

Welcome

CDFA – BNY Mellon Development Finance Webcast Series: Real Estate Bust Impact on TIF

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Development Finance Webcast Series

Real Estate Bust Impact on TIF

Speakers:

John Brancaglione

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Discussion

- Current deals 2009-2010
- Existing TIF deals & districts
- Rating TIF deals
- TIF Key Factors
- New Tools
- Conclusion

TIF Deals getting done.

- Grandview Yard - Phase I - 2009
 - \$330,000,000 mixed use redevelopment by Nationwide Realty Investors (NRI)
 - Phase I – Hotel, Office, Retail
 - \$35,000,000 under construction
 - City of Grandview Heights approved \$119,000,00 in public infrastructure - \$12,000,000 issued
 - NRI purchased bonds as reimbursement for infrastructure expenses related to the project
 - TIF represented a portion of the incentive project



TIF Deals getting done.

- Bridgestone/Firestone
 - \$70,000,000 redevelopment of the Bridgestone Tech Center in Akron, Ohio
 - TIF used as part of the incentive package from City
 - Akron and Summit County provided approximately \$20 million in federal, state and local incentives
- Investment secured Bridgestone and 1,000 jobs for 20 years.

Existing TIF Deals – Effective backstop?

- TIF deals structured with effective “backstops” are holding up well
- Backstops Include
 - Special Assessments
 - Minimum Payments
 - New Community Charges
- These backstops protect against
 - Valuation risk on new construction
 - Falling property values (including contesting values)
 - Non-payment of taxes by developer

Rating Assessments – a new view

- Deals originally rated based on fundamental strength of structure
- Rating agencies drilling much deeper
 - Development cash flows
 - Financial strength of developer
 - Single payer risk
 - Co-tenancy provisions
- Moving forward – investment grade structures
 - Special Assessments
 - NCA
 - Bond Funds

TIF – Key Factors

- Coverage Factors
 - Protects against valuation risk
- Size of TIF district
 - Larger districts create a more stable value over time
 - Large number of payers protects against single payer risk
- Debt to Value
 - Conservative debt to value ratios make ease debt burden on development
- Construction Risk
 - Issuers/Developers need game plan to address this risk

Ohio HB 313

Changes to New Community Authority Law

- Law expands power of New Community Authorities (NCA)
- Applies to NCA's created from July 8, 2010 – December 1, 2012
- Allows NCA charges to be based on gross receipts (sales tax)
- Expands definition of Community facility to include:
 - governmental, distribution, or research activities
 - May allow for commercial and industrial development



Conclusion

- TIF still adds a lot of value
- Key incentive for new development/redevelopment
- New ways to enhance (New Community Authorities)
- Tighter underwriting criteria

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Questions



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August 3-4, 2010

Washington, DC

Advanced Tax Increment Finance Course

August 5-6, 2010

Washington, DC

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