

“If/Then” Scenarios

The following “if/then” scenarios were requested at the June 10 work session:

- A. *If council grants the tax exemption and the Core Campus project is built, then...*
- B. *If council denies the tax exemption and the Core Campus project is not built, then...*

A graphic summary of the financial implications is provided at the end.

Scenario A: *If council grants the tax exemption and the Core Campus project is built*

Greater supply of student housing at the higher end of amenities and rents is likely to result in some turnover and migration from outside toward the campus area, thereby potentially increasing the supply of rental housing outside of the campus area. If there were an oversupply of units close-to-campus and at the higher end of the product mix, the most likely impacts on the metropolitan housing market would be a flattening of rental rates generally, increased rental competition in the student housing submarket through incentive packages, and in some limited cases spur landlords to upgrade or invest in their properties to become more competitive. Significant impacts to aggregate rental rates and long-term vacancy are unlikely because projected population growth will likely absorb excess supply over time. (A more detailed analysis is included in Attachment A.)

It is assumed that any short-term impacts to the rental housing market would be offset by the long-term community benefits of bringing significant density and activity to the core area of downtown, and achieving the highest value possible on the property which will maximize future property tax revenue.

Scenario B: *If Council denies the tax exemption and the Core Campus project is not built, then...*

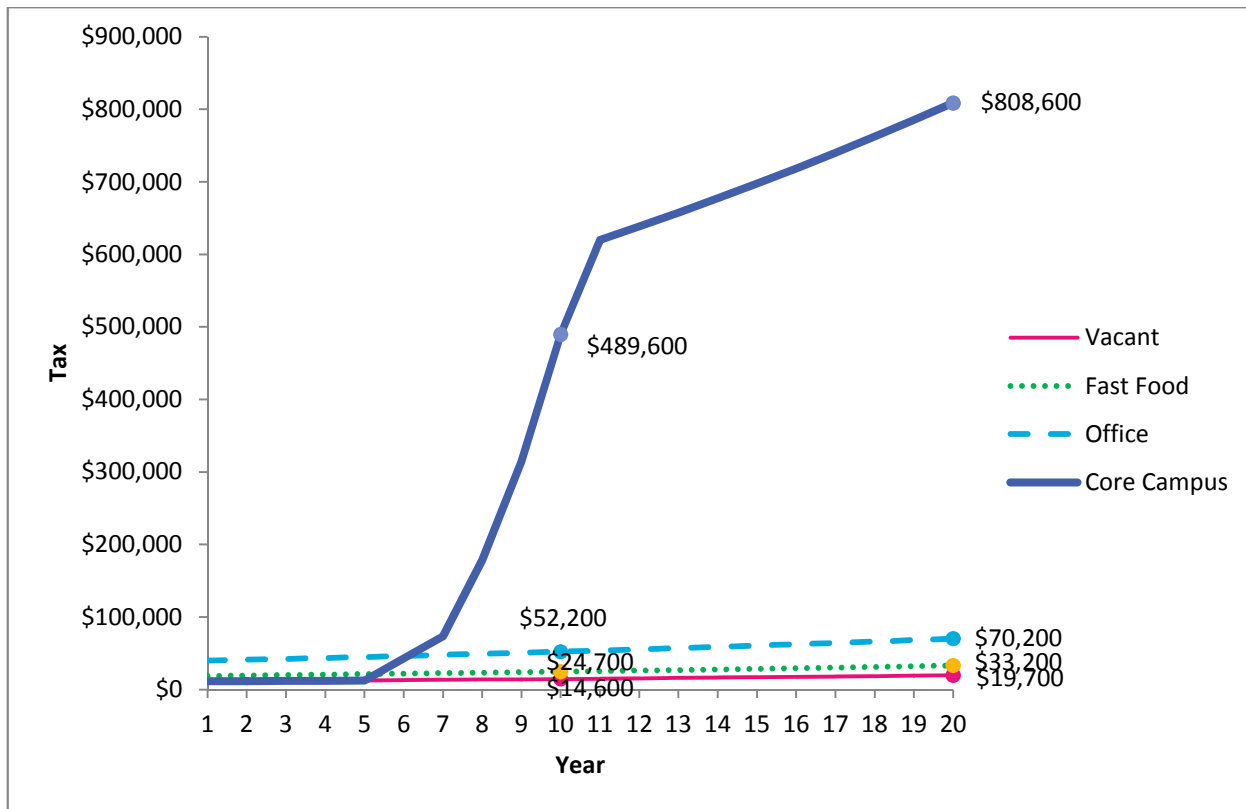
The outcomes range from continuation as vacant to redevelopment for an alternative use. Alternative use scenarios suggest that the most likely outcome would be development as a commercial use, either fast food or small office.

The response of the student housing market in the event the Core Campus project is not built is hard to gauge. It is likely that a similar number of units would be introduced into the market over time. Given general local development trends, these units would likely be provided in smaller, lower density development and disbursed on sites available throughout nearby neighborhoods. Depending on context, such a development pattern could have more negative neighborhood impacts than the Core Campus proposal.

Three potential outcomes have been assumed for the site:

- 1) the property remains vacant,
- 2) the property is redeveloped for a fast food use, or
- 3) the property is redeveloped for an office use.

Below is a graph of the estimated taxes over a 20-year period associated with the above scenarios A and B. The estimated Core Campus amounts include the guaranteed additional payments made during years 6-10.



During the first 10 years, the City would receive an estimated \$1,158,300 from Core Campus guaranteed payments and land property tax. This is significantly more than the City would receive if the property were alternatively developed into office, into fast food, or left vacant.

- Fast food would pay approximately \$20,000 tax per year,
- Office would pay approximately \$40,000 tax per year, or
- Vacant would pay approximately \$11,000 tax per year

The following table represents the estimated additional property tax generated by the Core Campus project when compared to other potential outcomes.

Additional Property Tax: Core versus ...			
	Vacant	Fast Food	Office
10 yr	\$ 1,030,000	\$ 941,300	\$ 699,700
20 yr	\$ 7,961,500	\$ 7,754,000	\$ 7,187,000