



Myrtle Beach

CHIEF FINANCIAL OFFICER

MEMORANDUM

DATE: April 30, 2019 *Michael W. Shelton*
TO: Working Group, Myrtle Beach Downtown Redevelopment Financial Plan
FROM: Mike Shelton, Chief Financial Officer
RE: *Myrtle Beach Downtown Redevelopment Plan Implementation Plan, Initial Meeting of Working Group for Financial Planning*

Thanks to all of you for your participation in our initial meeting last Thursday afternoon,

I have added the complete version of the Benchmark Report and related documents into a Dropbox folder entitled "Downtown Redevelopment District." I have loaded it with documents from the 2008 Ocean Front Redevelopment Plan and more recent studies and Council actions. You may also find it helpful to review the Downtown Redevelopment Corporation's (DRC's) presentation to potential Opportunity Zone investors at <https://www.myrtlebeachboardwalk.com/for-investors>.

Items added to the Dropbox:

1. The file labeled "2008 Ocean Front Redevelopment District Documents" in the Dropbox file contains the Ocean Front Redevelopment Plan as adopted by ordinance number 2008-78 (the "2008 Plan"), a copy of the Ocean Front Tax Increment Plan (the "2008 TIF Plan"), and a copy of the Ocean Front TIF Bond ordinance.
2. The file entitled "Benchmark Downtown Plan" contains
 - a. the draft document presented to City Council in February 2019,
 - b. the downtown master plan final report, which was adopted in March 2019, and
 - c. a worksheet entitled "MB ROI" which includes Benchmark's estimated return on investment under the plan.
3. Folder "City Actions re Downtown Redevelopment" includes several documents from the Kings Highway corridor study through a resolution adopting the downtown master plan and various iterations of the implementation plan. It also includes a presentation that I made to city Council at the workshop on April 4, 2019.
4. Folder "City Incentive Program Examples" includes a copy of article 4 of the city's code of ordinances and two sample documents that we drafted when the floating zone and voucher incentives were approved for a redevelopment project at 6th Ave. N. In 2016.
5. Folder "Ocean Front MID" includes a number of documents produced in 2008 when the city was studying the idea of imposing a municipal improvement district ("MID") over the downtown redevelopment district and areas to the north and south of the district boundaries.
6. A PDF entitled "Opportunity Zone Prospectus" which is essentially a presentation potential investors at a seminar that DRC hosted in early April 2019.

Follow-up to Meeting of April 25, 2019:

I want to use this communication to memorialize some of the salient points that we discussed at the meeting on Thursday afternoon:

- One of the first questions we entertained was whether the existing Ocean Front Improvement District, which is a Tax Increment Finance (TIF) District created in 2008, will be of any utility to us vis-à-vis the current Downtown Redevelopment Plan. In that respect, I would offer the following:
 1. The boundaries of the Ocean Front Redevelopment District are: to the north, 16th Ave. N.; to the east, the Atlantic Ocean; to the south, 6th Ave. S.; and to the west, Highway 17 Business (King’s Highway).
 2. The Ocean Front Redevelopment District occupies significant area inside the current Downtown Redevelopment District, but does not include much of the focus area identified in Benchmark’s recently adopted Downtown Master Plan. This plan gives considerable emphasis to the area that generally falls to the west of the Ocean Front Redevelopment District, i.e., the King’s Highway corridor, the Arts District, and the Historic Main Street area.
 3. Although the Ocean Front TIF District was implemented more than 10 years ago, due to the decline in property values in the years immediately following its implementation, the district has only now recovered asuch that its total value has reached the level of the Initial Equalized Assessed Value of the district at its formation.
 4. Given projects that we now know will be coming into the tax rolls over the next two years, it is possible that the district will be capable of generating sufficient revenue to pay the annual debt service on the currently outstanding debt by fiscal year 2022.
 5. Any additional increment may provide funding first for any remaining projects in the 2008 plan or, if not needed for those projects, may be used to leverage additional tax increment debt four projects in the 2019 Downtown Master Plan.
 6. The 2008 TIF Plan included a number of projects which were proposed for funding with incremental tax revenues. The status of these projects is as follows:
 - a. Boardwalk and Promenade—this 1.2-mile long oceanfront “linear park” was completed in 2010. To date, the annual debt service on the Limited Obligation Bonds issued for this project have been retired with hospitality-related revenues. *Annual debt service on these bonds is currently running about \$740,000. The first increment to materialize in the district should be used to service this debt.*

It is likely that a the issuance of new debt or, alternatively, the use of cash from incremental revenues of the Ocean Front TIF District will be necessary in order to perform significant maintenance to the structure over the next 2-3 years.
 - b. Header Pipes—the header pipes were installed simultaneously with the construction of the Boardwalk and Promenade, using a combination of low-interest state revolving fund (“SRF”) and interest-free American Recovery and Reinvestment Act (“ARRA”) loans. The header pipes were put in place in order to collect ocean outfall, disperse stormwater runoff, and channel some of the runoff into deep water ocean outfalls, allowing the stormwater to be cleaned by natural processes approximately 1200 feet offshore. Currently the debt service on these loans is being paid with money from the city’s stormwater fund. *As incremental revenues grow, they should begin to relieve the stormwater fund of this burden prior to being used to leverage any new debt.*
 - c. Pavilion Block—the Pavilion Block project was completed in the first phase of redevelopment projects in this area.
 - d. 4th Ave. N. Outfall—the 4th Avenue outfall project is another project that was undertaken with an SRF loan. Like the header pipes, the stormwater fund is currently paying debt service on

this loan. *As incremental revenues grow, they should likewise begin to relieve the stormwater fund of this burden prior to being used to leverage any new debt.*

- e. Ocean Boulevard Improvements— utility, overhead wire burial and streetscape improvements from Withers Swash to 9th Ave. N. have been completed using funds from a franchise agreement between the City of Myrtle Beach and Santee-Cooper.
- f. Traffic Improvements—implementation of various recommendations by the 2008 Downtown Myrtle Beach Traffic Circulation Study, including roadway, signalization, pedestrian crossings and bicycle lanes, and wayfinding improvements along Ocean Boulevard and the King's Highway/US 501 corridor have been completed as part of the city's capital improvement program over the past 10 years.
- g. Parking Improvements—this project included construction of four parking facilities to be located at 4th Avenue, 7th Avenue, Withers Drive and Mr. Joe White Avenue. None of these structures has been completed.
- h. Miscellaneous Projects—included projects for the display of public art, transit services and related facilities and special attractions. Some improvements have been made others may be entertained on an indefinite schedule.
- i. Absorption of annual debt service and payment of remaining costs related to the 2008 TIF plan:
 - Annual debt service on items A, B and D above, for which incremental revenues are expected to absorb debt service payments in years to come, total \$1,552,326.
 - The costs of the remaining projects in 2008 dollars total \$46,100,000 for the 4 parking facilities and another \$8,000,000 for the various miscellaneous projects. According to the Turner Building Cost Index, construction costs have risen from an index of 908 in the 4th quarter of 2008 to a total of 1135 for the first quarter of 2019. That represents a net increase of about 25% with increases over the past 5 years approaching an average of 5% per year. So for talking purposes, we are probably looking at total costs in excess of \$60,000,000 for the purposes of this exercise.

The conclusion that I would draw from all of this discussion is that the existing Ocean Front TIF District is unlikely to be a source of significant funding for the 2019 Downtown Master plan unless significant new investment occurs without an accompanying demand for public investment or public services.

It is possible that new investment may help to generate revenue that can be leveraged to build parking structures similar to those in the 2008 TIF Plan. I see no reason why the projects identified in that Plan cannot be melded with the objectives of the 2019 Downtown Master Plan.

I invite other perspectives, other conclusions and other lines of inquiry.

- A question arose as to whether any new TIF District would be drawn to take in the entire land area of the Historic Main Street Area and the Arts District. At this point, this remains a good question. The answer is that we have some flexibility in drawing this new TIF district, bearing in mind the constraints that the requirements of a TIF district impose upon the property tax revenues to be gained from the incremental development.

At this point, I think it is a good idea for us to take some time to allow our members to read and digest some of the information that we have made available so that we can use our next meeting to sharpen our focus on the "Top 5 in 5" recommendations of the benchmark plan, especially topic number 5, "Create a development strategy and financial model to maximize the return on investment for all city owned assets. Leverage public projects to attract people, private investment and value in downtown."

Tentatively, DRC is scheduling Benchmark to come to town for a meeting on Thursday, May 23, 2019. I will keep you informed as these plans develop. It might be good for us to have our working group members here or perhaps available to connect by phone or visual medium for this meeting. I will follow-up with a

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potential agenda for our next meeting later this month. In the meantime, please feel free to contact me with any comments or questions.

Working Group Distribution List:

Bill Musser, Pope Flynn
David Cheatwood, First Tryon
Thad Wilson, MuniCap
Michelle Shumpert, CoMB Director, Financial Management & Reporting

cc: John Pedersen, City Manager
Fox Simons, Assistant City Manager
Bruce Boulineau, Assistant City Manager
Lauren Clever, Executive Director, DRC