

Wylie Economic Development Corporation

2018 Annual Report

January 21, 2019

Financial Condition

The Wylie Economic Development Corporation (WEDC) places a priority on financial reporting each year. The WEDC Bylaws require that each year no later than January 31, a review of all expenditures, accomplishments, and expenditures other than direct economic development be presented to Council.

At the end of each fiscal year, the WEDC undergoes an annual audit of its financial practices and transactions by a third-party firm chosen by the Wylie City Council and facilitated by the City of Wylie Finance Department. While the FY 2017 - 2018 audit has not been made public and Presented to Council, the WEDC has not been notified of any discrepancies or irregularities. To ensure a greater opportunity for a 'clean' audit, WEDC staff works closely with the City of Wylie Finance Department throughout the year so that there is a complete understanding of all WEDC activities by Finance staff and the same can be more accurately documented and communicated to the auditors.

The WEDC began the fiscal year with a fund balance of \$886,200. In Fiscal year 2017-18 sales tax receipts were down 2.46% over 2017 receipts with sales tax revenue totaling \$2,562,759 of available WEDC revenue. Other revenues included rental income of \$121,995, sale of a WEDC-owned pad site on State Highway 78 for \$1,367,060, and loan payments of \$55,553. Total 2017-2018 available operating funds totaled \$4,999,386.

Expenditures for WEDC operations were as follows: Personnel - \$420,877, administrative costs - \$209,811, marketing and promotion activities - \$176,629, debt service - \$1,097,642 (which included a one-time \$363,089 principal reduction payment), land acquisition - \$578,742, direct business incentives - \$775,862 and \$226,281 in other expenses including environmental remediation and other site related expenses. Total expenditures for FY 2017-2018 were \$3,495,476.

As shown above, in FY 2017-18 the WEDC had \$775,863 in expenditures on incentives. Within the figure, \$429,994 was paid as part of ongoing sales tax reimbursement programs, \$115,869 for industrial projects and \$230,000 for office/medical/general commercial. The WEDC also forgave two loan payments totaling \$161,667 pertaining to infrastructure assistance with the Exco project and the Clark Street development, both of which met agreed upon performance measures. Of the incentive payments made, \$306,667 represented either a one-time commitment or the final payment on a multi-year agreement.

As of December 31, 2018, the WEDC owns and manages 30.3 acres of land with 86,834 square feet of improvements at a cost basis of \$9,662,456. In evaluating land which may be acquired, the WEDC Board of Directors assesses the sites' potential for business park development, the need for a site to be redeveloped based upon the current state of aging improvements, and/or a strategic intervention to protect the property from development which may not reflect the highest and best uses for an identified area. Total outstanding loans for land acquisition are \$4,674,752. While encouraged by our lender, but more of a debt management principal of the Board, as land is sold a majority of the proceeds are used to reduce principal of any loans secured to purchase that specific property. Reflective of that practice, individual payments to principal of \$1.36 mm over FY 2016 – 2018 have been made. The current FY 2018 – 2019 budget identifies \$552,000 in debt service and an additional \$1.2 mm in principal reduction payments tied to the potential sale of WEDC-owned property.

The FY 2018-2019 WEDC Budget identifies \$4.74 mm in total revenues & expenditures. Sales tax receipts, being the primary revenue source, is budgeted at \$2.6 mm, sale of WEDC property at \$1.3 mm, and rental income of \$112,440. Of the total expenses, Debt Service equals \$1.75 mm, Personnel \$422,000, and Incentives \$1.25 mm. Within the Incentives budget there are eight ongoing projects which represent \$622,000 in prior commitments and \$623,000 budgeted for future projects.

As an ongoing performance indicator, staff tracks all commercial values as a percentage of the total assessed valuation (less value attributed to tax-exempt properties). In 2018 commercial properties were valued at \$771 mm, or 16.3% of the total \$4.7 billion assessed valuation. Over the past five years, commercial values have increased by \$235 mm (44%) with new construction accounting for \$94 mm of the total. Over the same period, total valuation has increased by \$2.1 billion or an 80% increase. With an active housing market, it will continue to be a challenge for commercial value to reach in excess of 20% of the total with the highest ratio over the past 10 years being 20.42% in 2013.

High-Impact Initiatives

Woodbridge Crossing

The WEDC & City of Wylie continue to fund a sales tax reimbursement program to Inventrust (owner of Target-anchored Center). In FY 2017-2018, the WEDC reimbursed \$251,451 to Inventrust with the City reimbursing \$502,902 with total taxable sales in the Center over the same period of \$77.4 mm (a 3% increase over 2017). The City & WEDC are committed to reimburse Inventrust up to a maximum \$6 mm. \$5.45 mm has been reimbursed to date with it estimated that total obligations will be satisfied on or about June 2019. Over the life of the Performance Agreement, \$5.2 mm in ad valorem taxes have been paid to the City of Wylie with a current valuation of \$74 mm which is a 5.25% increase over 2017. Sales taxes generated over the life of the agreement, less those reimbursed to the developer, equal \$4.8 mm.

In 2018 Inventrust announced plans to construct 24,000 square feet of inline space between Kohl's and Dollar Tree. The new tenants will include Ulta, Sketchers, and an 8,000 square foot speculative retail space. Also planned is an additional 5,400 square foot building adjacent to McAlister's occupied by MOD Pizza and space for one additional retailer.

Woodbridge Parkway Corridor

In 2014, the WEDC also partnered with the City of Wylie and the City of Sachse to extend Woodbridge Parkway from Hensley Lane and provide direct access to State Highway 78. Of the \$976,000 borrowed for the WEDC commitment, there remains a principal balance of \$364,940.

The WEDC continues to fund a Sales Tax Reimbursement Agreement with Clark Street Development (owner/developer of Woodbridge Centre). In FY 2017-2018, \$115,087 was reimbursed to Clark Street with a total of \$441,760 paid since July 2013. The center is currently generating \$23 mm in taxable sales on an annual basis.

In 2018, this shopping center welcomed The Credit Union of Texas and Pet Supply Plus. Also announced was the lease of the last remaining end-cap space to Burgerim – a high-end, gourmet burger establishment.

The WEDC is funding the final payment in a sales tax reimbursement program and Performance Agreement to B&B Theatres Operating Company during the month of January. Approximately \$288,609 in infrastructure/sales tax reimbursement payments have been made to B&B since 2013.

Sanden & F.M. 544

In 2018 construction continued on the Holiday Inn Express & Suites. The 98-room, 60,000 square foot project has an estimated construction cost of \$9.2 mm. The WEDC entered into a Performance Agreement with the developer in December 2016 which required that a Certificate of Occupancy be obtained no later than June 30, 2018. The project was declared in default on July 9, 2018. It is now anticipated that the hotel will become operational in the Spring of 2019. With La Quinta coming on-line in December of 2017, hotel occupancy taxes rose 89% over the last twelve months to a total of \$141,016.

The WEDC began work in this area in 2011 with a Performance Agreement to provide median improvements and remove overhead utilities to benefit the development of Wylie Medical Plaza. At 60,000 square feet, Wylie Medical is currently 80% leased with an appraised value of \$12.6 mm.

State Highway 78 at Cooper Drive

The WEDC closed on the sale of a 1.6-acre lot to SCSD-Finnell in 2018 which is currently under construction. This sale represents the second of three available lots with a 1.45-acre lot remaining. In review, the WEDC redeveloped this property over a nine-year period as part of a strategic plan to repurpose an industrial park developed in the early 1970's. The WEDC completed \$525,000 in site work to support the 5-acre development consisting of two deceleration lanes, median improvements, a mutual access drive, and utility improvements. In 2017 a Certificate of Completion was received from the TCEQ through the Voluntary Cleanup Program for impacted soils identified in the development process. Total expenses to date for the project are \$5.5 mm with revenue generated to date of \$3.4 mm. The last remaining pad has an estimated market value of \$1.45 mm.

544 Gateway Project

In 2016 the WEDC and City began the process of assembling approximately 13 acres for redevelopment. Fronting 544 just west of 78, the City has a 5-acre tract acquired through a tax foreclosure which previously had Superfund status. The remaining 8 acres was acquired by the WEDC from 2 property owners with frontage on 544 and Commerce Street.

In 2017 the WEDC completed a study on the City site that removed approximately 2 acres from the flood plain. The WEDC, also in 2017, completed a grading plan and brought in significant fill which will greatly reduce costs associated with future development. Demolition of existing buildings was completed in 2018. A remaining structure will stay in place at the north end of the property until the City of Wylie's 5-acre tract is ready for development. The WEDC assisted relocation/expansion of the

building's tenant (DCU) to a site within Regency Business Park. DCU completed construction of an 11,000 square foot office/warehouse facility in 2018 and relocated operations to that facility.

A Certificate of Completion from the TCEQ via the Voluntary Cleanup Program for its 8-acre tract was received on February 23, 2018. The City's 5-acre tract has been accepted into the TCEQ Voluntary Cleanup Program and it is anticipated that all remediation and cleanup requirements will be met and will receive a certificate of completion from the TCEQ in early 2020. In partnership with the City of Wylie, the WEDC has expended \$521,000 on remediation, demolition, dirt work, maintenance, etc. with the WEDC carrying a current principal balance of \$2 mm on debt associated with the acquisition of the WEDC-owned 8 acres.

Jackson Street

The WEDC continues to market its 1-acre property at the northeast corner of Jackson & Oak for an office development. While the mixed-use vision originally proposed has received little interest from the development community due to estimated project costs, the WEDC is currently discussing a 4-phased office development which may generate significant day-time employment benefitting Historic Downtown Wylie.

The WEDC closed on a 0.26-acre tract near the northwest corner of Jackson & Oak in August of 2017. The WEDC had been negotiating with the property owner for over 2 years to acquire the lot. Prior to closing, the 1940's family homestead which was beyond repair was demolished.

In December 2018 the WEDC entered into contract with Rocking M, LLC to develop a 3,200 square foot office building on the lot. The WEDC Board believes the office project will promote further investment in the downtown area. It is anticipated that the sale will close by March 1, 2019 with construction to begin no later than April 2019.

Also in December 2018, the WEDC closed on 0.17 acre lot at the northeast corner of Oak and Birmingham. Similar to the Rocking M project, the existing structure previously utilized as a residential rental property will be demolished with the WEDC currently negotiating with a local developer for the construction of a two-story, ±3,900 square foot office project.

State Highway 78 & Westgate

After 20 plus years of marketing 16 acres located near the intersection of F.M. 544 and Westgate, a \$32 mm project is underway on a previously registered State landfill. The property was impacted by polypropylene and plastic shavings generated from a copper recycling business operating nearby in Wylie. To facilitate the project, the City and WEDC entered into a public-private partnership with the developer outlining fee waivers and financial assistance. Remediation and site costs were estimated at \$816,000. Phase I of the project will consist of 286 multi-family units, 2,300 sf of general retail, and 3,200 sf of restaurant space. Phase I must receive a Certificate of Occupancy no later than September 1, 2020 in order to be eligible for public assistance under the Agreement.

Commercial & Industrial Expansions/Relocations

In 2018, the WEDC executed ten Performance Agreements totaling 339,000 square feet of new construction and facilitated \$37 mm in new investment.

With acquisition of property for business park development a continuing objective, the WEDC has experienced great success in attracting investment and primary jobs via the development of business parks. Between the development of Premier Business Park, 544 Industrial Park, and Premier Business Park South, the WEDC facilitated the development of 862,000 square feet of new construction, over 800 new/retained jobs, and currently \$97,677,000 in taxable value - on only 70 acres.

2019 Goals & Objectives

While WEDC activities are often reactive, proactive efforts in 2019 must address the following:

- Downtown Revitalization and Expansion
- VCP on 544 Gateway Property
- Masterplan 544 Gateway property
- Workforce Development
- Industrial Park Development on Alanis
- Sale of 78 Pad Site
- Partner with Kansas City Southern Railway Company for the Development of a 250-acre Logistics Park
- Complete Acquisition and Begin Redevelopment of a 13.2-acre Master Planned Site at State Highway 78 and Brown Street