



MEMORANDUM

Date: February 11, 2021
To: Dave Corliss, Town Manager
From: Trish Muller, Finance Director
RE: Promenade Public Finance Agreement (PFA) Update

The following memo documents the background, financial commitments and current status of the PFA with Promenade.

BACKGROUND AND UPDATE

On January 7, 2014, the Town entered into a Public Finance Agreement (PFA) with Promenade. This agreement was amended on February 17, 2015 to extend certain dates as noted in the initial agreement. The PFA has 4 main financial components:

Credit PIF – The Town shares back 1.10% of the PIF sales with the District for all eligible businesses. The PFA specifically excludes the Credit PIF on Sales at King Soopers, retailers comparable to the existing outlet store retailers, and a potential relocation of the Target store.

Add-on PIF – The developer has the ability to assess an add-on PIF up to 0.50%, however, this amount is currently set at 0.25%. This amount is applied to all taxable items per the Town code. The Town collects the PIF on behalf of the developer and remits the funds to the Promenade Metro District.

UPDATE:

Credit and Add-On PIF

Credit PIF					Actual Add On PIF					Total of Credit and Add-On Pif
Projected					Projected					
Year	Total	Actual Total	Difference	% Diff	Year	Total	Actual Total	Difference	% Diff	
2015	\$ 91,143	\$ 16,009	\$ (75,134)	-82.4%	2015	\$ 20,714	\$ 6,415	\$ (14,299)	-69.0%	22,424
2016	138,082	236,777	98,695	71.5%	2016	31,382	57,439	26,057	83.0%	294,216
2017	384,298	928,390	544,092	141.6%	2017	87,340	206,568	119,228	136.5%	1,134,958
2018	986,004	1,180,868	194,864	19.8%	2018	224,092	263,055	38,963	17.4%	1,443,923
2019	1,615,512	1,449,335	(166,177)	-10.3%	2019	367,162	330,079	(37,083)	-10.1%	1,779,414
2020	2,299,023	1,709,581	(589,442)	-25.6%	2020	522,505	346,134	(176,371)	-33.8%	2,055,715

Both Credit and Add On PIF were slightly behind projections in the early stages of the project and have increased over the past couple of years with additional development, exceeding projections. For 2019, the revenue generated from the credit and add-on PIF was slightly below the projects. However, the cumulative revenue collections exceed the initial projects by approximately 18%. We anticipate continued growth in both of these revenue categories as additional retailers come into the project.

Permit Fee Reimbursement – The PFA specifies an amount of \$4,450,000 to be set aside by the Town to be reimbursed to Promenade based on eligible Gross Leasable Area (GLA) being completed. The reimbursement rate is \$6.36 /SF (\$4,450,000/ 700,000 SF) The GLA deadlines were as follows:

- the initial 60,000 of GLA completed December 31, 2015 (completed)
- an additional 140,000 (200,000 total) of GLA not later than one year after the Castle Rock Parkway Interchange completion date (Interchange completed Sept. 1, 2016)
- an additional 300,000 of GLA (500,000 total) not later than 2 years after the interchange completion date.
- a performance incentive in the event the developer met the three deadlines noted above, and completes an additional 200,000 GLA in the project (700,000 total), not later than three years after the interchange completion date, the Town will refund to the developer an additional \$750,000.

UPDATE:

GLA Milestone for performance incentive - The PFA included certain performance incentives based on completed square footage milestones. The District has **NOT** met each milestone, as noted below, and therefore is **NOT** eligible for the \$750,000 incentive bonus. The milestone dates were set based on the completion of the Castle Rock Parkway Interchange opening date, which was September 1, 2016.

Milestone Date	Required SF	Actual SF	Total Actual SF
By December 31, 2015	55,000	55,488	55,488

By July 31, 2016	5,000	0	55,488
One year after the interchange opening date (Sept 1, 2017)	140,000	471,492	526,980
Two years after the interchange opening date (Sept 1, 2018)	300,000	108,928	635,908
Three years after the interchange opening date (Sept 1, 2019)	200,000	40,693	676,601
Total	700,000	676,601	

As of January 31, 2020, the Town has paid \$4,450,000 to Promenade and has thus satisfied the Permit Fee Reimbursement criteria as stated in the PFA.

Since Promenade did not meet the performance incentive criteria, the \$750,000 the Town had previously set aside in accordance with the PFA, released back to the town as unrestricted cash.

Project Fee Cap – The PFA includes a fee cap of \$6,000,000 for fees paid directly to the Town by the Developer. The fees cap does not include Town use tax or fees paid to the Town by third parties. The Town will be responsible for Town Fees in excess of the fee cap of \$6,000,000, up to \$8,000,000. Any fees over the \$8,000,000 are the responsibility of the developer.

UPDATE:

Fees paid by developer towards fee cap = \$2.650M. After reviewing the current data concerning the Promenade development, we feel the project is not projected to exceed \$6M and will not trigger the \$2M payment from the Town. With this in mind, the current fund balance reservation has been reduced from \$2M to \$1M in the Economic Development Fund.

Conclusion:

Staff will continue to monitor the revenue trends for the Promenade area. Strong revenue trends result in timely debt service payments and the option of early calls on the existing debt. The sooner the debt is paid off, the sooner the Town will be released from the Credit PIF.