

Wylie Economic Development Corporation

2014 Annual Report

January 20, 2014

## **Financial Condition**

The Wylie Economic Development Corporation (WEDC) continues to make financial reporting and accountability a priority. While the City of Wylie audit is not complete at this time, meetings with the auditors (Weaver, LLP) have not revealed any reporting deficiencies or recommended changes to existing accounting practices.

For the fourteenth consecutive fiscal year, WEDC sales tax receipts have increased over prior year figures. Up 4.1% over 2013, 2014 sales tax receipts reached \$1,932,632. Following a 15.9% gain in 2013, the relatively minimal gain in 2014 still eclipses all previous years' receipts. The only significant sales tax generators added in 2014 were TJ Maxx and Home Goods. FY 2014 – 2015 monthly sales tax receipts are averaging gains of 18.25% over the prior year.

As determined via reports from the Comptroller of Public Accounts, sales taxes generated within Woodbridge Crossing for the prior twelve months reflect a 17% gain over the prior year with total sales taxes generated for the City of Wylie, WEDC, and 4B at \$1,086,832.

Property valuation within Woodbridge Crossing remained flat in 2014 at \$59.5 mm. The Sales Tax Reimbursement Agreement with Direct Development has resulted in incentive payments of \$2.6 million over the past 5 years with net sales taxes collected and ad valorem taxes paid totaling \$4.2 mm. The City of Wylie and WEDC currently reimburse 65% of all sales tax generated within Woodbridge Crossing to Inland Real Estate Corporation and will do so until 2021 or until such time that a cumulative \$6 mm in sales tax has been reimbursed.

The WEDC expended \$605,369 on grants and engineering services directly attributed to incentive packages, \$1,340,395 on the purchase of real property, \$298,701 on personnel services, \$87,353 on marketing and promotion, and debt service of \$541,119. The WEDC also had \$126,650 in income from the lease of WEDC facilities, \$257,801 associated with the Lease/Purchase Agreement with Ascend, and \$11,959 in income from a loan receivable. Finally, the WEDC ended the FY 2012 - 2013 with a fund balance of \$2,651,986.

In FY 2014 - 2015, the WEDC is contractually obligated to fund \$808,000 in direct incentive programs including sales tax rebate programs for infrastructure improvements executed with Direct Development, Clark Street, and B&B (estimated at \$310,000).

The WEDC currently owns 16.5 acres of property with a cost basis of \$5,067,963. The WEDC has annual debt service of \$620,016 associated with the above properties and a principal balance of \$2,678,573 as of December 31, 2014.

In 2014 the WEDC executed a Loan Agreement and borrowed \$976,000 to fund a commitment to the City of Wylie for improvements to and the extension of Woodbridge Parkway.

Finally in 2014, the WEDC sold its interest in 23.8 acres of land and a 116,000 square foot manufacturing facility to Ascend Custom Extrusion. Ascend exercised its Purchase Option 3 years into a 15 year lease. What began as a projected \$10 mm project, resulted in excess of \$24 mm on the tax roll.

## **Redevelopment**

The WEDC acquired 6 properties in FY 2013 - 2014 complimenting existing redevelopment efforts. Four contiguous properties on Jackson Street totaling 1.04 acres were acquired at a purchase price of \$773,320 which will be utilized to promote the expansion of commercial activity on Ballard Street. A 0.95 acre tract was acquired on Cooper Drive at \$29,306 to complement the existing 3.8 acres reserved for redevelopment. Finally, 1.2 acres was acquired just to the north of Starbucks at \$477,840 to complement the existing 1.5 acres on Industrial Court being held for redevelopment.

The WEDC is currently in negotiations to purchase one of the two remaining properties on Industrial Court leaving a final 1.2 acre tract remaining. What began in 2006 as an effort to acquire 6 properties from Shafer Plaza to Lawyers Title Company totaling 4 acres could be finalized in 2015 with current expenditures at \$1.45 mm to date.

In 2015 the WEDC will continue to evaluate opportunities to purchase additional properties within the Cooper Drive redevelopment areas. Price and location relating to existing WEDC properties will be the driving factor in additional land purchases for redevelopment.

## **Retail/Commercial Activity**

As referenced above, TJ Maxx and Home Goods finalized construction of their facilities within Woodbridge Crossing in 2014. The additional junior anchor will provide increased draw to the seemingly slow moving pad sales. A factor that is not facilitating new retail/restaurant concepts within Woodbridge Crossing is the development strategy of the shopping center owner, Inland Real Estate Corporation. Inland is not considering any pad sales but only long term ground leases. While there is still a market for entities which will commit to this financing structure, the pool of prospects is reduced dramatically. As indicated by Inland, their focus is on long term income and not increasing their cash reserves.

In 2013 construction was completed on the 175,000 square foot Kroger Market place anchored Woodbridge Centre. Kroger Marketplace occupies 114,000 with lease shop space of 22,000 square feet. Of the lease shop space constructed, only 4,500 square feet remains vacant with Papa Johns, Modern Eye Care, Orange Leaf, and Wing Stop executing leases in 2014. The owner, Clark Street Development out of Chicago, continues to employ Edge Realty to represent their interests. Clark Street entered into a Performance Agreement with the WEDC under which reimbursements for infrastructure improvements up to \$1.1 mm are available should certain performance requirements be met. \$135,000 has been reimbursed to date to Clark Street.

Also completed in 2013 was the 56,000 square foot B&B Theatre. In 2014 B&B failed to meet certain performance measures within their Performance Agreements with the City and WEDC. Subsequently, the financial commitment by the City of Wylie was terminated with the WEDC restructuring their Performance Agreement allowing B&B to earn approximately two-thirds of an original \$600,000 commitment. To date, the WEDC has funded \$150,000 in reimbursements for infrastructure improvements.

WEDC and City of Wylie representatives will continue to make attendance at the International Council of Shopping Centers Conference a priority in 2015. While it is unlikely that Wylie will

attract new investors for 'center' development in 2015 based upon the remaining acreage available within the community, the WEDC will be available to Inland and Clark Street for meetings with end users as well as promoting other retail properties in Wylie.

As a direct result of WEDC efforts beginning at ICSC in 2013, The Rock Wood Fired Kitchen began operations in December 2014. Following what we believe will be 6 months of strong sales data for The Rock, the WEDC will utilize that momentum at ICSC in May to attract new restaurant concepts to Wylie. Total sales can be estimated by evaluating alcohol sales which is reported to the State of Texas and can be extrapolated by using an industry standard of 30% of the total. This approach will be used to counter a common theme from retailers that Wylie cannot support new concepts because of low daytime employment.

### **Industrial Activity**

In 2014 the WEDC purchased a 6.63 acre tract on Alanis for \$420,000 to promote light industrial development. Prior to master-planning the site and promoting it to end users, the WEDC is evaluating other available properties in the area so as to maximize the total acreage available for industrial development.

Savage Precision is in the sixth year of its seven year Performance Agreement with the WEDC. Savage continues to meet all performance requirements surrounding valuation and employment.

Ascend Custom Extrusion is currently in compliance with all performance measures outlined within 2 Performance Agreements with the WEDC. Ascend currently operates 3 shifts in extrusion (3 presses) and packing, 2 shifts in shipping, and 1 ten hour shift in the paint line. There are currently 195 Ascend personnel.

In 2014 the WEDC finalized negotiations and entered into a Performance Agreement with Exco Extrusion Dies to construct a 30,000 square foot manufacturing facility on 3.2 acres owned by the WEDC within Premier Industrial Park. The project is estimated to be valued in excess of \$7.5 mm on the tax roll and will be complete on or about October 2015.

The WEDC completed negotiations on 6 other commercial projects in 2014 totaling \$3.9 mm in investment and 32,000 square feet of new facilities.

### **2014 Goals & Objectives**

While the WEDC will continue to seek out quality sit-down restaurants and encourage infill within existing business parks, the WEDC must continue to provide greater opportunities for industrial development by acquiring new property suited for light industrial zoning (as begun with the Alanis purchase) and to encourage light industrial/distribution uses within the 250 acre, Kansas City Southern (KCS) owned property on State Highway 78.

The KCS Intermodal served property remains the greatest opportunity for the Wylie community in terms of potential new development. With intermodal construction begun in the first quarter of 2014, the WEDC anticipates KCS finalizing concept plans for the marketing and development of their rail served property. With the potential for up to 2.5 million square feet and hundreds of

millions of dollars in potential value at build-out, the WEDC needs to stay focused on the KCS site for the next several years.

With the success that Best Western is experiencing on the northeast side of Wylie, staff believes that a second, upgraded hotel concept can be secured in 2015. With initial contact made, the WEDC believes a second hotel concept will be under construction in 2015.

The WEDC is already under way with efforts to master plan the acreage purchased on Jackson Street for mixed use development. The WEDC intends to make a presentation to Council by the second quarter of 2014 relating to market conditions, targeted uses, and design concepts prior to promoting the property to the development community.