



Michigan Municipal Market Update



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Municipal Commentary

Tax Increment Financing (TIF)

A tax increment financing ("TIF") is a method of financing public capital projects whereby the bonds are secured by the additional tax revenue, or the incremental tax revenue, that results from the capital project. In Michigan, Public Act 381 of 1996 permits a capture of the tax increment revenues attributable to increases in the value of real estate and personal property of the eligible property. In addition to the tax revenues created specifically by the project, such capital projects also create an increase in property values of the surrounding area, designated the TIF District. The future increases in tax revenues are pledged as security for the bonds. In this way, TIF bonds can be used to fund improvement and revitalization projects in environmentally distressed, blighted or functionally obsolete properties within a community where development might not otherwise occur. Additionally, the benefits of a TIF District extend beyond just the incremental property taxes created. Many times, these projects also generate additional sales tax revenues and create employment opportunities for the community.

Hilliard Spotlight Deal

Recently, Hilliard worked with the City of Bay City Brownfield Redevelopment Authority to finance TIF bonds for a project along the Saginaw River adjacent to the City's central business district, which is known as Uptown Bay City. The planned development will include several projects, all of which will increase tax revenue for Bay City. In addition, the limited tax full faith and credit (LTGO) of Bay City has been pledged for the prompt payment of the principle and of interest on the bonds. These bonds were given an underlying rating of A+ by Standard & Poor's Rating Services, as well as a AA rating because of the added bond insurance by Build America Mutual (BAM).

Below is the final pricing for this City of Bay City Brownfield Redevelopment Authority (TIF) deal compared to Bay City's deal last year. Spreads to MMD for the 2014 Bonds were substantially narrower than those received by Bay City last year. (Both deals were insured by BAM)

Amount Issuer Sale Date Call	\$6,935,000 Bay City Brownfield Redev 6/18/2014 04/01/2024 @ 100				\$9,200,000 Bay City Brownfield Redev 9/2/2013 10/1/23 @ 100			
	Coupon	Yield	MMD 6/18/2013	Spread to MMD	Coupon	Yield	MMD 9/4/2013	Spread to MMD
2015								
2016								
2017								
2018	2.000	1.480	0.980	0.500	3.000	2.550	1.560	0.990
2019	2.000	1.800	1.300	0.500	3.000	3.000	1.930	1.070
2020	3.000	2.070	1.570	0.500	3.500	3.350	2.280	1.070
2021	3.000	2.470	1.830	0.640	4.000	3.750	2.610	1.140
2022	3.000	2.680	2.040	0.640	4.250	4.000	2.830	1.170
2023	3.000	2.860	2.220	0.640	4.500	4.250	3.020	1.230
2024	3.000	3.080	2.340	0.740				
2025	3.000	3.190	2.460	0.730				
2026	3.250	3.450	2.560	0.890				
2027	3.500	3.600	2.660	0.940				
2028	3.625	3.700	2.750	0.950				
2029	3.750	3.800	2.830	0.970				
2030								
2031								
2032	4.000	4.050	3.04	1.010				
2033					5.250	5.450	4.250	1.200
2034								
2035	4.125	4.300	3.210	1.090				
2036								
2037								
2038					5.375	5.620	4.380	1.240
2039								
2040								
2041								
2042								
2043	4.25	4.470	3.380	1.090	5.500	5.750	4.450	1.300

