



**MEMORANDUM**  
 Finance Department  
 Development Finance Division

Date: April 9, 2007

To: R. T. Rybak, Mayor  
 Barbara Johnson, President, City Council  
 Members of the City Council  
 Robert Miller, Director, NRP

From: Jack Kryst, Director, Development Finance

Subject: Status of 2006 – 2009 Common Project Revenues & NRP Capitalization

**Background** - Revenues from the City’s Common Project are required to be used to pay existing Common Project debt and contractual obligations, and Common Project administration costs. In addition, a subset of those revenues, specifically from the Saks Parcel of Gaviidae, are required under the Discretionary Development resolution to be used first for the repayment of discretionary development borrowing from the Hilton Fund. In accordance with the Discretionary Development resolution, any funds remaining after those obligations are met are to be applied first to the annual capitalization of the Neighborhood Revitalization Program (NRP) and then to City discretionary development needs. However, Common Project revenues were so reduced by the 2001 legislative property tax changes that none have been available for this second purpose.

The obligation to provide funding for the NRP extends through 2009 and is annually capped at \$20 million. The actual amount available each year is calculated by a formula described in the Discretionary Development Funding Plan and is primarily dependent on the amount of Common Project tax increment revenue collected.

**NRP Capitalization** – To assist the City’s and NRP’s planning, Finance has periodically made projections of the annual amounts to be available for NRP through the remaining years of the City’s obligation (2009). Projections made in October 2005 and March 2007 are shown below in Table A. Projected and actual amounts for NRP from 2001 through 2009 (Phase II) are shown. Amounts below the dotted lines are estimates only.

<b>Table A</b>		
<b>NRP PHASE II</b>		
<b>Year</b>	<b>October 2005 Capitalization Projections</b>	<b>March 2007 Capitalization Projections</b>
2001	20,000,000	20,000,000
2002	11,000,000	11,000,000
2003	10,749,791	10,749,791
2004	4,751,683	4,751,683
2005	717,155	1,314,824
2006	4,363,989	1,428,000
2007	4,512,724	674,531
2008	2,139,122	330,902
2009*	15,937,784	16,226,852
<b>Total Phase II</b>	<b>74,172,248</b>	<b>66,476,583</b>

\*Includes Brookfield Repayment

**Actual capitalization is shown above the dotted line.**

Actual 2006 Common Project tax increment collections were 6.1% (\$3.8 million) less than the October 2005 projections, which overestimated both the growth in the Estimated Market Value of property within the Common Project and the payable 2006 tax rate. Based on these actual receipts, the estimated 2006 NRP funding will be \$1,428,000. This is \$2,935,989 less than the earlier estimate of \$4,363,989. Extending this level of revenue through 2009 produces a total Phase II capitalization of \$66.5 million, down \$7.7 million from the October 2005 estimated total of \$74.2 million.

(Note that the increased NRP funding in 2009 shown in Table A is unrelated to tax increment revenue, but results from the expected Brookfield payment to the City of the balance of the loan related to the development of Gaviidae.)

A significant consequence of this reduced level of resources is that for the first time the total dollars available for Phase II neighborhood plans is projected to be less than the total amount allocated for those plans. In April 2004, the NRP Policy Board adopted Phase II plan allocations totaling approximately \$41.8 million. Its actions were based on the best estimates at the time, but the Board recognized the uncertainty of the projections and limited spending in each plan to 70% of the allocation, or approximately \$29.3 million. As Table B indicates, the latest forecast reveals a gap between the earlier, capped allocations and likely resources.

<b>Table B</b>	
March 2007 Capitalization Projections	66,476,583
"Non-Plan" Set-Asides *	43,740,449
<b>Available for Neighborhood Plans</b>	<b>22,736,134</b>
April 2004 Phase II Neigh. Allocations	41,808,610
<b>Plan Appropriations Capped at 70%</b>	<b>29,266,027</b>
<b>Gap between Projections and Capped Appropriation</b>	<b>(6,529,893)</b>
<b>Gap between Projections and Allocation Total</b>	<b>(19,072,476)</b>
* "Non-plan" set-asides include the Affordable Housing Reserve Fund, the Community Oriented Public Safety Initiatives Reserve Fund, Youth Coordinating Board, NRP Administration, Contingency and Phase I over-obligations.	

**Common Project Debt Service** – Outstanding debt service on the 1990 Common Project bond issue is due to be fully retired by September 2009. Despite the lower overall revenue collections shown above, this is still expected to occur using projected tax increment. However, this issue will be closely watched and reported back to the Council in early 2008. If there are further unexpected reductions in revenue, the report will include recommendations on options granted by the legislature for such a contingency.

Please let me know if you any questions or would like further information.

CC Steven Bosacker  
Pat Born  
Lee Sheehy  
Gene Ranieri  
David Fey  
Heather Johnston  
Jeff Schneider  
Pam McKenna  
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