

## School District of Lancaster

### Convention Center TIF Proposal

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March 10, 2005

Presented by:

Curt Baker  
Director of Finance  
School District of Lancaster



### Three critical milestones in SDoL discussions with PSP regarding TIF financing

"Notwithstanding the current and potential commitment of state grant dollars to the overall project, we understand the hotel component has assumed the utilization of Tax Incremental Financing (TIF) as part of the capitalization strategy. While Penn Square Partners has not made a formal request to the School District of Lancaster, and therefore the board has not considered or evaluated the merits of a potential request, in my opinion the Board will consider the long-term beneficial impact on the tax base in evaluating utilizing TIF to make this project a reality. We understand the City of Lancaster, Lancaster County and the School District of Lancaster will be recipients of the benefits derived by the Penn Square Partners' investment in our city and believe it is appropriate for each of us to do what we can to make this dream a reality."

John R. Bonfield  
Acting Superintendent, School District of Lancaster  
Letter to Nevin Cooley – June 22, 2004

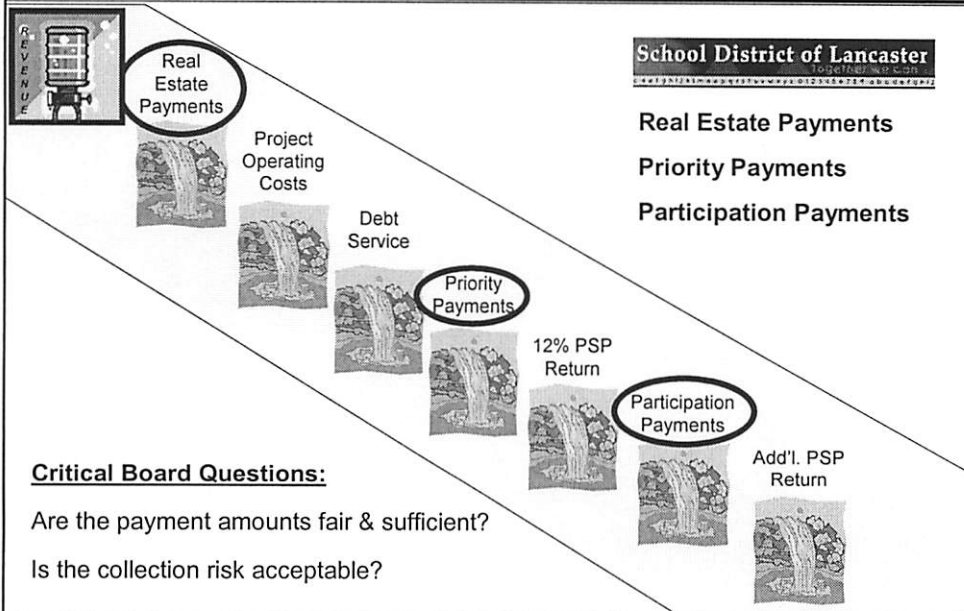
December 8, 2004: PSP meets with representatives of SDoL to indicate that a TIF is no longer necessary.

February 9, 2005: PSP indicates to the SDoL Finance Committee that TIF financing will again be required. PSP communicates, for the first time, a specific TIF proposal several days later.

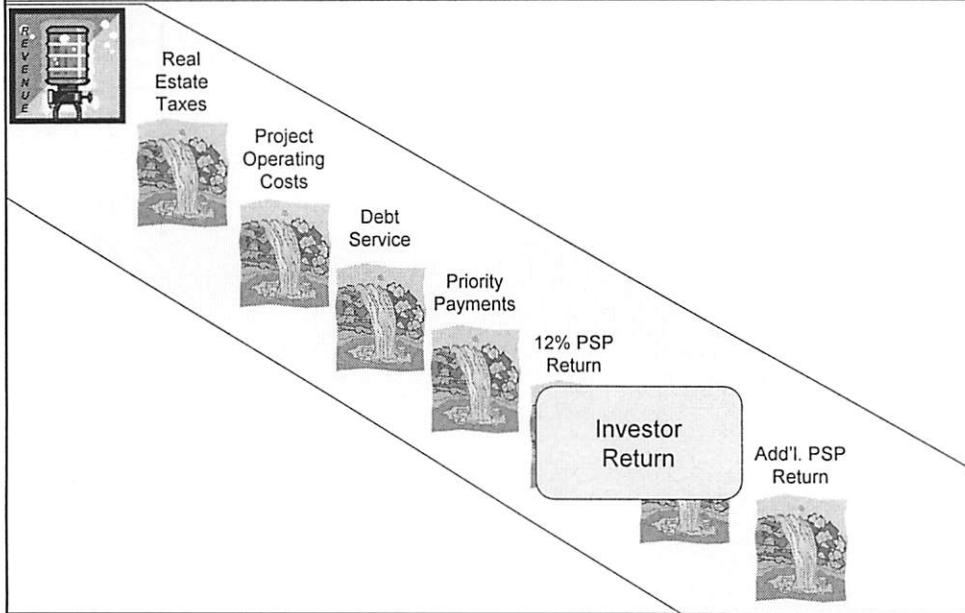
## Penn Square Partners TIF Proposal

1. SDoL participates in the proposed TIF District to be created by the City.
2. For 20 years, tax payments will be made by PSP to SDoL equal to the 2005-06 millage rate multiplied by the 2005-06 assessed value. This **"Real Estate Payment"** is a fixed amount; neither the millage rate nor the assessed value will escalate.
3. If there is cash left over after paying real estate payments, operating costs and debt service, then PSP will make **"Priority Payments"** to SDoL equal to the difference between \$100,000 and the Real Estate Payment. If there are not sufficient funds available to make a Priority Payment, then the amount not paid will be carried over into the next fiscal year.
4. If the project generates sufficient revenue to enable PSP to achieve a 12% return on investment, then PSP will make **"Participation Payments"** equal to 20% of any amounts above that threshold to SDoL.
5. Only the Real Estate Payments are guaranteed. All other payments are subject to the performance of the project.

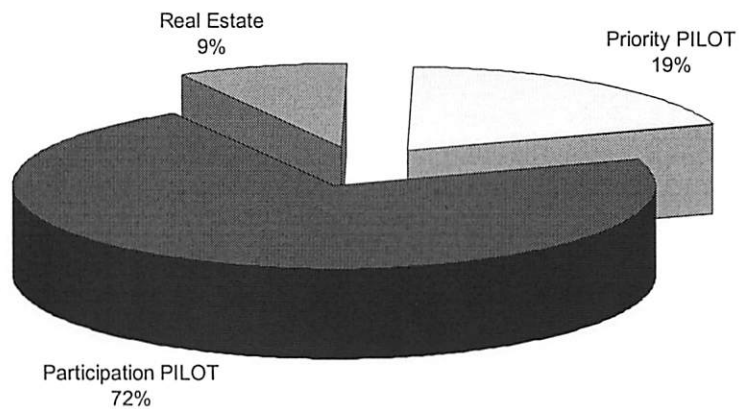
## Penn Square Partners TIF Proposal



## How does a normal project work?



## Elements of Penn Square Partners TIF Proposal



Estimated Cash Distributions to SDoL from real estate total **\$6.66 million** over the period 2005-06 through 2024-25. PSP also notes that the District will receive \$374,300 in wage taxes during the same period, bringing total SDoL proceeds to **\$7.04 million**.



## SDoL Administration Findings Analysis of Penn Square Partners TIF Proposal

- PSP estimates that the completed hotel will have a market value of **\$28.31 million**
- If the project proceeded with no TIF, the property would generate tax revenues of **\$593,000** in 2007 when the hotel opens
- If the project proceeded with no TIF, cumulative property taxes paid to SDoL from 2005 to 2024 (no TIF) would be **\$13.34 million**
- Under PSP's proposal, cumulative payments not tied to hotel performance will total only **\$582,000** over the same 20 year period
- Under PSP's proposal, expected PILOT payments – inclusive of participation payments – total only **\$6.66 million** over the 20 year period

*In the view of the SDoL Administration, PSP's proposal is inadequate.*

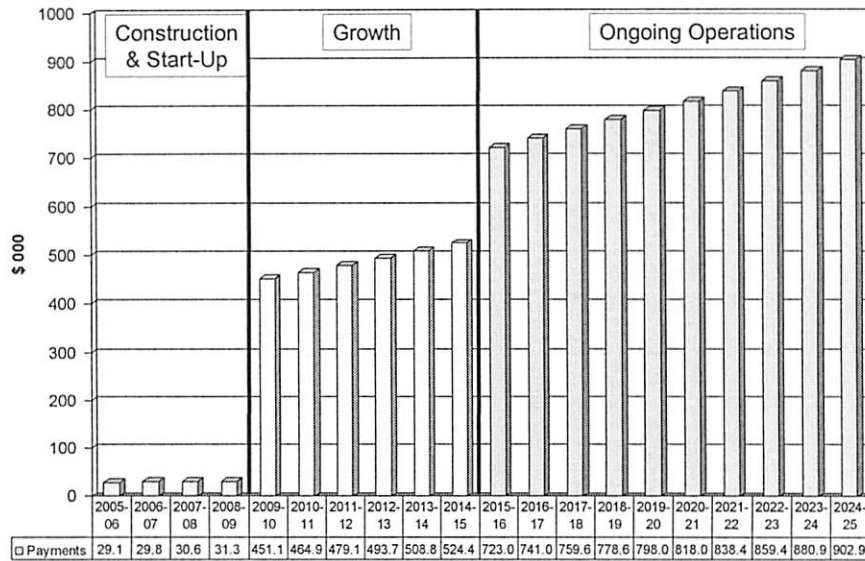
1. *It does not provide tax revenues to the District commensurate with the value of the real estate after improvements have been made.*
2. *The risk of collecting promised PILOT payments is unacceptably high.*



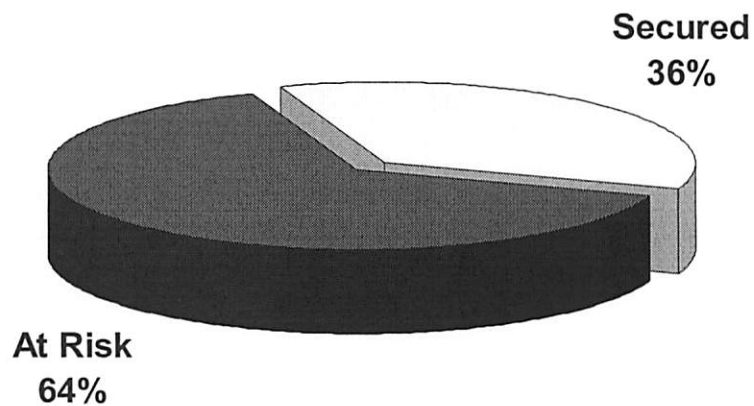
## School District of Lancaster TIF Proposal (Subject to Board Approval)

1. SDoL participates in the proposed TIF District to be created by the City.
2. During the period 2005-06 through to 2008-09, PILOT payments due to SDoL are equal to the escalated millage rate multiplied by the 2005-06 assessed value.
3. During the period 2009-10 through to 2014-15, PILOT payments due to SDoL are equal to the lesser of (a) 2.5% of gross revenues as represented in the PSP financial statement or (b) the escalated millage rate multiplied by the anticipated assessed value of the property upon completion of construction as represented by PSP.
4. During the period 2015-16 through to 2024-25, PILOT payments due to SDoL are equal to the escalated millage rate multiplied by the anticipated assessed value of the property upon completion of the construction as represented by PSP.
5. Payments under the SDoL proposal shall be secured by a \$4 million letter of credit, the balance of which shall decline each year by an amount equal to the payment actually made for that year. The letter of credit will expire when depleted.
6. Payments under the SDoL proposal after depletion of the \$4 million letter of credit are at risk and are dependent on the success of the project

## SDoL Proposal Three Phases of PILOT Payments



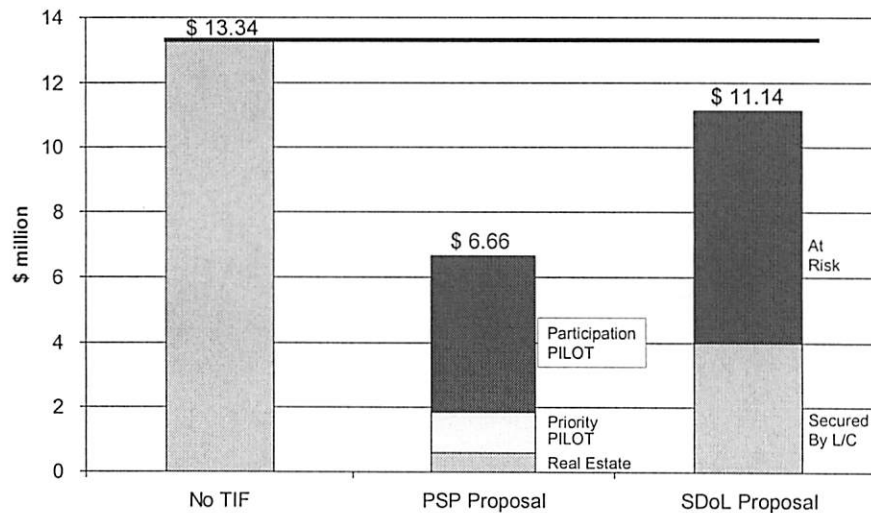
## Nearly two-thirds of the payments to SDoL will be at risk



Estimated Cash Distributions to SDoL from real estate under the SDoL proposal will total \$11.14 million over the period 2005-06 through 2024-25.

## Value of Penn Square Partners Proposal Compared with "No TIF" and SDoL Proposal Cases

Total Property Tax and/or PILOTs Paid  
 To School District of Lancaster from 2005-2024



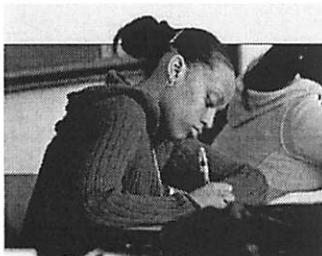
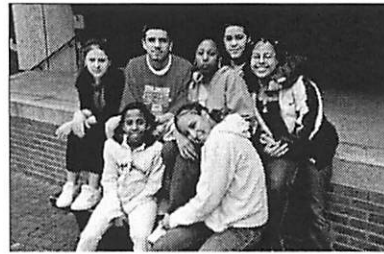
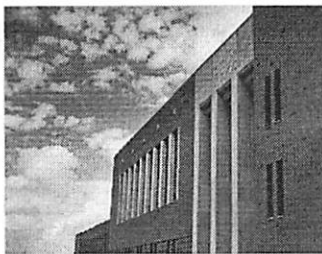
## School District of Lancaster Convention Center Proposal

	TAXES WITH NO TIF			PENN SQUARE PARTNERS TIF PROPOSAL				SDoL PROPOSAL		
	Property Value	Millage Rate escalated at 2.5%	Taxes Due (No TIF, 2.5% Escalation)	PSP Real Estate Payments	PSP Priority PILOT Payments	PSP Participation PILOT Payments	Estimated PSP Payments	SDoL Proposal	Payments Secured by Letter of Credit	Payments at Risk
2005-06	1,458,600	19.95	29,099	29,099	0	0	29,099	29,099	29,099	0
2006-07	1,458,600	20.45	29,827	29,099	0	0	29,099	29,827	29,827	0
2007-08	26,310,000	20.96	553,377	29,099	70,901	0	100,000	30,572	30,572	0
2008-09	26,310,000	21.48	606,211	29,099	70,901	0	100,000	31,337	31,337	0
2009-10	26,310,000	22.02	623,415	29,099	70,901	62,300	152,300	451,073	451,073	0
2010-11	26,310,000	22.57	639,002	29,099	70,901	147,100	247,100	464,957	464,957	0
2011-12	26,310,000	23.14	654,977	29,099	70,901	168,200	258,200	479,066	479,066	0
2012-13	26,310,000	23.71	671,351	29,099	70,901	190,000	290,000	493,713	493,713	0
2013-14	26,310,000	24.31	688,135	29,099	70,901	212,300	312,300	508,810	508,810	0
2014-15	26,310,000	24.91	705,338	29,099	70,901	235,400	335,400	524,372	524,372	0
2015-16	26,310,000	25.54	722,972	29,099	70,901	259,100	359,100	722,972	722,972	0
2016-17	26,310,000	26.18	741,045	29,099	70,901	283,200	383,200	741,045	741,045	0
2017-18	26,310,000	26.83	759,572	29,099	70,901	308,800	408,800	759,572	759,572	0
2018-19	26,310,000	27.50	778,562	29,099	70,901	334,800	434,800	778,562	778,562	0
2019-20	26,310,000	28.19	798,026	29,099	70,901	361,500	461,500	798,026	798,026	0
2020-21	26,310,000	28.89	817,976	29,099	70,901	389,000	489,000	817,976	817,976	0
2021-22	26,310,000	29.62	838,426	29,099	70,901	417,400	517,400	838,426	838,426	0
2022-23	26,310,000	30.36	859,366	29,099	70,901	446,600	546,600	859,366	859,366	0
2023-24	26,310,000	31.12	880,871	29,099	70,901	476,500	576,500	880,871	880,871	0
2024-25	26,310,000	31.89	902,893	29,099	70,901	507,600	607,600	902,893	902,893	0
			13,342,464	581,980	1,276,218	4,800,300	6,658,498	11,142,456	4,000,000	7,142,456



**School District of Lancaster**  
**Our job is educating students**

## Comments and Questions



*If you have questions or comments,  
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