

**ANNUAL DEVELOPMENT ACTIVITY AND
DISCLOSURE REPORT**

For the Period Ending July 31, 2018

***\$3,000,000 City of Morgantown, West Virginia
Tax Increment Revenue Bonds
Falling Run Project No. 1
Series 2007 A Bonds***

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**ANNUAL DEVELOPMENT ACTIVITY AND
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FOR THE PERIOD ENDING JULY 31, 2018**

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I. UPDATED INFORMATION

Information provided below is updated from the annual continuing disclosure report dated December 31, 2017:

- The City of Morgantown received a Guaranty Payment made in lieu of taxes in the amount of \$120,000.00 on August 31, 2018 for fiscal year 2018 - 2019.
- As of July 31, 2018, the balance in the Reserve Fund was \$121,282.28.
- The 2017-2018 tax year assessed value of the real and personal property within the TIF District was \$13,400,880.00, which represents a \$6,478,450.00 increase from the base year assessed value of \$6,922,430.00. (Assessed value is equal to 60.0 percent of appraised value.)
- As of October 5, 2018, the City of Morgantown reports that ad valorem taxes totaling \$328,512.82 were levied for tax year 2017-2018.
- As of October 5, 2018, the City of Morgantown reports that ad valorem property taxes in the amount of \$328,514.00 have been collected, representing 100.00 percent of the total ad valorem property taxes to be collected for the 2017-2018 tax year.
- According to the City of Morgantown, the 2017-2018 tax rates for Class 2 and Class 4 property available to pay debt service on the Series 2007 A Bonds are equal to \$0.9298 and \$1.8596, respectively, which is a decrease of approximately 0.06 percent from the tax year 2016-2017 tax rates for Class 2 and Class 4 property of \$0.9304 and \$1.8608, respectively.
- As of October 5, 2018, the City of Morgantown reports that there are no delinquent property taxes in the TIF District for the 2017–2018 tax year.
- As of October 5, 2018, the City of Morgantown reports the total amount of taxes collected was equal to \$328,514.00. The City reports that net collections were equal to \$323,300.14 after discounts of \$6,714.66 and accrued interest of \$1,500.80. Of this amount, \$19,688.94 and \$303,611.20 was collected from Class 2 and Class 4 property, respectively.
- As of October 5, 2018, the City of Morgantown reports the total TIF Revenues remitted to the Trustee for Class 2 and Class 4 property equal \$6,807.79 and \$104,978.84, respectively.
- As of July 31, 2018, available revenues available to pay debt service for 2017-2018 total \$231,786.64, which includes tax increment revenues of \$111,786.63 and a Guaranty Payment of \$120,000.00, and total expenses for 2017-2018 equal \$225,706.50, resulting in debt service coverage of 102.69%.

II. INTRODUCTION

The \$3,000,000.00 City of Morgantown Tax Increment Revenue Bonds (Falling Run Project No. 1) Series 2007 A Bonds (“the “Series 2007 A Bonds”) were reissued on May 31, 2013 pursuant to the West Virginia Tax Increment Financing Act, Chapter 7 Article 11B of the Code of West Virginia, 1931, as amended (the “Act”), and a Resolution and Ordinance (the “Bond Authorizing Ordinance”) enacted by City Council on September 18, 2007 by and between the City of Morgantown, West Virginia (the “Issuer”), a municipal corporation and a political subdivision of the State of West Virginia, and the Bank of New York, New York, as Bond Trustee (the “Trustee”), under an Indenture of Trust, dated October 5, 2007 (the “Indenture of Trust”) and the First Supplemental Indenture of Trust, dated May 31, 2013. (Capitalized terms herein have the same meaning as provided in the Indenture of Trust and First Supplemental Indenture of Trust.)

According to the Indenture of Trust, the Series 2007 A Bonds are being issued for the purpose of financing the design, acquisition, construction and equipping of water lines, storm water culverts and facilities, sewer lines, road improvements, a streetscape system, a traffic control system, land and right-of-way acquisition, demolition and site preparation, pedestrian ways, other underground utilities, utility relocations, lighting and other related infrastructure, and utilities improvements and all necessary appurtenances (the “Project Plan”).

The Project is located within the City of Morgantown Falling Run Redevelopment District No. 1 (the “TIF District”). The TIF District was created by an ordinance enacted by the City on December 16, 2003. The TIF District is located in the City of Morgantown, West Virginia adjacent to the downtown campus of West Virginia University. The TIF District is generally bound by Stewart Street to the north, College Avenue to the south, State Route 705 to the east, and University Avenue to the west. The primary entry point for the TIF District is from University Avenue.

The Project is being developed by The Square at Falling Run, LLC, a West Virginia limited liability company (the “Developer”). Through the Development Agreement, dated October 5, 2007, by and between the Issuer and the Developer (the “Development Agreement”), the Developer will design, acquire, construct and equip the Project. The Developer has entered into a Financial Assistance Agreement dated October 3, 2007, by and between the Developer and Augusta Apartments, LLC, a West Virginia limited liability company (“Augusta”), which shares common ownership with the Developer, whereby Augusta has agreed to pay a portion of the project costs from time to time as requested by the Developer, and whereby the Developer has agreed that Augusta may be reimbursed for such payments from the proceeds of such tax increment revenue bonds as may be issued by the Issuer from time to time for the benefit of the TIF District.

The proposed development, as described in the Indenture of Trust, envisioned a three-phased mixed-use development located on 74 acres of which 30 contiguous acres are anticipated to be developed. At build-out, the property within in the TIF District is proposed to include 1,092 residential units, 200,000 gross square feet of commercial office space, 150,000 gross square feet of retail and restaurant space, a cineplex consisting of eight to ten theater screens, approximately 1,741 garage parking spaces and 618 surface parking spaces.

Pursuant to the Act, the Series 2007 A Bonds, were issued to finance a portion of the Project located within the TIF District. The Issuer will assign and pledge to the Trustee as security for the Series 2007 A Bonds tax increment revenues generated by property within the TIF District.

The information provided herein corresponds to the specific requirements of Article V, Section 5.12 of the Indenture of Trust, dated October 5, 2007.

No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of July 31, 2018, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.

III. TRUSTEE ACCOUNTS

The Trustee for the Series 2007 A Bonds is Bank of New York. Table III-1 below shows the July 31, 2017 account balances, investment income, additional proceeds, disbursements and account balances as of July 31, 2018:

**Table III-1
Account Balances**

Fund/Accounts	Balance 07/31/17	Investment Income	Additional Proceeds	Disburse- ments	Balance 07/31/18
Debt Service Fund	\$1,753	\$5	\$223,950	\$225,707	\$1
Administrative Expense Fund	\$851	\$11	\$11,707	\$12,569	\$0
Reserve Fund	\$120,179	\$1,103	\$0	\$0	\$121,282
Revenue Fund	\$12,833	\$1,030	\$231,911	\$235,658	\$10,116
Total	\$135,616	\$2,149	\$467,568	\$473,934	\$131,399

- Additional proceeds to the Debt Service Fund represent transfers of tax increment revenues and a Guaranty Payment from the Revenue Fund for the payment of debt service.
- Additional proceeds to the Administrative Expense Fund represent transfers from the Revenue Fund to pay administrative expenses.
- Additional proceeds to the Revenue Fund represent transfers of tax increment revenues from the City and a Guaranty Payment paid by West Virginia University.
- Disbursements from the Debt Service Fund represents the payment of debt service on the Series 2007 A Bonds.
- Disbursements from the Administrative Expense Fund represents the payment of administrative expenses.
- Disbursements from the Revenue Fund represent transfers to the Debt Service Fund and Administrative Expense Fund.

Bond proceeds are invested in Dreyfus Government Securities Cash Management money market funds currently earning between 1.05 to 2.70 percent per annum. Table III-2 below shows the rates of return on the funds and accounts held by the Trustee as of July 31, 2018.

**Table III-2
Rates of Return**

Investment income in the Debt Service Fund, Administrative Expense Fund and Revenue Fund will remain in their respective fund and used for the purposes of that respective fund. Investment income in the Reserve Fund in excess of the Reserve Requirement will be transferred to the Debt Service Fund and therein applied to payment of the next interest due on the Series 2007 A Bonds.

Fund/Account	Rates of Return
Debt Service Fund	1.05%
Administrative Expense Fund	2.70%
Reserve Fund	1.53%
Revenue Fund	1.53%

IV. DISTRICT FINANCIAL INFORMATION

A. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

As shown in Table IV-1 below, the base year assessed value of the real and personal property within the TIF District was \$6,922,430.00. The 2017-2018 tax year assessed value of the real and personal property in the TIF District was \$13,400,800.00. As a result, there was a \$6,478,450.00 increase in the assessed value of the real and personal property within the TIF District above the base value for tax year 2017-2018. (Assessed value is equal to 60.0 percent of appraised value.)

Table IV-1
Phased-In Assessed Value of Property

Property Type	Base Year Assessed Value	2017-2018 Assessed Value	Incremental Assessed Value
Class 2 Real and Personal Property ¹	\$802,800	\$1,543,200	\$740,400
Class 4 Real and Personal Property ²	\$6,119,630	\$11,857,680	\$5,738,050
Total	\$6,922,430	\$13,400,880	\$6,478,450

¹According to the West Virginia State Tax Department, Class 2 property is defined as “owner-occupied residential property used exclusively for residential purposes and all farm land used for agricultural purposes by its owner or bona fide tenant.”

²According to the West Virginia State Tax Department, Class 4 property is defined as “all property situated inside a municipality that is not taxed in Class 1 or Class 2.”

B. TOTAL AD VALOREM TAXES LEVIED

As shown in Table IV-2 below, the total ad valorem taxes levied on the property within the TIF District for tax year 2017-2018 was equal to \$328,512.82. The total levy shown includes the current levy of the State of West Virginia, the current levy and excess levy for Monongalia County, the current levy for the City of Morgantown and the current excess and bond levy for Monongalia County Board of Education.

Table IV-2
Total Levy on Properties in the TIF District

Property Type	2017-2018 Assessed Value	Total Levy Rate (Per \$100 AV)	Total Levy
Class 2 Real and Personal Property	\$1,543,200	\$1.3006	\$20,071
Class 4 Real and Personal Property	\$11,857,680	\$2.6012	\$308,442
Total	\$13,400,880		\$328,513

C. STATUS OF COLLECTION OF AD VALOREM TAXES

According to the City of Morgantown, \$328,512.82 in ad valorem property taxes were levied in tax year 2017-2018. According to the City, there were no exonerations for fiscal year 2017-2018. As a result, the adjusted levy is \$328,512.82. As of October 5, 2018, the City reports having collected \$328,514.00, representing 100.00 percent of the adjusted ad valorem property taxes due for tax year 2017-2018. Accordingly, there are no delinquent taxes and interest associated with the taxes owed on Class 2 or Class 4 properties within the TIF District. Table IV-3 on the following page shows the total ad

valorem taxes collected for tax year 2017-2018 for Class 2 and Class 4 property located within the TIF District.

**Table IV-3
Total Ad Valorem Taxes Collected**

Property Type	Total Levy	Exonerations	Adjusted Levy	Levy Collected¹	Percentage Collected
Class 2 Real and Personal Property	\$20,069	\$0	\$20,069	\$20,071	100.0%
Class 4 Real and Personal Property	\$308,443	\$0	\$308,443	\$308,443	100.0%
Total	\$328,513	\$0	\$328,513	\$328,514	100.0%

¹As a result of discounts and accrued interest, net collections are total \$323,300.14

D. CHANGES IN THE AD VALOREM TAX RATES

According to the City of Morgantown the 2017-2018 tax year ad valorem tax rates available to pay debt service on the Series 2007 A Bonds for Class 2 and Class 4 property are equal to \$0.9298 and \$1.8596, respectively, which includes the current and excess levy of Monongalia County, the current levy of the Monongalia County Board of Education and the current levy of the City of Morgantown. The 2016-2017 ad valorem tax rates available to pay debt service on the Series 2007 A Bonds for Class 2 and Class 4 property were equal to \$0.9304 and \$1.8608, respectively. As a result, the rates decreased from 2016-2017 to 2017-2018 by approximately 0.06 percent for Class 2 and Class 4 property. The table below provides a summary of the ad valorem tax rates for tax years 2016-2017 and 2017-2018 for Class 2 and Class 4 property.

**Table IV-4
Percent Change in Ad Valorem Tax Rates**

Class	2016-2017 Tax Rate	2017-2018 Tax Rate	Percent Change
2	\$0.9304	\$0.9298	-0.06%
4	\$1.8608	\$1.8596	-0.06%

E. ANNUAL DISTRICT CASH FLOWS

The fund balances in all of the funds and accounts provided in the Indenture of Trust are included in Table III-1 of Section III, "Trustee Accounts," of this report.

F. DELINQUENT TAXES

As of October 5, 2018, there are no ad valorem taxes delinquent or outstanding.

G. DEBT SERVICE COVERAGE

Table IV-5 on the following page provides the debt service coverage on the Series 2007 A Bonds for the 2017-2018 tax year. As shown in Table IV-5, the tax increment revenues available for debt service are based on the current levy for the State of West Virginia, Monongalia County, City of Morgantown

and the Monongalia County Board of Education and are equal to \$111,786.64, as adjusted for discounts and interest. In addition, a Guaranty Payment in the amount of \$120,000.00 was received resulting in total revenues of \$231,786.64. Total expenses for 2017-2018 equal \$225,706.50. Accordingly, debt service coverage is equal to 102.69% for 2017-2018.

Table IV-5
Debt Service Coverage

Account Type	Amount
<i>Debt Service</i>	
Interest December 1, 2017	\$67,853
Interest June 1, 2018	\$67,853
Principal June 1, 2018	\$90,000
Total Debt Service	\$225,707
<i>Base Year Assessed Value</i>	
Class 2 Property Real and Personal Property	\$802,800
Class 4 Property Real and Personal Property	\$6,119,630
<i>Sub-Total Base Year Assessed Value</i>	<i>\$6,922,430</i>
<i>Phased-in Assessed Value July 1, 2017</i>	
Class 2 Property Real and Personal Property	\$1,543,200
Class 4 Property Real and Personal Property	\$11,857,680
<i>Sub-Total Phase-In Assessed Value</i>	<i>\$13,400,880</i>
<i>Increase in Assessed Value</i>	
Class 2 Property Real and Personal Property	\$740,400
Class 4 Property Real and Personal Property	\$5,738,050
<i>Sub-Total Phase-In Assessed Value</i>	<i>\$6,478,450</i>
<i>Levy Rate (Per \$100 AV)</i>	
Class 2 Property Real and Personal Property	\$0.9298
Class 4 Property Real and Personal Property	\$1.8596
<i>Tax Increment Revenues</i>	
Class 2 Property Real and Personal Property	\$6,808
Class 4 Property Real and Personal Property	\$104,979
<i>Sub-Total Incremental Revenues</i>	<i>\$111,787</i>
<i>Additional Revenues</i>	
Guaranty Payment Revenues	\$120,000
Total Revenues	\$231,787
Debt Service Coverage	102.69%