

The Downs – Credit Enhancement Agreement Structural Components

Tentative Agreement - Conceptual Framework

Town Goals

The Town's goal is to provide incentives for development features that will provide economic development benefit:

- a. Enabling infrastructure - including environmental improvements and trails
- b. Incentivize most beneficial mix of development for the Town
- c. Initiate Downtown development and preserve option for Downtown process
- d. Preserve option for building to house a rental community center facility

Credit Enhancement Agreement

1. **Maximum Developer Reimbursement:** Initial overall reimbursement cap is \$55 million, based on a portion of the "extraordinary" infrastructure costs and intend to provide the Developer with the confidence to make the initial infrastructure investment to enable the Developer to meet the economic development goals set forth in the performance standards.
2. **Rate of Reimbursement/Performance Standards Incentives:** 40% reimbursement of taxes paid on increased assessed value on District Developer Property per year for years 1-10. 40% or 25% reimbursement of taxes paid on increased assessed value on District Developer Property per year for years 11-20, depending upon performance measures described below.
 - Years 11-15: the percentage reimbursement will be 25% unless the Developer meets the following performance standards by the end of Year 10, in which case, the percentage reimbursement is maintained at 40%:
 - a. Square Feet of Non-residential: Achieve 600,000 minimum square feet of non-residential space as classified by the assessor, completed, under construction as evidenced by a building permit, or under contract to be constructed as evidenced by a lease agreement, purchase and sale agreement or similar commitment to commence construction. The nonresidential square footage performance measures shall include all development within the Master Plan, whether or not such square footage is located within the TIF District;
 - b. Infrastructure: All roads and related utilities, including public water and sewer, necessary to meet the development established in this performance standard must be completed; and
 - c. Roads/Utilities To Enable Downtown: Major arterial roads and related utilities necessary to meet the development established in this performance standard will be constructed to enable Downtown Infrastructure as envisioned.
 - Years 16-20: the percentage reimbursement will be 25% unless the Developer meets the following performance standards by the end of Year 15, in which case, the percentage reimbursement is 40%: 900,000 square feet of non-residential and as otherwise described in Years 11-15 (a) and (b) above.
3. **Cost Estimate Due Diligence:** Cost estimate details for the enabling infrastructure to be shared and reviewed prior to Council authorization of the CEA. Town to undertake due diligence to confirm costs for infrastructure prior to execution of the CEA.

4. **Residential Cap:** On the Developer's property, the total number of single-family detached dwelling units shall not exceed 750 or, notwithstanding other provisions of the CEA, the Town is no longer obligated to make any further deposits or payments pursuant to the CEA.
5. **Material Change in Circumstances:** Credit Enhancement Agreement will include provision that states if there is a material change in circumstances that impacts either party's ability to perform under the Agreement terms or targets, the parties agree to meet and discuss whether an amendment is warranted as a result.
6. **Biannual Council Updates:** The Developer agrees to keep the Town Council updated on a consistent basis regarding the status and progress made on the development, including but not limited to a written report submitted on a biannual basis to be discussed at a Town Council meeting.
7. **Downtown Process:** Town and Developer agree to a process to be completed no later than the end of Year 4 to further refine the elements and costs of the "Downtown" of the project. Following the process the Town may choose to commit further reimbursement (amendment to the CEA or separate CEA) to accomplish the Downtown. This time period may be automatically extended if the process is underway and the parties agree to a specified extension term.
8. **Community Center Land Option and Process:** Developer agrees to provide an option on project land for a possible future community center and Town agrees to form an ad hoc committee to formulate plans for a Community Center. Town must exercise land option by the end of Year 4. Option may be renewed for successive years subject to further negotiation between the parties. Land to be committed will include a designated acreage and footprint in the downtown area, at a mutually agreed upon location to be determined.
9. **CEA Bonus option for good performance:** Non-bonus term of CEA is 20 years.
 - The Developer can receive a bonus reimbursement of up to 10% of taxes paid on increased assessed value of the Developer's District property per year through and including Year 30, with a maximum annual reimbursement during the bonus term per year of \$2 million if the project has achieved the "desired development" by meeting all of the following by the end of Year 20 (or before):
 - a. The project has reached the full reimbursement of \$55 million; and,
 - b. The project has met the minimum value creation of \$615 million in the Master Plan if a downtown and community center are constructed or are under construction, or has met the minimum value creation of \$500 million in the Master Plan if a downtown and community center are not constructed or under construction; and,
 - c. The project has met the minimum of 1,200,000 square feet of non-residential space, as described in above performance standards;

If "desired development" is met before year 20, Developer is entitled to the bonus of 10% of taxes paid on increased assessed value for the remainder of the non-bonus term and for the bonus term. If the maximum developer reimbursement is met before Year 20 but the "desired development" is not reached until later, then it is possible the reimbursement will be \$0 for some years and then increase to 10 % reimbursement or \$2 million if "desired development" is met before the end of Year 20.

Potential Future Credit Enhancement Agreements

1. Downtown: If the process results in a vision for the Downtown consistent with the master plan and the Developer's goals, a second CEA would be considered, terms and conditions to be negotiated at a later date.
2. Community Center: Assuming the ad hoc committee process yields a favorable result and the Town exercises its option on the land, a second CEA would be considered, terms and conditions to be negotiated at a later date.