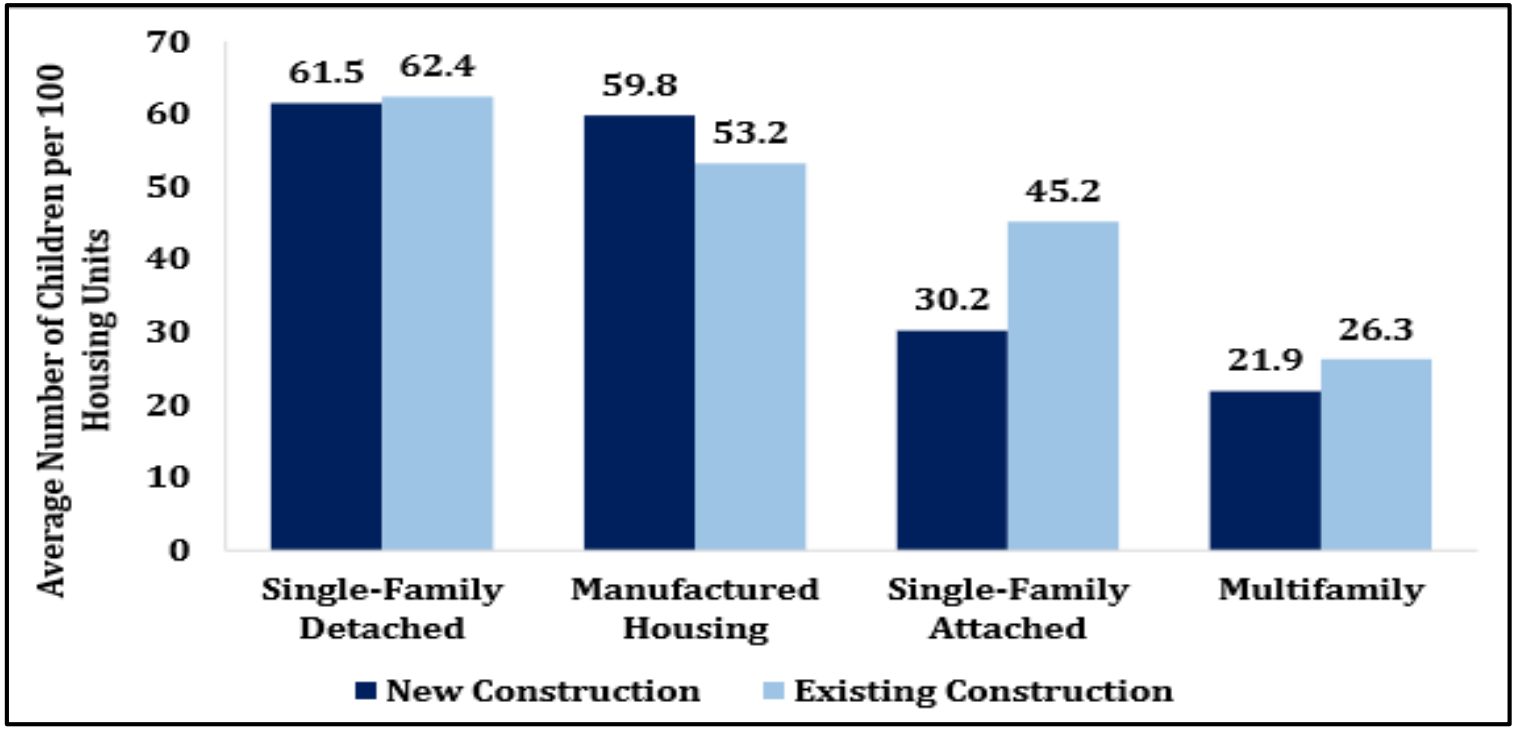

Figure 3: Average Number of Children in New and Existing Construction by Residential Development Type

Information provided by the National Association of Home Builders using data from the US Census Bureau's 2015 Survey

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Comparison of Option A and B

Option A (Original Plan)			
Housing Type	**Number of Units**	**Average Number of School-Aged Children per 100 Housing Units**	**Estimated Number of School-Aged Children**
Single-Family	43	62	27
Twin (13 Lots)	26	30	8
Multi-Family	246	22	54
Total	315		89

Option B (Current Plan)			
Housing Type	**Number of Units**	**Average Number of School-Aged Children per 100 Housing Units**	**Estimated Number of School-Aged Children**
Single-Family	161	62	99
Twin (9 Lots)	18	30	5
Total	179		104

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Other Changes to Consider

- **Decrease Construction Costs**
  - ✓ *Street widths (Oak Opening Drive)*
  - ✓ *Product specifications*
- **Overall Design Review**
  - ✓ *Multi-trail system*
  - ✓ *Transition from Commercial to Residential*
  - ✓ *Location of park – consider future phases*

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Approach to Option B

Actions:

- Eliminate multi-family product
- Provide multiple types of single family
  - *80’ Lots (50)*
  - *65’ Lots (29)*
  - *45’ Alley Lots (40)*
  - *40’ Alley Lots (42)*
  - *Twin Lots (9, which is 18 units)*
- Consider affordability

Results:

✓Park land requirement decreases

✓Improved pedestrian flow

✓Financial benefit (more details in following slide)

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Option B- Financial Benefits

- Significant Increase in Revenue ($3,000,000+)
- Slight Increase in Construction Costs (LF of roads)
- Increase in Estimated Increment from $50,000,000 to $60,000,000 (Phase II only)
- Reduced TIF Need for Phase II and Increase in Tax Revenue

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Thoughts on TIF

- **Borrowing or Investment?**
- **How do you evaluate a good TIF project (ROI)?**
- **Importance of managing the timing of borrowing and completing project plans**

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Phase 2 Option B TIF ROI

Residential Project								
		4%						
Year	Res Bond Beg Balance	Res Bond Interest	Total Bond Payment	New Bond Balance	Implied Principal Payments on Bond	Revenue Above Debt Serv.	Total Tax Revenue	TID Cumulative Cash Balance
2016								
2017								
2018								
2019	3,000,000	120,000	-	3,120,000	-		-	
2020	3,120,000	124,800	(89,526)	3,155,274	-	48,206	137,732	48,206
2021	3,155,274	126,211	(193,902)	3,087,583	67,691	104,409	298,311	152,615
2022	3,087,583	123,503	(365,059)	2,846,028	241,555	196,570	561,629	349,185
2023	2,846,028	113,841	(480,699)	2,479,170	366,857	258,838	739,536	608,023
2024	2,479,170	99,167	(602,008)	1,976,329	502,841	324,158	926,166	932,181
2025	1,976,329	79,053	(729,226)	1,326,156	650,172	392,660	1,121,886	1,324,841
2026	1,326,156	53,046	(865,433)	513,770	812,387	466,002	1,331,435	1,790,843
2027	513,770	20,551	(534,321)	-	513,770	810,429	1,344,750	2,601,272
2028	-			-	-	1,358,197	1,358,197	3,959,469
2029	-			-	-	1,371,779	1,371,779	5,331,248
2030	-			-	-	1,385,497	1,385,497	6,716,745
2031	-			-	-	1,399,352	1,399,352	8,116,097
2032	-			-	-	1,413,345	1,413,345	9,529,442
2033	-			-	-	1,427,479	1,427,479	10,956,921
2034								
2035								
			Annual Return on 3m investment				19.60%	

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Managing TIF Projects - Timing

Commercial Project

Year	Commercial Tax Increment	Commercial Cash Balance (1)	Projected Cash Balance After PC	Projected Project Costs	Comments
2016	$ 10,816,500	$ -	$ -	$ -	
2017	$ 19,628,000	$ -	$ -	$ -	
2018	$ 35,854,501	$ -	$ -	$ -	
2019	$ 43,949,501	$ 210,163	$ 210,163	$ -	
2020	$ 44,699,501	$ 848,505	$ 248,505	$ 600,000	Hwy 51 Intersection
2021	$ 44,699,501	$ 1,504,142	$ 904,142	$ -	
2022	$ 44,699,501	$ 2,159,780	$ 1,559,780		
2023	$ 44,699,501	$ 2,815,417	$ 1,681,667	$ 533,750	Jackson Street Force Main
2024	$ 44,699,501	$ 3,471,054	$ 2,337,304	$ -	
2025	$ 44,699,501	$ 4,126,691	$ 2,992,941	$ -	
2026	$ 44,699,501	$ 4,782,329	$ 1,548,579	$ 2,100,000	State Hwy 138/Oak Opening Dr
2027	$ 44,699,501	$ 5,437,966	$ 2,204,216	$ -	
2028	$ 44,699,501	$ 6,093,603	$ 1,852,741	$ 1,007,112	Deer Point and Other
2029	$ 44,699,501	$ 6,749,240	$ 2,508,378	$ -	
2030	$ 44,699,501	$ 7,404,878	$ 3,164,016	$ -	
2031	$ 44,699,501	$ 8,060,515	$ 3,819,653	$ -	
2032	$ 44,699,501	$ 8,716,152	$ 4,475,290	$ -	
2033	$ 44,699,501	$ 9,371,789	$ 5,130,927	$ -	
2034	$ 44,699,501	$ 10,027,427	$ 5,786,565	$ -	
2035	$ 44,699,501	$ 10,683,064	$ 6,442,202	$ -	
				$ 4,240,862	

) Projected Cash Balance is After Debt Service

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How to Proceed

- Discuss initial thoughts and provide feedback on Option B in concept
- Utilizing feedback, KPW can re-submit Phase 2
- Current market remains strong, therefore timing is critical
- Potential for Approvals/Construction in 2018

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