Agenda – Council – January 30, 2013

Report – Standing Policy Committee on Property and Development – January 15, 2013

Item No. 15 Joint Venture Agreement with Terracon Development Ltd. Involving City-owned land south of the Aqueduct in the St. Boniface Community (St. Boniface Ward)

STANDING COMMITTEE RECOMMENDATION:

On January 23, 2013, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, and submits the following to Council:

1. That the Council decision of November 23, 2005 in regard to the proposed sale of the subject City property and the economic incentive package in favour of Olywest Consortium be rescinded.

2. That a Joint Venture Agreement between Terracon Development Ltd. (Terracon) and the City of Winnipeg, subject to terms and conditions deemed necessary by the Director of the Planning, Property and Development Department and the Director of Legal Services/City Solicitor, which will be consistent with other successful Council approved Joint Ventures previously negotiated and approved between developers and the City of Winnipeg in other areas of the City, be approved.

3. That the City lands shown on the attached Misc. Plan No. 14362 be declared surplus to the City's needs and reserved for the Joint Venture with Terracon Development Ltd.

4. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

5. That the Property Officers of the City do all things necessary to effect the intent of the foregoing.

Report – Standing Policy Committee on Property and Development – January 15, 2013

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 23, 2013, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On January 15, 2013, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Proposed Joint Venture Agreement with Terracon Development Ltd. Involving City-owned land south of the Aqueduct in the St. Boniface Community**

Critical Path: **Standing Policy Committee on Property and Development**
Executive Policy Committee
Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Zabudney	B. Thorgrimson	M. Ruta	P. Sheegl

RECOMMENDATIONS

That Council approves as follows:

1. To rescind its decision of November 23, 2005 in regard to the proposed sale of the subject City property and the economic incentive package in favour of Olywest Consortium.

2. That a Joint Venture Agreement between Terracon Development Ltd. (Terracon) and the City of Winnipeg, subject to terms and conditions deemed necessary by the Director of the Planning, Property and Development Department and the Director of Legal Services/City Solicitor, which will be consistent with other successful Council approved Joint Ventures previously negotiated and approved between developers and the City of Winnipeg in other areas of the City, be approved.

3. That the City lands shown on the attached Misc. Plan No. 14362 be declared surplus to the City's needs and reserved for the Joint Venture with Terracon Development Ltd.

4. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

5. That the Property Officers of the City do all things necessary to effect the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to declare City-owned property surplus and for the City to enter into a Joint Venture agreement.

IMPLICATIONS OF THE RECOMMENDATIONS

- There are no regulatory or human resources implications associated with this report.
- The City of Winnipeg would benefit from the sale of the half interest in the land and from development profits as they occur.
- An independent appraisal valued the City land to be $8,100 per acre and Terracon have agreed to acquire a one half interest of the approximate 237 acre site from the City at a total price of approximately $959,850 plus applicable G.S.T. for development pursuant to the terms of this Agreement.
- During Year One of the Joint Venture, it is anticipated that 50.4 acres will be developed at a cost of $80,000/acre + $15,000/acre for trunk service rates or approximately $4,788,000 in total.
- Each party to the joint venture will be required to contribute 50% of $4,788,000 or $2,394,000.
- The City will contribute $959,850 in cash (i.e. the proceeds of the sale of half of the 237 acres) while Terracon, in addition to its 50% share or $2,394,000, will front end the remaining City share of $1,434,150 ("the borrowed amount").
- The terms and conditions of the Joint Venture Agreement to be negotiated will include provisions for repayment by the City to Terracon of the borrowed amount plus a reasonable rate of interest thereon.
- The City and Terracon mutually agree that Terracon is contributing its land development expertise pursuant to this Joint Venture. Upon execution of a Joint Venture Agreement, the City and Terracon shall become the beneficial owners of an undivided one-half interest in the City Land.
- It is projected that full development of the City Lands contained within the Joint Venture would involve approximately 16 years.
- The Lands will be developed on a phased or staged basis.
- The Planning, Property and Development Department has examined the pro-forma financial statements and concluded that the projections contained therein are reasonable.
- The City's involvement with the proposed Joint Venture would improve opportunities for:
    - New industrial development within the City of Winnipeg boundaries
    - Planning and staging orderly industrial growth
    - Accelerating the creation of new municipal tax revenues.

HISTORY

In September 2008, Terracon approached the Planning, Property and Development Department to consider a proposal to participate in the completion of the improvements of Mazenod Road to the southern limit of the aqueduct. That would enable development to proceed within The Waters Business Park; as well as provide for the servicing of the 237 acres of City owned land located south of the aqueduct. Terracon also suggested a Joint

Venture partnership between Terracon and the City of Winnipeg to develop the City's 237 acres of industrially zoned lands south of the aqueduct. Potential development opportunities could result in industrial sites that could be sold at then market rates for a total of approximately $24,000,000 before municipal infrastructure improvements.

On February 18, 2009 Council authorized the Winnipeg Public Service to enter into an Agreement of Servicing with Terracon Development for enhancement/improvements within the Mazenod Road Right-of-Way that could potentially generate $24,000,000 (in 2009 dollars) in sales.

On July 1, 2009, the serviced Mazenod Road opened.

Considering Mazenod Road is now fully serviced, in 2010 Terracon approached the City to enter into a Joint Venture to service and sell the 237 acre parcel of industrial land within the City's boundary south of the Aqueduct in the St. Boniface Community. Terracon has proposed to name this the "Prairie Industrial Park".

In recent years many Winnipeg businesses have started moving their operations outside of the City into the neighbouring rural municipalities (the "RMs"). No new serviced industrial land is being developed to add to the City's already dwindling supply. Lack of supply and market demand demonstrates that the Prairie Industrial Park serviced industrial land will be sought after and help stem the exodus of tax dollars and jobs to the RMs.

It is proposed that Prairie Industrial Park will be developed through a Joint Venture (JV) between the City of Winnipeg and Terracon Development Ltd. The opportunity to develop Prairie Industrial Park is a direct result of a successful agreement between the City and Terracon to service Mazenod Road and the aqueduct crossing; this provides access to the 237 acres of land located south of the City Aqueduct (the subject property).

Terracon has presented its Business Plan to the City's Public Service, including the Public Works and Water and Waste Departments. The Public Service supports Terracon's Business Plan in principle.

It is proposed that this JV will proceed as follows:

- 50/50 JV partners (City and Terracon).
- It has been established that the value for the City land is $8,100 per acre.
- City to hold title of land until sold to end user.
- Terracon will engage Morris and Hershfield (MH) to begin engineering design and lot layout.
- Terracon to make development application (based on "sustainable development standards" following the principles of OurWinnipeg).
- Terracon to be managing partner for a fee of 4%.
- Profits split 50/50.
- Terracon financing approximately $1.4 million of the City's share of the cost of installing services at a cost of approximately $300,000 in interest.

This proposed JV will be structured generally in accordance with other successful Joint Ventures previously negotiated and approved between developers and the City of Winnipeg in other areas of the City. The Director of Planning, Property and Development will negotiate the

terms of a Joint Venture agreement with Terracon for the purposes of developing and marketing the City Lands, in accordance with the plans contained within their proposal.

Financial Analysis

Based on the assumption that all 237 acres of the subject City-owned property could be sold in 2013 at a market value of $8,100 per acre for eventual development as industrial lands, the City would realize net proceeds of $1,919,700. This compares to a net present value (NPV) of $1,406,800 (5% discount rate) from the City's share of projected net proceeds of the proposed JV, a difference of $512,900. Despite this, the Public Service is supportive of the proposed JV for the following reasons:

1. By marketing the 237 acre subject property in 2013, there is a high probability that it will be purchased (perhaps in a piecemeal manner) and held for future development; potentially residential development (pending a rezoning), which is generally more profitable than industrial development.
2. The JV will help address the shortfall in inventory of industrial / employment land within the City of Winnipeg, attract customers who might otherwise locate in neighbouring municipalities and facilitate planned, orderly development of the subject property.
3. Earlier development of the subject property is anticipated through the JV than would otherwise be the case, resulting in increased municipal tax revenues sooner rather than later (Terracon's Business Plan projects nearly $2.1 million annually in municipal realty taxes from this project when fully developed. In addition, business tax revenue is estimated to be nearly $1.35 million annually upon full build out.)
4. The City does not have the resources necessary to develop and market the land.

The proposed joint venture includes Terracon "front-ending" approximately $1.43 million of the cost of installing services in the subject property. Based on the pro forma financial analysis, the borrowed amount will be outstanding for a five-year period with repayment anticipated for mid-2018. As such, the impact of this financing on the City's debt strategy must be considered.

Debt Strategy Impact

On June 22, 2011, Council adopted the Debt Strategy report for tax supported, utilities and total City borrowing. The project requires $1.43 million in debt financing.

The impact of this debt financing falls within the City debt limits established in the Council report as outlined in the table below.

- Total City net debt as a percentage of revenue maximum of 85%
- Forecasted peak rate including proposed debt from this report 69.0%
- Total City debt servicing as a percent of revenue maximum of 11%
- Forecasted peak rate including proposed debt from this report 7.8%
- Total City debt per capita not to exceed maximum of $2,050
- Forecasted peak rate including proposed debt from this report $1,695

Additional reasons the Public Service supports entering into a JV with Terracon Development Ltd. include:

- The Ward Councillor supports the proposed JV.
- The price being offered for Terracon's share for the subject property is $8,100 per acre which is within the appraised value.
- Terracon is contributing its land development expertise pursuant to this joint venture.
- Terracon has demonstrated its expertise in the successful development of other industrial land, such as Tuxedo Business Park, Terracon Park.
- The opportunity to develop Prairie Industrial Park is a direct result of the Council authorization of February 18, 2009 to enter into an agreement with the City and Terracon Development Ltd. to service Mazenod Road and the aqueduct crossing; this provides access to the subject City property.
- The proposed JV Partners through the development of the Prairie Industrial Park will compete with the industrial users of local, national and international scope. Prairie Industrial Park will be able to pursue such varying size and orientation of users with a variety of flexible lot sizes.

FINANCIAL IMPACT

Financial Impact Statement

Date: December 31, 2012

Project Name: Proposed Joint Venture Agreement with Terracon Development Ltd. involving City-owned land south of the Aqueduct in the St. Boniface Community

First Year of Program 2013

	2013	2014	2015	2016	2017 to 2029
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 14,581	$ 59,023	$ 61,428	$ 64,109	$ 100,729
Less: Incremental Revenue/Recovery	29,250	46,381	886,645	676,168	35,033,458
Net Cost/(Benefit)	$ (14,669)	$ 12,642	$ (825,217)	$ (612,059)	$ (34,932,729)
Less: Existing Budget Amounts	(14,669)	12,642	(825,217)	(612,059)	(34,932,729)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs beginning in 2013 represent estimated interest expense on $1,434,150 in costs front ended by Terracon ("the borrowed amount"). Total interest expense to 2018, the year the borrowed amount + accrued interest is assumed to be repaid, is estimated to be $299,782. Incremental revenues beginning in 2013 represent the City's 50% share of net income of the Joint Venture. Revenues also include municipal property taxes on lands sold (beginning in 2014) and buildings constructed (beginning in 2015) as well as business taxes (beginning in 2015). Total City share of net income to 2028 when it is projected that all lands will have been sold, is $2,400,081. Overall, the City's is projected to net $2,100,299 from the Joint Venture. Total municipal taxes to 2029, assuming all land has been sold, buildings constructed and tenants secured, is $34,271,821. Annual taxes at full build-out are assumed to be $3,421,343. See Appendices 1 to 3 for details of calculations and list of assumptions.

"Original signed by"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

Assessment & Taxation Department
Legal Services Department
Corporate Finance Department

SUBMITTED BY

Department	Planning, Property and Development
Division	Real Estate
Prepared by:	Joedi Pruden
Date:	January 7, 2012
File No.	32/6123 43 V.3

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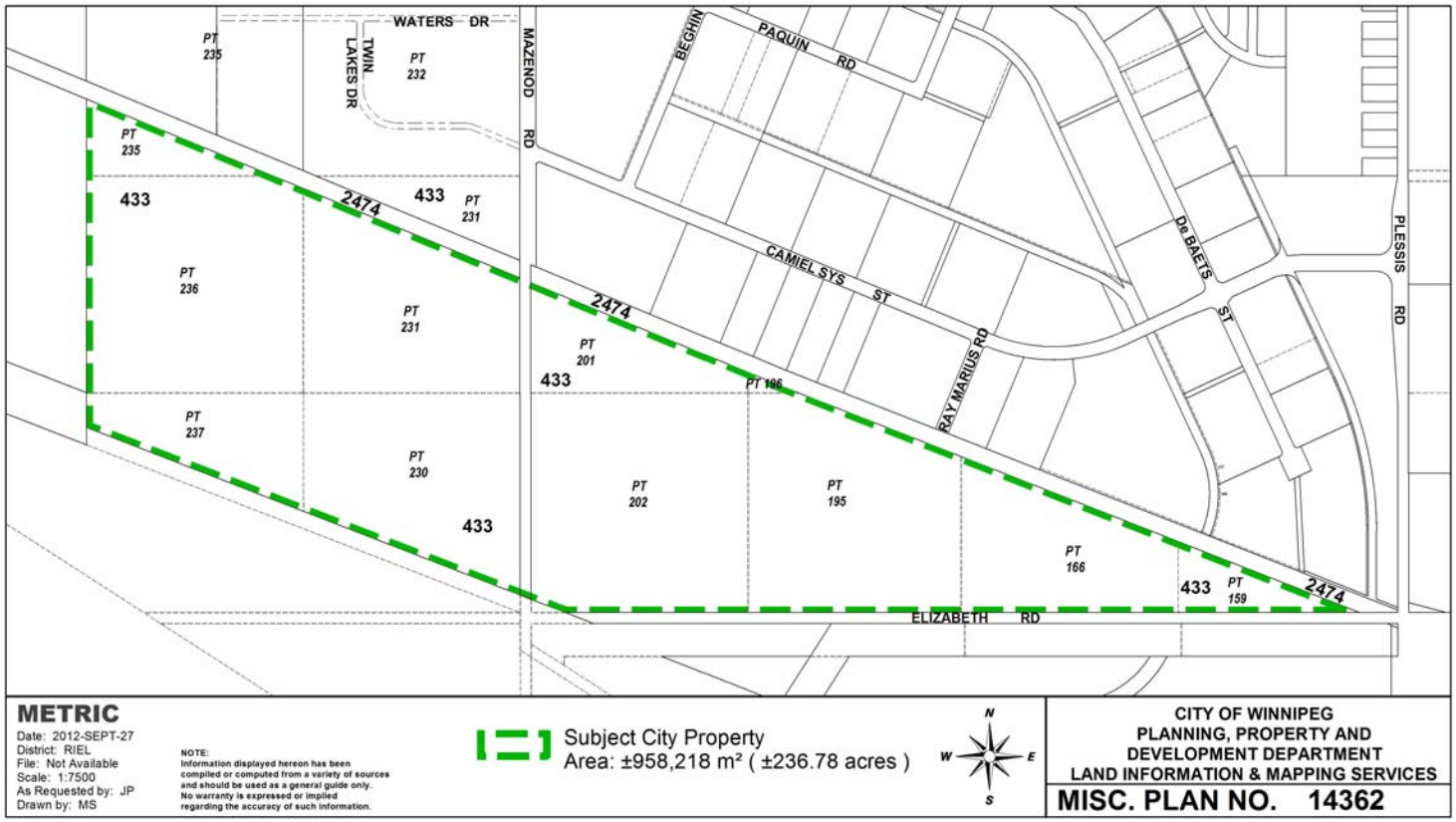
WATERS DR
TWIN LAKES DR
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CAMIEL SYS ST
RAY MARIUS RD
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PLESSIS RD
ELIZABETH RD
PT 235
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PT 236
PT 237
PT 230
PT 201
PT 202
PT 195
PT 166
PT 159
PT 196
433
2474
METRIC
Date: 2012-SEPT-27
District: RIEL
File: Not Available
Scale: 1:7500
As Requested by: JP
Drawn by: MS
NOTE:
Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only. No warranty is expressed or implied regarding the accuracy of such information.
Subject City Property
Area: ±958,218 m² (±236.78 acres)
N
W
E
S
CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPARTMENT
LAND INFORMATION & MAPPING SERVICES
MISC. PLAN NO. 14362

Appendix 1

PROJECTED INCOME STATEMENT - PROPOSED TERRACON JOINT VENTURE

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	$0	$1,875,000	$1,875,000	$7,500,000	$2,250,000	$4,590,000	$1,560,600	$1,591,812	$1,623,648
COGS (Development Costs)	$0	$1,425,000	$1,425,000	$4,750,000	$1,542,471	$3,084,942	$1,004,522	$1,004,522	$1,004,522
Gross Profit	$0	$450,000	$450,000	$2,750,000	$707,529	$1,505,058	$556,078	$587,290	$619,126
Municipal Expesne	$0	$93,750	$93,750	$375,000	$112,500	$229,500	$78,030	$79,591	$81,182
Property Management	$0	$75,000	$75,000	$300,000	$90,000	$183,600	$62,424	$63,672	$64,946
Sales Commission	$0	$93,750	$93,750	$375,000	$112,500	$229,500	$78,030	$79,591	$81,182
Legal	$0	$7,500	$7,500	$25,000	$7,500	$15,000	$5,000	$5,000	$5,000
Land Cost	$0	$121,500	$121,500	$405,000	$121,500	$243,000	$81,000	$81,000	$81,000
Total Expenses	$0	$391,500	$391,500	$1,480,000	$444,000	$900,600	$304,484	$308,854	$313,311
Income	$0	$58,500	$58,500	$1,270,000	$263,529	$604,458	$251,594	$278,437	$305,816

	2022	2023	2024	2025	2026	2027	2028	Total	City Share
Revenue	$1,324,897	$1,351,395	$1,378,423	$1,405,991	$1,434,111	$1,462,793	$594,955	$31,818,625	$15,909,313
COGS (Development Costs)	$859,362	$859,362	$859,362	$859,362	$859,362	$859,362	$393,474	$20,790,622	$10,395,311
Gross Profit	$465,535	$492,033	$519,061	$546,629	$574,749	$603,432	$201,481	$11,028,003	$5,514,001
Municipal Expesne	$66,245	$67,570	$68,921	$70,300	$71,706	$73,140	$29,748	$1,590,931	$795,466
Property Management	$52,996	$54,056	$55,137	$56,240	$57,364	$58,512	$23,798	$1,272,745	$636,373
Sales Commission	$66,245	$67,570	$68,921	$70,300	$71,706	$73,140	$29,748	$1,590,931	$795,466
Legal	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$1,595	$103,095	$51,548
Land Cost	$64,800	$64,800	$64,800	$64,800	$64,800	$64,800	$25,839	$1,670,139	$835,070
Total Expenses	$254,286	$257,995	$261,779	$265,639	$269,576	$273,591	$110,728	$6,227,842	$3,113,921
Income	$211,250	$234,038	$257,282	$280,991	$305,174	$329,840	$90,753	$4,800,161	$2,400,081

Assumptions

1) Revenues are based on estimated selling prices ranging from $125,000 to $185,000 per acre to full build-out.
2) Development Costs - estimated at $95,000 per acre, including TSR's, increasing by an inflation factor of 2% annually.
3) Expenses estimated as follows:
- Municipal expense (admin, land dedication, etc.) @ 5% of sales
- Property management @ 4% of sales
- Sales commission @ 5% of sales
- Legal costs @ $500/acre

Appendix 2

PROJECTED MUNICIPAL TAXES - PROPOSED TERRACON JOINT VENTURE

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Developable Acreage	206.19	206.19	206.19	206.19	206.19	206.19	206.19	206.19	206.19
Acreage Available to be Developed	202.71	155.79	155.79	155.79	105.39	105.39	54.99	54.99	54.99
Acres Developed this Year	50.4	0	0	50.4	0	50.4	0	0	50.4
Total Developed Acreage	50.4	50.4	50.4	100.8	100.8	151.2	151.2	151.2	201.6
Acres Available for Sale	0	50.4	35.4	70.8	20.8	56.2	26.2	16.2	56.6
Acres Sold	0	15	15	50	15	30	10	10	10
Total Sold acres	0	15	30	80	95	125	135	145	155
Tax Revenue - Land									
Assessed Value	$ -	$ 1,875,000	$ 3,750,000	$ 12,000,000	$ 14,250,000	$ 19,125,000	$ 21,060,000	$ 23,081,245	$ 25,166,575
Portioning Rate	65%	65%	65%	65%	65%	65%	65%	65%	65%
Portioned Assessment	$ -	$ 1,218,750	$ 2,437,500	$ 7,800,000	$ 9,262,500	$ 12,431,250	$ 13,689,000	$ 15,002,809	$ 16,358,274
Mill Rate	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056
Municipal Realty Taxes - land only	$ -	$ 17,131	$ 34,262	$ 109,637	$ 130,194	$ 174,734	$ 192,413	$ 210,879	$ 229,932
Tax Revenue - Building									
Assessed Value		$ -	$ 13,721,400	$ 27,442,800	$ 73,180,800	$ 86,902,200	$ 114,345,000	$ 123,492,600	$ 132,640,200
Portioning Rate		65%	65%	65%	65%	65%	65%	65%	65%
Portioned Assessment		$ -	$ 8,918,910	$ 17,837,820	$ 47,567,520	$ 56,486,430	$ 74,324,250	$ 80,270,190	$ 86,216,130
Mill Rate		0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056
Municipal Realty Taxes - land only	$ -	$ -	$ 125,364	$ 250,728	$ 668,609	$ 793,973	$ 1,044,702	$ 1,128,278	$ 1,211,854
Business Tax Revenue									
Estimated Annual Rental Value	$ -	$ -	$ 1,559,640	$ 3,119,280	$ 8,518,080	$ 10,115,220	$ 13,347,000	$ 14,455,260	$ 15,572,145
Business Tax Rate	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Business Taxes	$ -	$ -	$ 92,019	$ 184,038	$ 502,567	$ 596,798	$ 787,473	$ 852,860	$ 918,757
Total Municipal Tax Revenue	$ -	$ 17,131	$ 251,644	$ 544,403	$ 1,301,369	$ 1,565,505	$ 2,024,587	$ 2,192,018	$ 2,360,542

	2022	2023	2024	2025	2026	2027	2028	2029	Total
Total Developable Acreage	206.19	206.19	206.19	206.19	206.19	206.19	206.19	206.19	
Acreage Available to be Developed	4.59	4.59	4.59	4.59	4.59	4.59	0	0	
Acres Developed this Year	0	0	0	0	0	4.59	0	0	
Total Developed Acreage	201.6	201.6	201.6	201.6	201.6	206.19	206.19	206.19	
Acres Available for Sale	46.6	38.6	30.6	22.6	14.6	11.19	4.59	0	
Acres Sold	8	8	8	8	8	6.6	4.59	0	
Total Sold acres	163	171	179	187	195	201.6	206.19	206.19	
Tax Revenue - Land									
Assessed Value	$ 26,994,756	$ 28,886,004	$ 30,842,237	$ 32,865,063	$ 34,956,480	$ 36,862,358	$ 38,455,672	$ 39,224,761	
Portioning Rate	65%	65%	65%	65%	65%	65%	65%	65%	
Portioned Assessment	$ 17,546,591	$ 18,775,903	$ 20,047,454	$ 21,362,291	$ 22,721,712	$ 23,960,533	$ 24,996,187	$ 25,496,095	
Mill Rate	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	
Municipal Realty Taxes - land only	$ 246,635	$ 263,914	$ 281,787	$ 300,268	$ 319,376	$ 336,789	$ 351,346	$ 358,373	$ 3,557,670
Tax Revenue - Building									
Assessed Value	$ 141,787,800	$ 149,105,880	$ 156,423,960	$ 163,742,040	$ 171,060,120	$ 178,378,200	$ 184,415,616	$ 188,614,364	
Portioning Rate	65%	65%	65%	65%	65%	65%	65%	65%	
Portioned Assessment	$ 92,162,070	$ 96,918,822	$ 101,675,574	$ 106,432,326	$ 111,189,078	$ 115,945,830	$ 119,870,150	$ 122,599,337	
Mill Rate	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	0.014056	
Municipal Realty Taxes - land only	$ 1,295,430	$ 1,362,291	$ 1,429,152	$ 1,496,013	$ 1,562,874	$ 1,629,735	$ 1,684,895	$ 1,723,256	$ 17,407,153
Business Tax Revenue									
Estimated Annual Rental Value	$ 16,695,438	$ 17,610,064	$ 18,530,996	$ 19,458,428	$ 20,392,518	$ 21,333,468	$ 22,127,797	$ 22,707,004	
Business Tax Rate	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	
Business Taxes	$ 985,031	$ 1,038,994	$ 1,093,329	$ 1,148,047	$ 1,203,159	$ 1,258,675	$ 1,305,540	$ 1,339,713	$ 13,306,998
Total Municipal Tax Revenue	$ 2,527,096	$ 2,665,199	$ 2,804,268	$ 2,944,328	$ 3,085,409	$ 3,225,198	$ 3,341,781	$ 3,421,343	**$ 34,271,821**

Assumptions

1) Assessed value of land assumed to be equivalent to estimated selling prices ranging from $125,000 to $185,000 per acre to full build-out.
2) Each acre of land sold will have a 15,246 sq. ft. building constructed the year following the sale of the land at a cost of $60 per sq. ft. or $914,760.
3) Assessed value of buildings assumed to be equivalent to estimated cost to construct (i.e. $914,760).
4) Portioning and mill rates are assumed to remain constant at 65% and 0.014056 respectively.
5) Annual Rental Value is estimated to be 10% of total assessed value (e.g. assessed value of land sold in Year X plus assessed value of the building in Year X+1).
6) Business tax rate of 5.9% is assumed to remain constant.

Appendix 3

FINANCING COSTS PROJECTION - PROPOSED TERRACON JOINT VENTURE

Assumptions:

1) interest rate equal to **4.0%** per annum.
2) interest calculated daily (used 365 days); therefore, daily rate equals **0.0110%**
3) total accumulated daily interest at the end of each month is added to the outstanding principal amount . (i.e. compound interest to be paid)
4) First draw on loan occurs July 1, 2013 in the amount of **$717,075**
5) Second and final draw on loan occurs on January 1, 2014 in the amount of **$717,075**
6) Principal amount and total accrued interest repaid on July 1, 2018.

Results under Assumptions Listed Above

Total Interest Costs - Terracon "Front-Ending" portion of City's Contribution to Cost of Services **299,872**

Date	Principal	Draws on Loan	Prior Month Accum. Daily Interest	Revised Principal	Daily Interest	No. of Days in Month	Accum. Daily Interest	Per Financial Impact Statement
1-Jul-13	0	717,075	0	717,075	79	31	2,436	
1-Aug-13	717,075	0	2,436	719,511	79	31	2,444	
1-Sep-13	719,511	0	2,444	721,955	79	30	2,374	
1-Oct-13	721,955	0	2,374	724,329	79	31	2,461	
1-Nov-13	724,329	0	2,461	726,790	80	30	2,389	
1-Dec-13	726,790	0	2,389	729,179	80	31	2,477	14,581
1-Jan-14	729,179	$717,075	2,477	1,448,731	159	31	4,922	
1-Feb-14	1,448,731	0	4,922	1,453,653	159	28	4,461	
1-Mar-14	1,453,653	0	4,461	1,458,114	160	31	4,954	
1-Apr-14	1,458,114	0	4,954	1,463,067	160	30	4,810	
1-May-14	1,463,067	0	4,810	1,467,877	161	31	4,987	
1-Jun-14	1,467,877	0	4,987	1,472,864	161	30	4,842	
1-Jul-14	1,472,864	0	4,842	1,477,706	162	31	5,020	
1-Aug-14	1,477,706	0	5,020	1,482,727	162	31	5,037	
1-Sep-14	1,482,727	0	5,037	1,487,764	163	30	4,891	
1-Oct-14	1,487,764	0	4,891	1,492,655	164	31	5,071	
1-Nov-14	1,492,655	0	5,071	1,497,726	164	30	4,924	
1-Dec-14	1,497,726	0	4,924	1,502,650	165	31	5,105	59,023
1-Jan-15	1,502,650	0	5,105	1,507,755	165	31	5,122	
1-Feb-15	1,507,755	0	5,122	1,512,877	166	28	4,642	
1-Mar-15	1,512,877	0	4,642	1,517,519	166	31	5,155	
1-Apr-15	1,517,519	0	5,155	1,522,675	167	30	5,006	
1-May-15	1,522,675	0	5,006	1,527,681	167	31	5,190	
1-Jun-15	1,527,681	0	5,190	1,532,871	168	30	5,040	
1-Jul-15	1,532,871	0	5,040	1,537,910	169	31	5,225	
1-Aug-15	1,537,910	0	5,225	1,543,135	169	31	5,242	
1-Sep-15	1,543,135	0	5,242	1,548,377	170	30	5,091	
1-Oct-15	1,548,377	0	5,091	1,553,468	170	31	5,278	
1-Nov-15	1,553,468	0	5,278	1,558,746	171	30	5,125	
1-Dec-15	1,558,746	0	5,125	1,563,870	171	31	5,313	61,428
1-Jan-16	1,563,870	0	5,313	1,569,183	172	31	5,331	
1-Feb-16	1,569,183	0	5,331	1,574,514	173	29	5,004	
1-Mar-16	1,574,514	0	5,004	1,579,518	173	31	5,366	
1-Apr-16	1,579,518	0	5,366	1,584,884	174	30	5,211	
1-May-16	1,584,884	0	5,211	1,590,095	174	31	5,402	
1-Jun-16	1,590,095	0	5,402	1,595,496	175	30	5,245	
1-Jul-16	1,595,496	0	5,245	1,600,742	175	31	5,438	
1-Aug-16	1,600,742	0	5,438	1,606,180	176	31	5,457	
1-Sep-16	1,606,180	0	5,457	1,611,637	177	30	5,299	
1-Oct-16	1,611,637	0	5,299	1,616,935	177	31	5,493	
1-Nov-16	1,616,935	0	5,493	1,622,428	178	30	5,334	
1-Dec-16	1,622,428	0	5,334	1,627,762	178	31	5,530	64,109
1-Jan-17	1,627,762	0	5,530	1,633,292	179	31	5,549	
1-Feb-17	1,633,292	0	5,549	1,638,841	180	28	5,029	
1-Mar-17	1,638,841	0	5,029	1,643,870	180	31	5,585	
1-Apr-17	1,643,870	0	5,585	1,649,454	181	30	5,423	
1-May-17	1,649,454	0	5,423	1,654,877	181	31	5,622	
1-Jun-17	1,654,877	0	5,622	1,660,499	182	30	5,459	
1-Jul-17	1,660,499	0	5,459	1,665,959	183	31	5,660	
1-Aug-17	1,665,959	0	5,660	1,671,618	183	31	5,679	
1-Sep-17	1,671,618	0	5,679	1,677,297	184	30	5,514	
1-Oct-17	1,677,297	0	5,514	1,682,812	184	31	5,717	
1-Nov-17	1,682,812	0	5,717	1,688,529	185	30	5,551	
1-Dec-17	1,688,529	0	5,551	1,694,080	186	31	5,755	
1-Jan-18	1,694,080	0	5,755	1,699,835	186	31	5,775	
1-Feb-18	1,699,835	0	5,775	1,705,610	187	29	5,421	
1-Mar-18	1,705,610	0	5,421	1,711,030	188	31	5,813	
1-Apr-18	1,711,030	0	5,813	1,716,843	188	30	5,644	
1-May-18	1,716,843	0	5,644	1,722,488	189	31	5,852	
1-Jun-18	1,722,488	0	5,852	1,728,339	189	30	5,682	100,729
1-Jul-18	1,728,339	0	5,682	1,734,022				
Totals		**1,434,150**	**299,872**	**1,734,022**				