

Wylie Economic Development Corporation

2015 Annual Report

January 22, 2016

## **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 fifteenth consecutive fiscal year, WEDC sales tax receipts have increased over prior year figures. Up 13.4% over 2014, 2015 sales tax receipts reached \$2,191,785. Following a modest gain of 4.2% in 2014, this increase eclipses all previous years' receipts. The most significant sales tax generators added in 2015 were The Rock Wood Fired Kitchen and TJ Maxx/Home Goods. FY 2015 – 2016 monthly sales tax receipts are averaging gains of 5.9% 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 23.3% gain over the prior year with total sales taxes generated for the City of Wylie, WEDC, and 4B at \$1,339,965.

Real and personal property valuation within Woodbridge Crossing equals \$64.7 mm which is a 9% gain over 2014. Cumulative property taxes paid to the City of Wylie since the inception of the incentive agreement equals \$3.55 mm. The Sales Tax Reimbursement Agreement with Direct Development has resulted in incentive payments of \$3.2 million over the past 6 years with net sales taxes collected and ad valorem taxes paid totaling \$5.9 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. Based only upon current sales taxes generated and assuming no growth, Inland will receive the maximum incentive of \$6 mm in approximately 5 years.

The WEDC expended \$768,396 on grants and engineering services directly attributed to incentive packages, \$1,858,520 on the purchase of real property, \$272,191 on personnel services, \$131,855 on marketing and promotion, and debt service of \$795,654. The WEDC also had \$202,400 in income from the lease of WEDC facilities, and \$11,958 in income from a loan receivable. Finally, the WEDC ended the FY 2014-15 with a fund balance of \$1,367,391.

In FY 2015-2016, the WEDC is contractually obligated to fund \$1,608,018 in direct incentive programs including sales tax rebate programs for infrastructure improvements executed with Direct Development, Clark Street, and B&B. These ongoing, multi-year commitments represent fifteen projects which the WEDC has previously approved or is in the process of negotiating currently. Non-allocated funding for incentive programs equals \$397,000 within incentives and \$200,000 within land acquisition.

The WEDC currently owns 23.48 acres of property with a cost basis of \$6,818,664. Annual debt service of \$686,825 has been budgeted for FY 15-16 with an outstanding principal balance of \$3,278,499 as of December 31, 2015. On or about February 1, 2016, the WEDC will incur an additional \$750,000 in debt to acquire 1.23 acres located at 398 South Highway 78 which will be further referenced with the Redevelopment section of this Report.

In 2014-2015 the WEDC executed a Loan Agreement and borrowed \$722,365 to fund the purchase of the Bart Peddicord Community Center and the City Parking lot from the City of Wylie as well as a 6.6 acre industrial tract on Alanis Blvd. An additional loan was executed in the amount of \$387,317 to fund the purchase of 106 N. Birmingham and to refinance an existing note. Finally, the WEDC borrowed \$930,000 to purchase an industrial property located at 710 Business Way. This property will be conveyed to Mann Made, Inc. as the WEDC is relocating Mann Made off of State Highway 78 to a property more conducive for industrial uses.

Finally in 2015, the WEDC conveyed its interest in 3.206 acres of land on Hensley Lane to Exco Extrusion Dies (Texas), Inc. Exco has constructed a 30,000 square foot facility and will finalize their relocation in January 2016.

### **Redevelopment**

The WEDC acquired 10 properties in FY 2014 - 2015 complimenting existing redevelopment efforts. A .30 acre tract on Industrial Court was purchased for \$326,000, six contiguous properties on Ballard Street totaling .95 acres were acquired for \$409,000, two lots totaling 0.7 acre were purchased from the City of Wylie for \$676,600, and a .21 acre lot at 106 N. Birmingham was purchased for \$190,000.

As previously addressed, in FY 2015-16 the WEDC will finalize the purchase of 398 S. Hwy 78 (Mann Made) which will complete the assembly of a 5 acre contiguous tract between Starbucks and Wylie Printing. The assemblage completes a nine year effort at an expense of \$4.3 mm to acquire eight properties from six separate property owners. The redevelopment plan identifies three, 1.6 acre restaurant pad sites with the WEDC already executing a letter of intent (LOI) for the pad site adjacent to Cooper Drive/Starbucks. Including the negotiated sales price within the LOI and reasonable market rate sales price for the remaining 2 pads, the WEDC will recoup a majority if not all of its investment.

The WEDC was also successful in attracting redevelopment to the southeast corner of F.M. 544 and Regency Drive. In 2005 and 2009 respectively, the WEDC purchased two adjacent tracts on F.M. 544 in an effort to clean up the corridor. After tearing down a dilapidated structure in 2006, the WEDC kept the 1.5 acres in its inventory to facilitate the combining of the two adjacent lots into a more master planned layout. With the demolition of an adjacent woodworking shop and billboard, a 4 acre tract will be assembled with 3 pad sites ready for development.

In 2016 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**

Even with the opening of TJ Maxx and Home Goods within Woodbridge Crossing in late 2014, pad development in front of the seemingly successful junior anchors continues to be stagnate. In staff's opinion, Inland Real Estate Corporation's focus on long term ground leases has reduced the market for these pads and will continue to hinder development. However, with the continued development of Wylie and Murphy properties along 544, the Inland pad sites will remain viable options with so few options remaining.

The Kroger Marketplace anchored Woodbridge Centre continues to generate activity with the opening of The Rock Wood Fired Kitchen in FY 2014-15. 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 2014/2015. The Rock Wood Fired Kitchen began operation in January 2015 with record breaking success and continues to do well. 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. Clark Street has received \$224,000 in sales tax reimbursements to date.

Projected for completion in fall 2016, the Wylie community secured a La Quinta Inn & Suites in 2015 to be located near the intersection of Sanden and F.M. 544. Utilizing an Occupancy Tax reimbursement program to be funded by the WEDC, the 45,000 square foot Hotel will generate approximately \$100,000 annually in Hotel & Motel Occupancy Tax to the City of Wylie and have an appraised value of approximately \$3.2 mm.

WEDC and City of Wylie representatives will continue to make attendance at the International Council of Shopping Centers Conference a priority in 2016. While it is unlikely that Wylie will attract new investors for 'center' development in 2016 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.

Two prospects generated in 2015 at ICSC are to execute real estate contracts within the next 30-60 days in Wylie. While frustratingly slow for WEDC staff, this time frame is not uncommon.

### **Industrial Activity**

In 2015 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. The WEDC has been approached by a 40,000 square foot industrial user which has initiated preliminary discussions to acquire the property. The potential investment in the site is estimated at \$2.5 - \$3 mm. Prior to the sale of the site though, the WEDC will evaluate adjacent properties in the area so as to create more opportunities for light industrial development.

Savage Precision has completed its seventh year of the seven year Performance Agreement with the WEDC. Savage met all performance requirements surrounding valuation and employment and continues to stand out as a true success story for local business growth and expansion facilitated by public/private partnerships.

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 210 Ascend employees.

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 January 31, 2016.

The WEDC completed negotiations on 5 other commercial projects in 2015 totaling \$4.95 mm in investment and 32,000 square feet of new facilities.

### **2016 Goals & Objectives**

The KCS Intermodal served property remains the greatest opportunity for the Wylie community in terms of potential new development. 2015 saw the completion of the intermodal improvements as now City/WEDC staff encourage KCS leadership to provide a strategy for encouraging light industrial/distribution development. Multi-Tech, a KCS engineering consultant, has begun evaluating the site in an effort to determine the best development options. Two recent requests from end users for sites supporting 500,000 square feet and up have facilitated the development of a master plan by KCS for the property outside of rail operations which is long overdue.

Staff is committed to bringing 4 new dining options to Wylie in 2016. Completing WEDC pad development at Cooper and 78 is a top priority and finalizing negotiations for at least one pad site in front of Kroger is a realistic goal.

With the hiring of a new WEDC Assistant Director, a more formalized Business Retention & Expansion Program will be implemented. Over the past 20 years, 48% of WEDC projects have been the result of local businesses expanding their operations. As the business community grows, it is more difficult to develop relationships with business leaders without a more formalized effort. With the implementation of a BRE program aimed at interfacing with all commercial businesses over a specified time period, determining their readiness for expansion (facilities or machinery & equipment), and the development of incentive programs to facilitate that investment, the WEDC will not only meet its primary mission of growing and diversifying the local tax base, but assist local businesses that have already invested in the Wylie community.

New investors have purchased the Barix Hospital property on State Highway 78 and the adjacent 3 story office building. With the hospital being vacant for the past 10 years and the office building grossly underutilized for the same period of time, 2016 provides a tremendous opportunity to partner with the new investment group to maximize this site's potential. Whether it be property tax incentives, permit fee waivers, or assistance with access and infrastructure upgrades, all options for assistance should be considered.

Finally, with the completion of a concept plan for mixed-use development on Jackson Street to complement Wylie's Historic Downtown, the WEDC must identify investors willing to implement this vision. While many issues directly impacting this area are as of yet unclear (i.e. access, traffic flow, parking, building height, etc.), the public/private partnership is key to success and must be pursued with greater urgency.