

**Wylie Economic Development Corporation**

**2016 Annual Report**

**January 17, 2017**

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## **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 yet complete, meetings with the auditors (Weaver, LLP) have not revealed any reporting deficiencies or recommended changes to existing accounting practices.

For the sixteenth consecutive fiscal year, WEDC sales tax receipts have increased over prior year figures. Up 13.23% over 2015, 2016 sales tax receipts reached \$2,481,757 with this year's increase eclipsing all previous years' receipts.

While the number of new businesses generating sales tax has been minimal, staff concludes that the overall spending patterns of the region are most attributable to the increase. For example, Woodbridge Crossing (Target Center) generated approximately \$4.9 mm in additional sales from October '15 thru November '16 than the previous year with no new businesses opening. More specifically, in 2014 – 2015 Mooyah Burger closed with Cowboy Chicken only open for the last two months of the comparable periods further solidifying staff's theory that Wylie's regional draw is widening and generating more sales tax as a result.

The WEDC expended \$2,441,580 on incentives and expenditures directly attributed to performance agreements, \$953,616 on the purchase of real property, \$333,007 on personnel services, \$105,176 on marketing and promotion, and debt service of \$670,278. The WEDC also had \$106,100 in income from the lease of WEDC facilities, and \$11,958 in income from a loan receivable. Finally, the WEDC ended the FY 2015-16 with a fund balance of \$465,686.

In FY 2016-2017, the WEDC is contractually obligated to fund \$862,947 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 fourteen projects which the WEDC has previously approved or is in the process of negotiating currently. Non-allocated funding for incentive programs equals \$312,000 within incentives and \$50,000 within land acquisition.

In 2016 the WEDC borrowed \$4,165,000 for the purchase of multiple properties. A 1.2-acre tract located at 398 S. Highway 78 was purchased which completed the assemblage of seven properties (5 acres) which has subsequently been cleared and is being marketed for restaurant development. A 4.79-acre tract was purchased in November 2016 from Dallas Whirlpools which bridged the gap between the City of Wylie property on 544 (EPA site) and additional properties owned by the WEDC on Commerce Street creating a 12-acre contiguous site along our primary corridor. Finally, a 0.29-acre tract located at 201 Industrial Court was purchased to be combined with two other adjoining properties and marketed for redevelopment.

As of December 31, 2016 the WEDC owns 26.9 acres of property with a cost basis of \$8,913,593. Annual debt service of \$1,910,906 has been budgeted for FY 16-17 with an outstanding principal balance of \$5,778,814 as of December 31, 2016.

In February 2016 the WEDC conveyed its interest in 2.11 acres of land to Mann Made, Inc. as part of a simultaneous purchase agreement for 398 S. Highway 78. Also, in 2016, the WEDC sold 1.433 acres of land on FM 544 to McClure Partners, LLC to further office and retail development. McClure has since contracted with Freddy's Frozen Custard & Steak Burgers, Bush's Chicken, and Soulman's Barbecue all of which will be operational in 2017.

From a more historical perspective beyond the previous 12 months, WEDC staff has tracked sales tax and project impact over the past 20 years. In 1996 sales tax collections for the WEDC were \$272,754 and as stated above are currently \$2,481,757. Capital expenditures resulting from projects pursued by the WEDC is estimated at \$323,000,000 with new commercial construction of 2,274,000 square feet.

## **Redevelopment**

### *Highway 78*

In 2016 the WEDC completed a strategic plan 9 years in the making with the purchase and demolition of the final tract near Highway 78 and Cooper Drive from the Edge family and the relocation of Mann Made Inc. to a facility on Business Way. This purchase completed a continuous span of 4.63 acres available for redevelopment. The 1.53-acre tract located at the corner of Hwy 78 and Cooper Dr. is currently under contract to Chick-fil-A and the WEDC is actively marketing the remaining 2 tracts for full-service, sit down restaurants.

The WEDC finalized purchase of the Jarrard property consisting of .29 acres located near the intersection of Highway 78 and Birmingham. The purchase of this property will enable realignment of any future development at the corner of Hwy 78 and Birmingham to face Hwy 78 and enhance ingress and egress to the site.

### *FM 544*

In coordination with the City, the WEDC assisted with the cleanup and Ready for Reuse status for the EPA Superfund site located near the intersection of Commerce and FM 544. In May 2016 with the site now owned by the City of Wylie, the EPA officially released the property for reuse and the existing structure was demolished.

In December of 2016, the adjoining 4.79-acre tract to the west was purchased by the WEDC from Dallas Whirlpools, LLC. This acquisition connects the City's property and a 2.67-acre tract on Commerce Street owned by the WEDC creating approximately 12 contiguous acres which is being marketed for redevelopment. While staff is currently in negotiations with two businesses to

purchase pad sites fronting 544, a concept plan is currently being developed between City and WEDC staff for the utilization of the remaining 10 acres to the north. While the ultimate design/use of the remaining 10 acres is unknown, it is probable that multiple office buildings will be the most marketable option.

To facilitate the use of the above mentioned WEDC-owned 7.4 acres, the properties are enrolled in the Voluntary Clean-Up Program (VCP) through the TCEQ. The VCP was required to address the existence of dry cleaning solvents from a previous business. To date, the WEDC has spent \$49,000 on the VCP application which includes consulting fees, TCEQ fees, soil testing and remediation efforts.

To further assist with the VCP process, the City Council will soon be considering the establishment of a Municipal Setting Designation (MSD) for the area which lessens the clean-up requirements imposed by the TCEQ. The MSD places restrictions on the future use at the site and access to groundwater thus protecting the public from environmentally impacted properties.

The La Quinta Inn & Suites, a 4-story, 75 room hotel development at the intersection of Sanden & 544, continues to make progress with an anticipated opening date in May 2017. Adjacent and to the east of the La Quinta, a Holiday Inn Express & Suites is under contract to purchase a 2.2-acre tract and develop a 98-room hotel.

As previously mentioned, McClure Partners purchased a 1.433-acre tract from the WEDC near the corner of FM 544 and Regency and combined it with adjoining tracts to attract retail/commercial businesses. To date, McClure Partners has successfully recruited three casual dining concepts, all of which plan to be operational in 2017. In addition, McClure Partners purchased the tract behind the frontage property and has contracted with a compounding pharmacy for a new facility. This specialized facility brings \$1.3 mm in new investment and approximately 20 specialized jobs to the Wylie community.

#### *Cooper Drive*

The WEDC owns 4.75 acres off Cooper Drive near the intersection of Cooper and 544. This acreage represents 8 of the total 15 lots in the identified area. The remaining properties are all owner occupied with on-going businesses. The redevelopment strategy is somewhat similar to Industrial Court efforts with the likely outcome being new office flex space. As with Industrial Court, the upside with new retail development was so great that it allowed the WEDC to pay in excess of market value. When Cooper ultimately redevelops, raw land will sell at approximately 50% of that generated by retail uses, therefore reducing the purchase price of remaining properties. Staff does not believe there should be a significant shift in strategy with the WEDC remaining patient and prepared to act upon opportunities as they present themselves.

### *Steel Road*

In 2010, the WEDC purchased out of bankruptcy a 0.65-acre lot on Steel Road within Regency Business Park. The property is currently being leased with the thought to utilize the property in the future to facilitate redevelopment of the adjoining property to the east. A challenge for Steel Road and Regency Business Park is the need for significant infrastructure improvements relating to drainage which severely hampers the value of the properties in the area and thus the opportunity for redevelopment.

### *Downtown*

With minor infrastructure assistance from the WEDC, Wylie Flower and Gift consolidated their operations into a smaller space creating additional retail square footage that was leased immediately. Outside of the WEDC assistance program, Pam Wells made significant improvements to space previously used for storage converting the same into two residential lofts.

The WEDC also purchased a 0.20-acre lot near the corner of Ballard and Oak Street from First Baptist Wylie. This lot can be utilized for parking in the short term, with the land being secured for future development of new structures benefitting Historic Downtown Wylie. The WEDC also worked with the owners of property at the corner of Highway 78 and Ballard to demolish the Wylie Supermarket building. With the building removed, it should enhance the marketability of the property.

With the City of Wylie discontinuing its lease of the Peddicord building, the WEDC will be considering the short-term status of the building in terms of removing the structure. From a long-term perspective, the Peddicord property continues to be part of a long-term plan for the development of a mixed-use property on Jackson Street. In 2017 WEDC and City staff will be evaluating the entire downtown district and how this type of proposed building(s) will impact surrounding land use and traffic patterns.

Complimenting overall redevelopment downtown is a 0.21-acre tract purchased by the WEDC in 2015 on Birmingham Street. However slight it may be, this property could be beneficial for parking options should the Jackson Street project come to fruition in the short or long term. Further, the existing 4,125 square foot building could be redeveloped with office uses which has occurred with multiple properties downtown.

Finally, the WEDC Board continues to evaluate the development of a 1.12 acre, WEDC-owned tract located on South Ballard which previously supported single-family rental properties. The WEDC Board has instructed staff to further evaluate adjacent properties that may need to be acquired prior to any redevelopment plans being determined.

## **Retail/Commercial Activity**

Positive activity at Woodbridge Crossing took place in 2016 with all vacant lease space now occupied in addition to the opening of Cotton Patch restaurant. The WEDC was informed by the owner that the Wylie opening set a company-wide sales record and Cotton Patch continues to experience exceptional sales. Future growth plans for Woodbridge Crossing will allow for the development of three more pad sites, in addition to a 10,000 square foot strip center, and the opportunity for several more big box retailers.

The WEDC and City continue to fund a Sales Tax Reimbursement Agreement for the development of Woodbridge Crossing. To date, \$3,911,460 has been reimbursed to Inventrust out of a \$6 mm commitment. WEDC staff estimates the commitment will be met on or about September 2019. Also to date, staff estimates that \$4.1 mm has been paid to the City of Wylie in property taxes resulting in development within Woodbridge Crossing.

The Kroger Marketplace anchored Woodbridge Centre continues to generate activity with IHOP proposing to construct a 4,525 square foot restaurant on the corner of FM 544 and Woodbridge Parkway. Kroger Marketplace occupies 114,000 square feet with lease shop space of 22,000 square feet. 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, 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. To date, Clark Street has received \$321,683 in sales tax and infrastructure reimbursements.

WEDC and City of Wylie representatives will continue to make attendance at the International Council of Shopping Centers Conference a priority in 2017. While there are very few opportunities for new 'center' development based upon the remaining acreage available within the community, the WEDC will be available to InvenTrust, Clark Street, and other Wylie developers for meetings with end users as well as promoting other retail properties in Wylie.

Mercy Medical and Wylie Village Dentistry both purchased land, constructed new medical facilities, and became operational in Wylie with assistance from the WEDC in 2016. Von Runnen Holdings also constructed a 12,047 square foot facility within Regency Business Park with assistance from the WEDC in 2016.

Finally, DFW Electric expanded and relocated their business to Wylie in 2016 converting and remodeling 5,500 square feet of a 21,800-square foot facility into office space. The conversion was completed and the company became operational in April 2016.

## **Industrial Update**

Ascend Custom Extrusion is currently in compliance with all performance measures outlined within a Performance Agreement 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. WEDC will make its final incentive payment to Ascend in February 2017.

In 2016, EXCO Extrusion Dies completed construction and moved into its new 30,000 square foot facility within Premier Industrial Park. The project resulted in \$9,703,948 in value on the tax rolls, far exceeding the anticipated \$7.5 mm estimated at the outset of the project.

In 2015 the WEDC acquired a 7-acre tract near the intersection of Alanis and Highway 78. With light industrial zoning in place, the approach is to develop this lot with a single user due to the limited width of the site. Staff does however continue to discuss the opportunity to purchase an adjacent 7-acre site to the west which would provide more development options but the asking price at this time is greater than the benefit that would be afforded. Additionally, there are flood plane challenges on the adjacent tract which creates further challenges as related to asking price and future use.

### **2017 Goals & Objectives**

The KCS Intermodal served industrial property remains the greatest opportunity for the Wylie community in terms of potential new development. In 2016 the facility was renamed to the David L. Starling Wylie Intermodal. Commercial development alongside the intermodal operations will remain a key priority for 2017 and beyond.

Assuming the Chick-fil-A project closes in April, the WEDC will have 4 restaurant pad sites to market in 2017 consisting of 2 sites on 78 and the 2 sites resulting from the Dallas Whirlpool acquisition and City of Wylie (EPA) property on 544. While there have been several offers from fast casual concepts, the WEDC Board remains committed to attracting full service sit-down restaurants. Unfortunately, this is the slowest expanding sector within commercial real estate projects. Even with that being the case, a realistic goal will be to sell two pad sites in 2017.

Identifying investors willing to implement a mixed-use development on Jackson Street that complements Wylie's Historic Downtown remains a key priority for the WEDC. 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 will be key to the success of this project.

With the hiring of a new WEDC Assistant Director in 2016, a more formalized Business Retention & Expansion Program is well underway with the development of a formal CRM database for tracking contacts, relationship development and the compilation of key data regarding new project/business needs of key employers within the community. A Business Leaders Forum was developed and held its first session in the Fall of 2016. This forum is intended to be held quarterly and is designed to foster relationship building and facilitate timely notice of expansion plans, business challenges, and any action needed to ensure the health of key employers in Wylie.

The Assistant Director is also providing additional internal assistance in vetting companies requesting financial assistance, retail recruitment, addressing development issues for WEDC lots on Highway 78 and 544, as well as many other administrative duties.

With the announcement of Collin College's Wylie campus on FM 1378, the WEDC has been working closely with the Wylie Independent School District's Career & Technology Education program, Collin College and Primary Employers within Wylie to provide input for workforce development and educational curriculum needed to fill any skills gaps that may exist. Having a cohesive plan incorporating all stakeholders will be a goal in 2017.