

February 12, 2015

Vernon Gerth
Assistant City Administrator
City of Franklin
109 3rd Avenue South
Franklin, TN 37064

**RE: Harpeth Square Development
Offsite Improvements Offset and Recovery Agreement**

Dear Mr. Gerth:

We appreciate the City's willingness to work with the Harpeth Square Team in regards to providing an opportunity to recoup some of the costs associated with the offsite improvements that are being required by the City as part of the Harpeth Square Development Plan.

Although we are going to be presenting the financial benefit analysis of the Project on the Work Session I want to share some projected highlights:

Occupancy Tax for Franklin	\$ 280,258/yr
Property Tax for Franklin	\$ 88,698/yr
Property Tax for Special School District	\$ 213,290/yr
Sales Tax for Franklin with Hotel and Retail	\$ 274,645/yr

We are generally in agreement with the proposed Agreement for Reimbursement of Costs for Sanitary Sewer and Water Distribution Improvements (COF Contract No. 2014-0345). However, we would need to come to agreement on the Road Impact Fee Offset Agreement (COF Contract No. 2014-0344) prior to executing any agreements.

Regarding Contract No. 2014-0344, we still feel that it would be appropriate to include items such as grading, asphalt, and pavement markings for 1st Avenue and Bridge Street as items that are eligible for offset as they do provide improvements to the roadway capacity. However, since these items are not eligible in the proposed agreement, we would like to make the following requests.

Request #1

Harpeth Square requests that the City would pay for half of the cost of both the Traffic Signal Improvements at 2nd Avenue and Bridge Street and the restriping of Franklin Road and signal modifications at East Main Street and 1st Avenue through of the Road Impact Fee Fund. The basis for this request is that the improvements are currently needed and would help improve capacity and safety even without the Harpeth Square Development being completed. Based on our estimate and the current structure of Contract 2014-0344, it is possible that the cost for the eligible items would exceed the impact fees generated by Harpeth Square by over \$300,000. An updated Traffic Study was completed in December 2014. The study indicated that the traffic signal at 2nd Avenue and Bridge Street is marginally warranted due to safety related issues based on current traffic. The study also indicated that the completion of the Harpeth Square Development would only contribute 7.7% to the traffic at the intersection at 2nd Avenue and Bridge Street and 4.8% to the traffic at the intersection of East Main Street and 1st Avenue. The following is a breakdown of the estimated costs and impact fees:

1 st Avenue and Bridge Street Eligible Items	\$ 771,100.00
Franklin Road/E. Main Street Restriping and Signal Modification	\$ 54,380.00
Traffic Signal at 2 nd Avenue and Bridge Street	<u>\$ 457,875.00</u>
Eligible Items Total	\$1,283,355.00
Anticipated Road Impact Fees Generated by Harpeth Square	\$ 966,000.00
Difference between cost of eligible items and impact fees	\$(-317,355.00)
Requested Cost to City for half of the restriping and signal	\$ 256,127.50

We would propose that the final cost to the City would be based on half of the actual cost for the restriping and signal improvements. We ask that the City pay for their share of the cost at the completion and acceptance of the improvements.

Request #2

The City would pay for the items that are not eligible for offset through the Hotel/Motel Tax. These items would include demolition, brick sidewalks, crosswalks, street signs, limestone street markers, pavement markings, trash receptacles, bike bollards, grading, asphalt, concrete drive aprons, landscaping and irrigation. The basis for this request is that the requirement for the Harpeth Square Development to make these improvements is above and beyond what is required by other developments without a means of offset or reimbursement. The following is a breakdown of the estimated cost for these items:

1 st Avenue and Bridge Street Non-eligible items	\$534,431.00
2 nd Avenue Non-eligible items	<u>\$360,000.00</u>
Non-eligible Items Total	\$894,431.00

Just like with the eligible items for offset, the final cost would be based on the actual cost of these items. We are proposing that the City pay for these items over a 4-year period beginning with the completion of the improvements. The estimated Hotel/Motel Tax generated by the Harpeth Square Development is \$280,000 in Year One and is projected to increase in subsequent. With a 4-year payment period, the City would not be out any cost beyond what it would be collecting from the Development.

It is important to note that all of these public infrastructure improvements will be a major benefit to the City and all those that live, work and travel through downtown Franklin.

I appreciate the City's consideration of our requests and I look forward to working with you and the rest of the City's staff to make Harpeth Square one of the premier developments in all of Franklin. If you have any questions or need additional information from me, please do not hesitate to ask.

Sincerely,



Steve Bacon
Harpeth Associates LLC