TIF FINANCING: Variations on the Theme

Presented by

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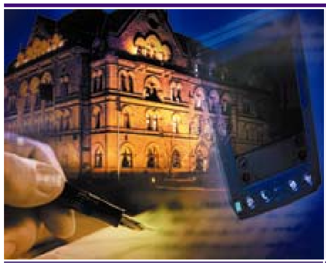

OUTLINE

TIF AND TIF-LIKE STRUCTURES

Case Study: Easton Town Center, Columbus, Ohio

Case Study: University Heights Parking Garage Project, Cleveland, Ohio

Case Study: Levis Commons, Perrysburg, Ohio

Case Study: Golf Village, Powell, Ohio

Case Study: Marysville, Ohio

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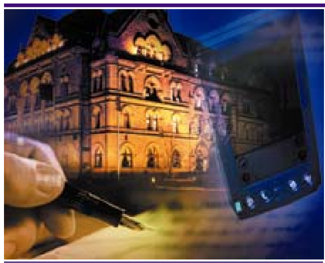

Tax Increment Financing

Structuring Issues:

- Security Issues/Credit Overlay
- Development Risk
- Ongoing Valuation Risk
- Federal Tax Issues/Minimum Payments

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CASE STUDY: Easton Town Center

What is Easton?

- 1,200 acre mixed use development integrating:
  - Office
  - Retail
  - Residential

- International Design Awards

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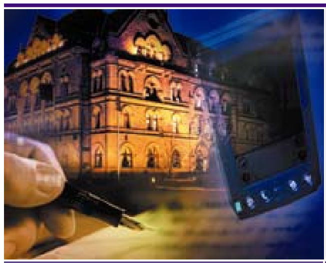

CASE STUDY: Easton Town Center

What is Easton?

- Major Component Parts of the Project include:
  - Market at Easton
    - 900,000 square feet of retail space (primarily big box)
    - Located on perimeter of development

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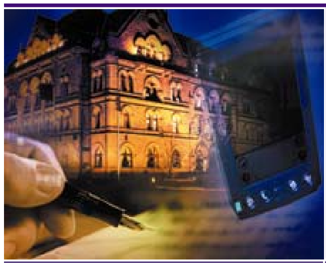

CASE STUDY: Easton Town Center

– Fashion District

- 1,500,000 square feet of retail space
- Includes movies, clubs, fitness center and restaurants and Hilton Hotel
- Parking Structures (3,300 enclosed spaces)

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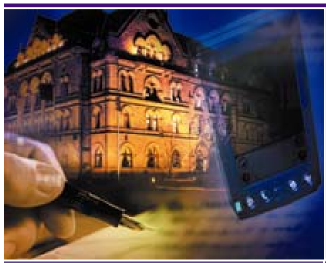

CASE STUDY: Easton Town Center

– Commercial Office Developments

- Over 3,000,000 square feet
- Commercial Tenants include:
  - Victoria's Secret Catalogue (800,000 s.f.)
  - Huntington Bancshares (440,000 s.f.)

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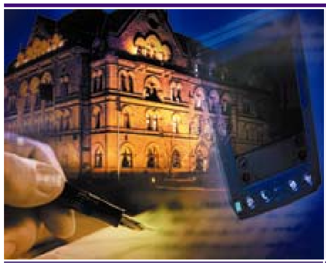

CASE STUDY: Easton Town Center

- Commons District and Greens District provide apartment housing and outdoor recreational opportunities

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CASE STUDY: Easton Town Center

HISTORY OF EASTON

- Developed by the Limited, Inc. through a wholly owned subsidiary
- Land assembly commenced in early 1980's
- Columbus designated Easton a "community reinvestment" area in 1986
  - All "non-retail" businesses eligible for 100% ten year tax abatement
- In 1996, City of Columbus created Easton TIF District

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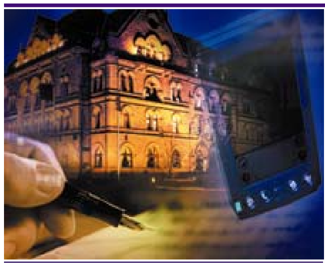

CASE STUDY: Easton Town Center

- 100% of “non-school” TIF revenues committed to project - 30 year TIF
- City agreed to use “best efforts” to finance $26,000,000 in infrastructure improvements
- In June 1999, the City issued $30,050,000 of TIF Revenue Bonds to finance the needed infrastructure

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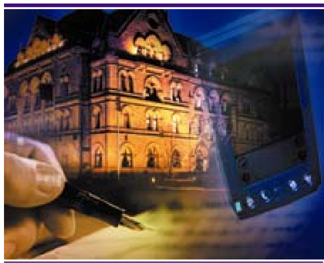

CASE STUDY: Easton Town Center

THE FINANCING PROCESS

– Financing Parameters and Issues

- Original Plan -- raise $26,000,000 for parking structures
- Abatement for “non-retail” properties hampered revenue flow well into future
- 1999 revenues less than $300,000; debt service in 2000 would exceed $1,500,000

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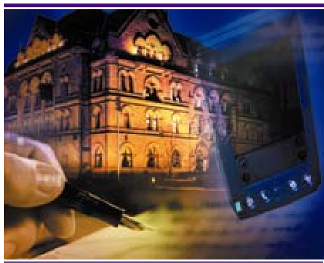

CASE STUDY: Easton Town Center

- “Back Loaded” Debt Structure
  - Enables debt service to grow as revenues grow
  - Enables City to maximize benefit of TIF payments on “non-retail” components when abatement expires

- Interest Capitalized
  - City borrowed $2.2 million to pay interest through 2000 to provide time for revenues to “ramp up”

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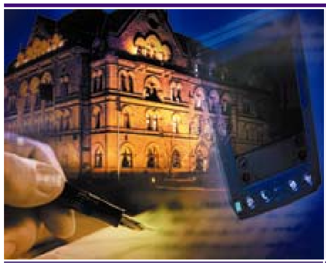
CASE STUDY: Easton Town Center

- Risk Profile
  - City also assumed no development risk
  - Solution: Developer accepted development risk through provision of Letter of Credit



CASE STUDY: Easton Town Center

- Letter of Credit required for principal plus 225 days of interest
- Letter of Credit to remain in place until:
  - » TIF revenues equal or exceed 1.5X maximum annual debt service for two consecutive years
  - » No single taxpayer accounts for more than 20% of annual TIF payments
  - » Top 5 taxpayers do not account for more than 45% of annual TIF payments

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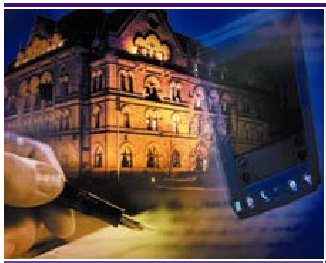
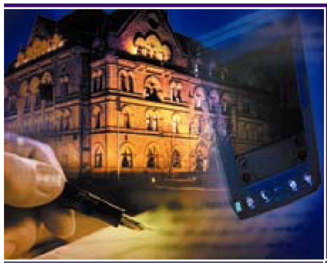


CASE STUDY: Easton Town Center

- –On the basis of this structure the bond issue was insured by AMBAC and received triple-A rating based upon insurance
- –I.e., “Double-Barreled” Credit Overlay



CASE STUDY:
Easton Town Center

- In 2004, City and developer wanted to issue additional bonds
  - Forced to refinance
  - Issued 36.4 million refunding bonds

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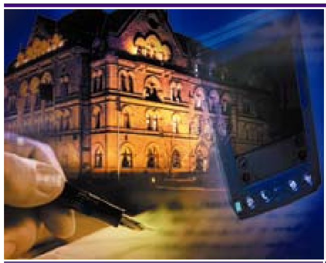

CASE STUDY: Easton Town Center

- In 2004, City and developer wanted to issue additional bonds
  - Authorized $15 million of additional Easton improvements and $5 million of “remote” improvements (other locations in City) on subordinated basis
  - Additional parity bonds could be issued if 1.5x debt service coverage demonstrated

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CASE STUDY: Easton Town Center

- Implement TIF early and for the entire project area
  - Easton lost potential revenue by waiting until 1996 to create the district
  - Significant office and retail development occurred prior to 1996

- Structure TIF to incorporate future flexibility

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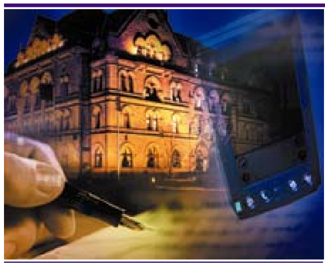

CASE STUDY: University Heights

- University Heights, Ohio:
  - Existing Kaufmann's Store and Surface Parking
  - Market Value - $13,000,000
- Starwood/Wasserman's Plans:
  - 600,000 Sq. Ft. of Retail
  - Vertical Mall - 5 Levels
  - Anchors: Kaufmann's, Target and Tops
  - $128,000,000 Total Development Costs

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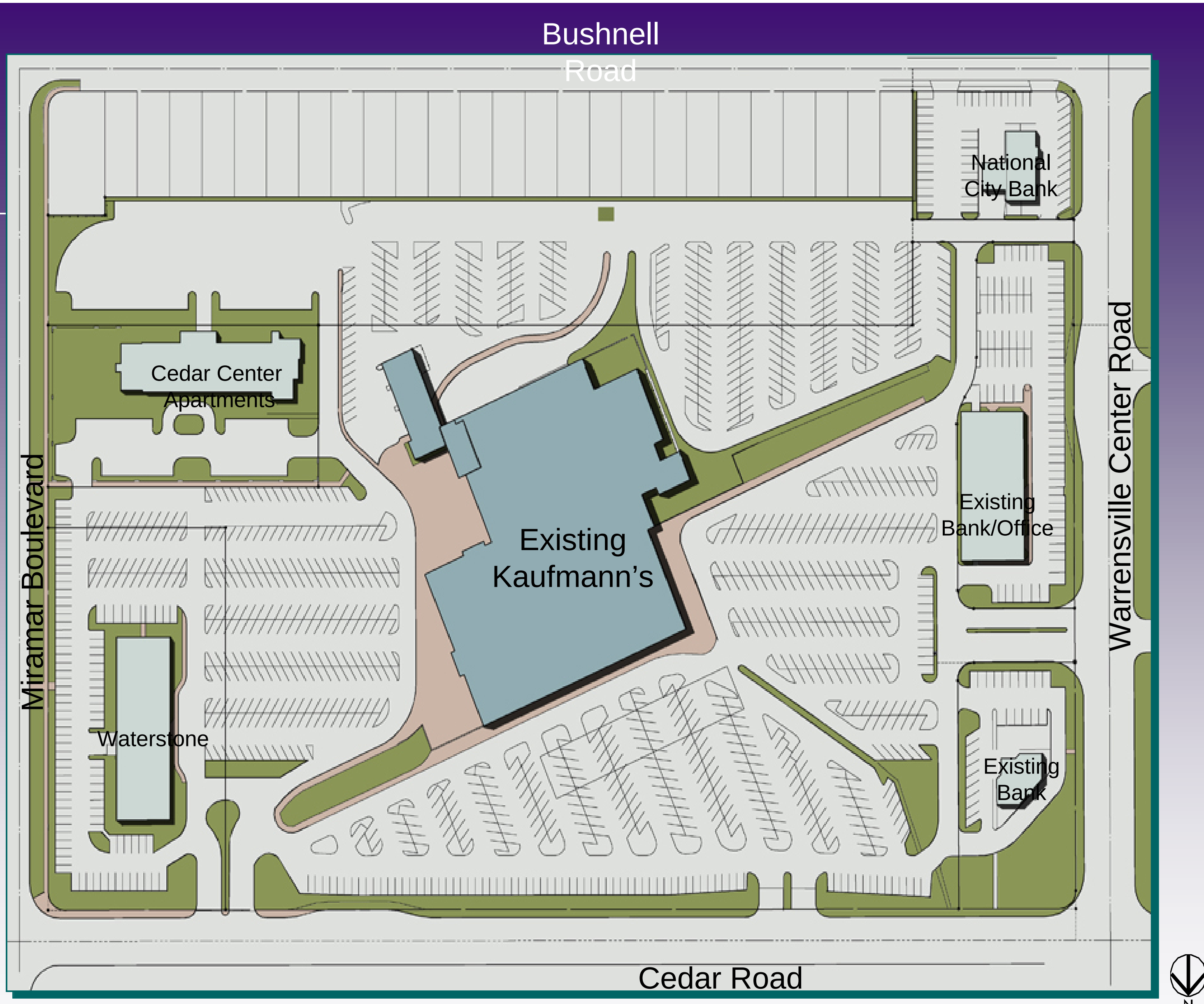

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EXISTING CONDITIONS PLAN

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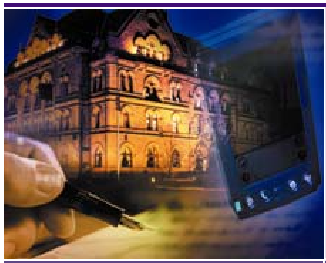

CASE STUDY: University Heights

- Public Financing:
  - $40,500,000 Bond Financing
  - 2200 Space Garage
    - Free Parking
    - Direct Access to Various Levels

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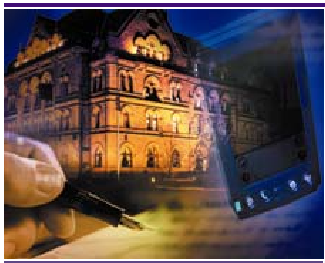

CREDIT ISSUE/SOLUTION

- How do you issue TIF Bonds if the TIF Revenues are insufficient to support the Bonds?
  - "Back-Up TIF Bonds w/ Special Assessments"
  - TIF Bonds Require 1.25 or more Coverage
  - Special Assessment Bonds can be Done Close to 1.00 Coverage
  - Combined Bonds will have close to 1.00 Coverage

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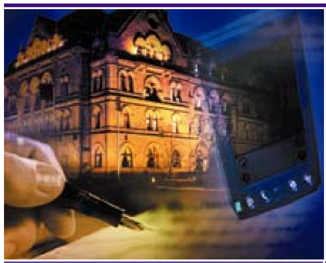

SOLUTION

- **Special Assessment Bonds**
  - Revenue Bonds
  - City Agrees to Levy and Collect Special Assessments
  - Conduit Issues Bonds
  - In Ohio, Port Authority is Good Candidate/ Empowered to do Economic Development Bonds

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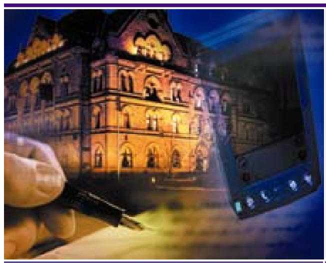

WHAT BONDHOLDERS WANT

- Extra Security/Credit for Bonds:
  - Fixed Price Contract / Developer Guarantee
  - Development has Conventional Financing Commitment or Loan Closed
  - Back - Up Pledge of Special Assessments

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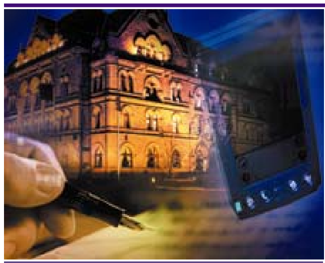

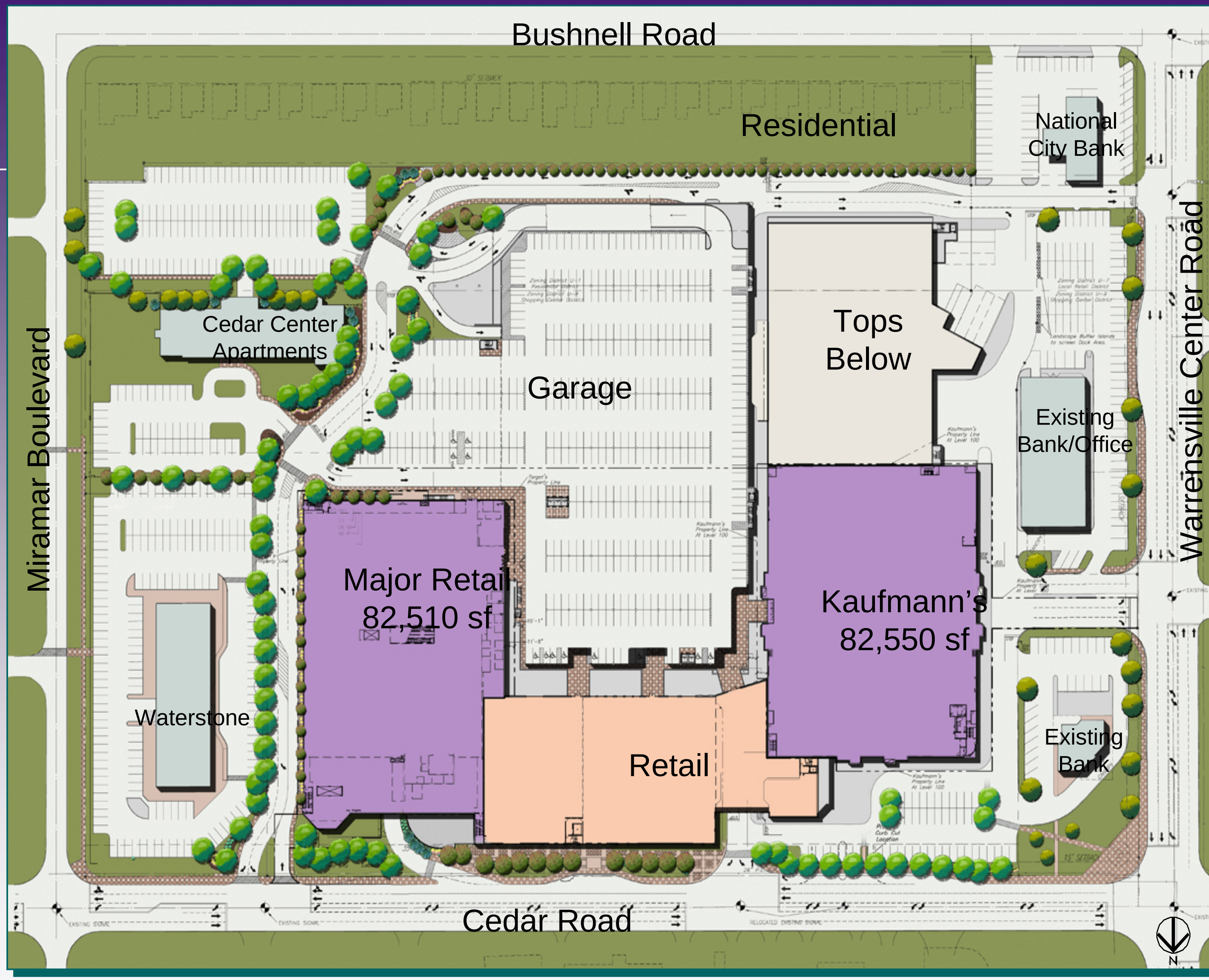

Bushnell Road
Residential
National City Bank
Warrensville Center Road
Miramar Boulevard
Cedar Center Apartments
Garage
Tops Below
Existing Bank/Office
Major Retail 82,510 sf
Kaufmann's 82,550 sf
Waterstone
Retail
Existing Bank
Cedar Road
N

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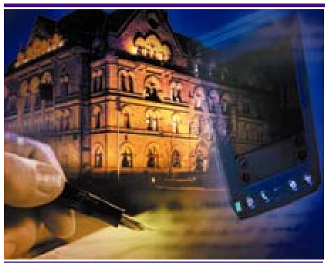

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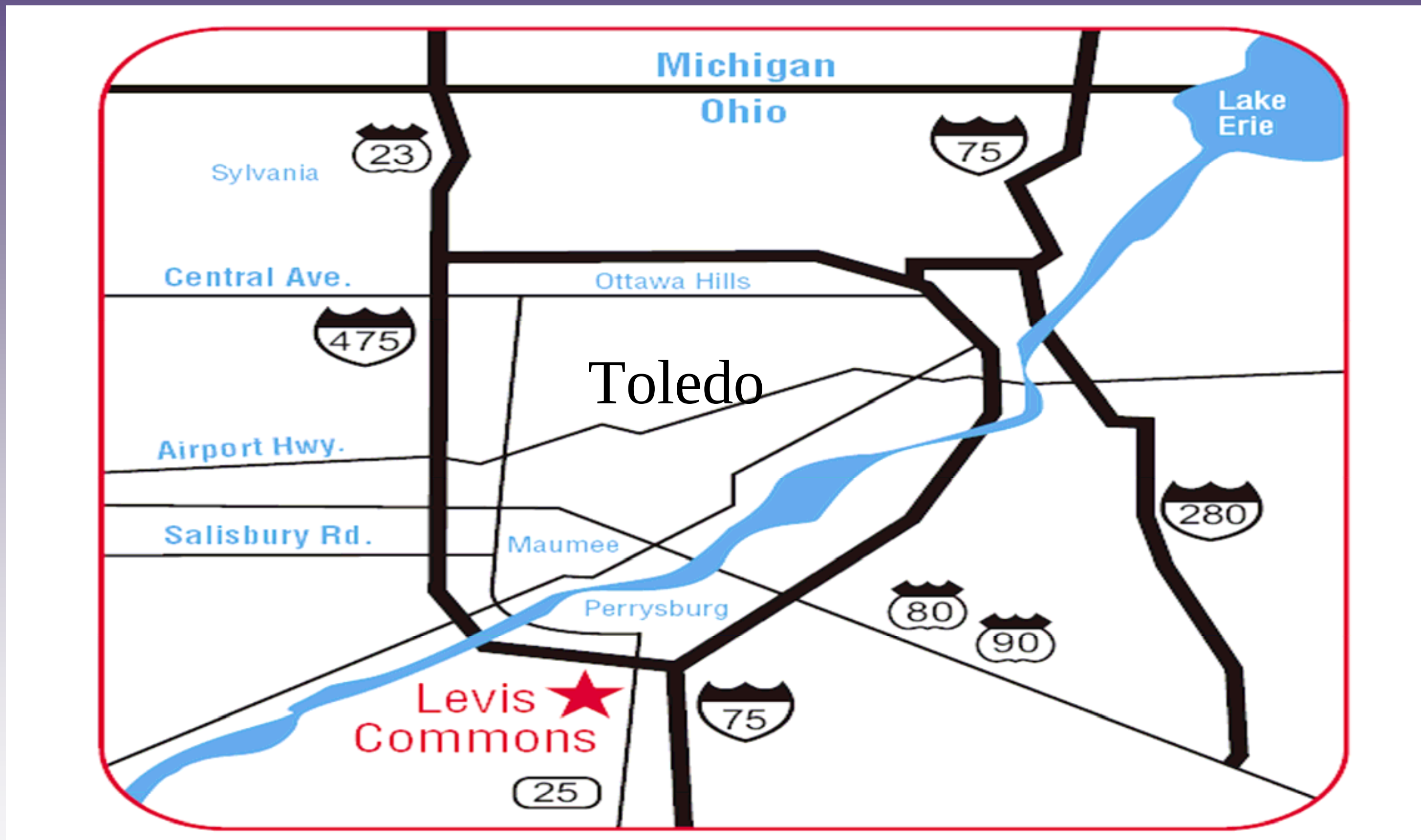
CASE STUDY: Levis Commons



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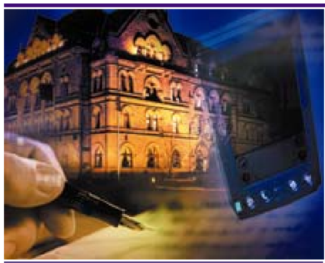

CASE STUDY: Levis Commons

Includes TIF Infrastructure

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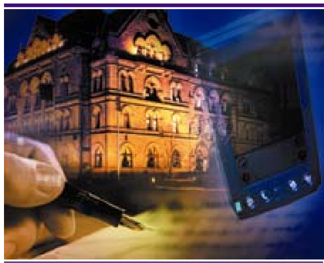
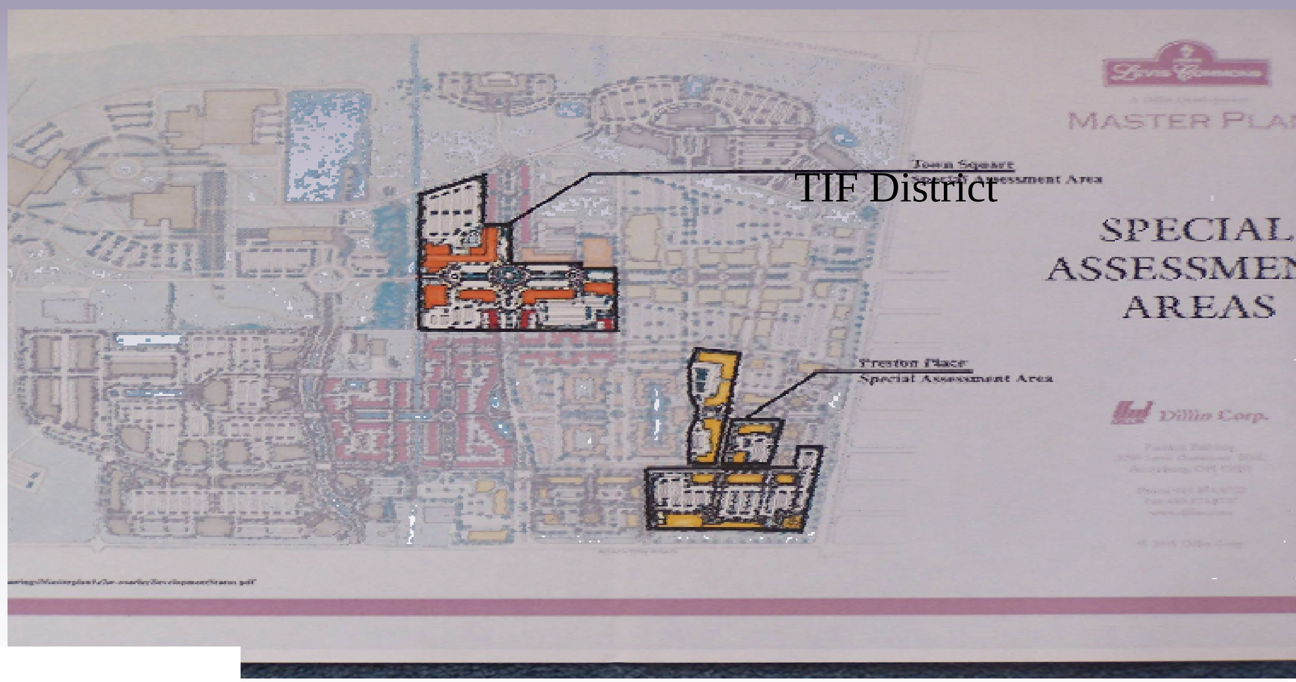
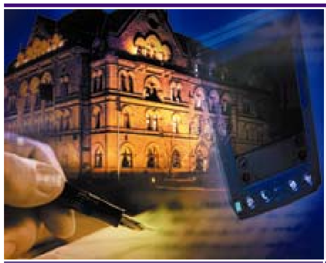


CASE STUDY: Levis Commons

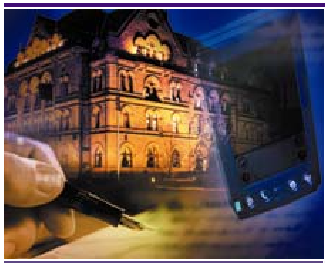
TIF District (Built Out) and Special Assessment Districts Building Now





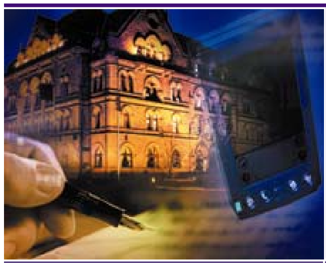
CASE STUDY: Levis Commons – Phase I

- Original TIF - $4,500,000
- Supplemental TIF - $14,000,000
- Total TIF - $18,500,000
- Bank Loan Funded with TIF
- Developer Guarantee



CASE STUDY: Levis Commons – Phase I

- Developer Capacity used on TIF Loan Guarantee
- New Solution Needed
- New TIF and Refunding Considered
- Add Special Assessments



CASE STUDY:
Levis Commons – Phase II

Public Improvement Financing

- Use Two Port Authorities
- Toledo Port Bonds - $6,440,000 – Tax Exempt, Series 2006
  29 Year Term - 4.8% interest rate
- Cleveland Port Bonds - $5,060,000 – Tax Exempt, Series 2006
  29 Year Term - 4.8% interest rate

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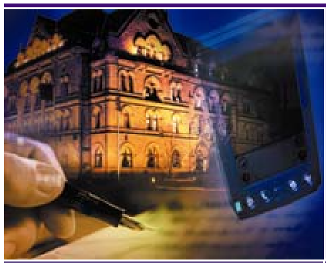

CASE STUDY: Levis Commons – Phase III

- Third Phase (Town Square)
- Toledo Port Bonds - $14,165,000 – Tax Exempt, Series 2007
- Separate Assessments on Phase III Buildup
- 184 Room Hotel and 100,000 Square Feet of Retail in Two Commercial Buildings [illegible]luding Residential)

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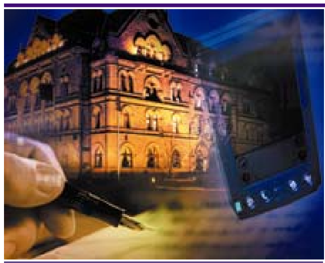
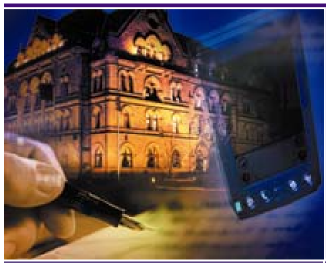


CASE STUDY:
Levis Commons – Phases II and III

Public Improvement Financing

- Structure Advantages
- No Equity by Developer
- Owned by City of Perrysburg
- Operating Agreement with Developer



CASE STUDY:
Levis Commons

Public Portion

- Public Infrastructure
  - Roads, Surface Parking
  - Utilities, Sidewalks, Landscaping
- Check to Developer
  - For ground lease of land for infrastructure

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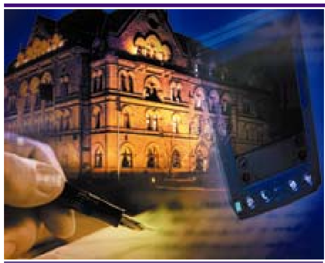
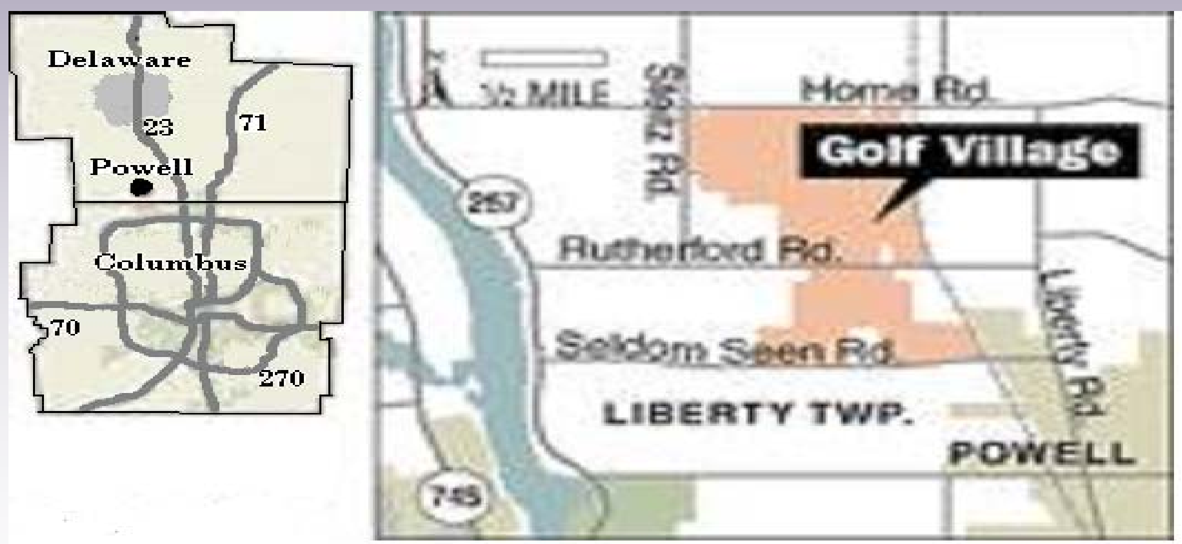


CASE STUDY:
Golf Village - A New Community

OVERVIEW

- **Created in 1999 in southern Delaware County**
- **Encompasses over 1,000 acres of primarily single family residential property**



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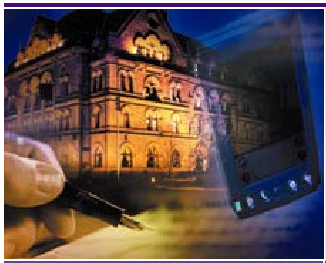

CASE STUDY: Golf Village - A New Community

Problem

- Finance Sewer and 2 Mile Roadway Extension
- Use TIF-Like Structure with Increased Collection Certainty
- Allow Developer Control

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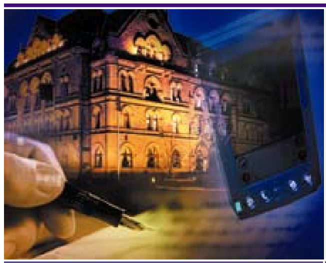

CASE STUDY:
Golf Village - A New Community

Solution

- New Community Authority
- New Ohio Political Subdivision
- Created by County
- Used Previously by New Albany

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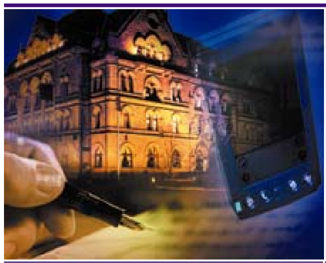

CASE STUDY:
Golf Village - A New Community

New Community Charges

- Levied in Varied Manner
- Petition of Developer Controls
- Per Unit, Per Lot/Sale
- Security Issues

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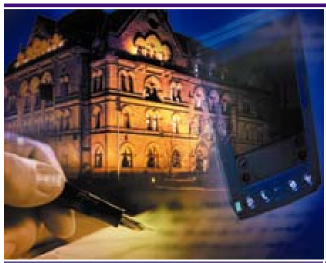

CASE STUDY:
Golf Village - A New Community

Financing Plan

- Variable Rate Bonds were Issued to Provide $22 Million in Capital to Finance the Needed Infrastructure

- Bonds were Supported by a 10.25 Mill “Community Development Charge” Imposed by the Authority

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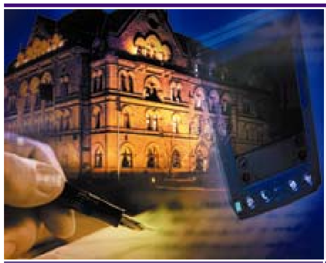

CASE STUDY: Golf Village - A New Community

- Financing Problem: the Authority was Basically Borrowing Against the Collection of Future Community Development Charges on an Undeveloped Parcel. Infrastructure Needed to be Virtually Complete Before Serious Development Could Commence.

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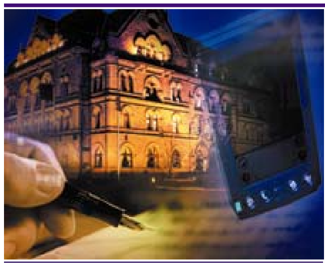

CASE STUDY:
Golf Village - A New Community

- Bond Market was <u>Unwilling</u> to Accept "Development Risk" Associated with a "Raw Land" Deal.

- Township did not Have the Wherewithal or Inclination to Issue General Obligation Bonds

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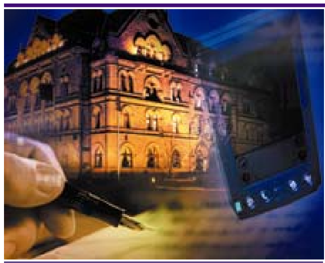

CASE STUDY:
Golf Village - A New Community

- Financing Solution: Bonds were Issued with Backing of a Letter of Credit Provided by the Developer.

  - If Revenues were Insufficient, Bondholders Would be Paid from Letter of Credit

  - Letter of Credit Bank Would Look to the Developer for Reimbursement

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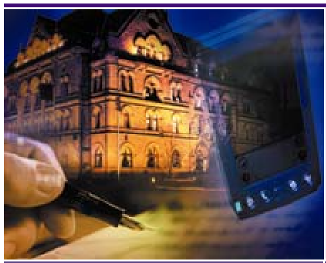

CASE STUDY:
Golf Village - A New Community

- Advances Made by the Developer to Pay Principal and Interest and Money Spent by the Developer on Cost Overruns Were Financed Through the Issuance of a Developer Note.

- Developer Note was Held by the Developer and Subordinated to the Primary Bond Issue

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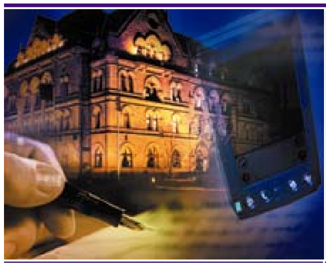

CASE STUDY:
Golf Village - A New Community

- Long Term Plan: at the Time Bonds Were Issued, it was Contemplated that the Developer's Letter of Credit Would be Replaced or Eliminated When Development Matured and Cash Flow was Sufficient to Support Bonds on a "Stand Alone" Basis.

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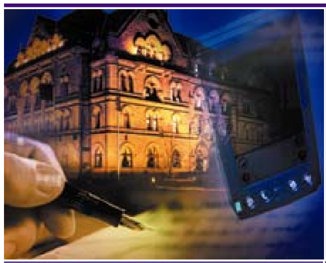

CASE STUDY:
Golf Village - A New Community

SUBSEQUENT EVENTS

- In 2002, the City of Powell Approached the Developer and Authority about Annexing the Authority into the City.
  - City agreed to Refinance the Major Portion of Outstanding Bonds with General Obligation Bonds of the City

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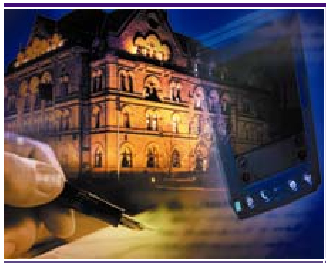
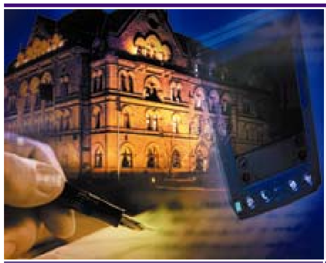


CASE STUDY:
Golf Village - A New Community

- Developer Agreed to Hold Approximately $5 Million of Developer Bonds, Which Would Have a First Lien on Authority Revenues
- After Principal and Interest on Developer Bonds Were Paid, the Authority Agreed to Assign all Remaining Revenues from the Charge to the City for Use in Retiring the General Obligation Debt
- The Annexation was the Impetus for a EDA Agreement Between the City and the Township



CASE STUDY: Golf Village - A New Community

– Benefit to the City: Future Income Tax Collections from Residents and Businesses Within the Authority's Boundaries (Partial Credit)

– Benefit to the Developer: Eliminated the Requirement to Supply a Letter of Credit to Support the Debt

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CASE STUDY:
Golf Village - A New Community

Current Status

- City and Authority are Currently Considering Adding up to Five Parcels to the Authority
- Additional Bonds may be Issued and Supported by Revenue Generated by the Additional Parcels for Improvements to Those Parcels and an Additional Extension of the Parkway

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CASE STUDY:
Golf Village - A New Community

- Revenue Pledged to Support Currently Outstanding Bonds will not be Diluted
- Excess Revenue Generated by the New Parcels and not Needed to Support New Debt Would be Available to the City to Support Currently Outstanding Debt

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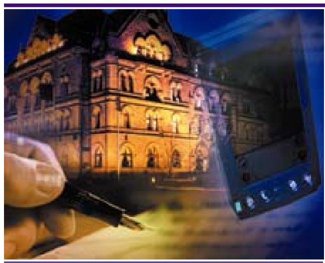

CASE STUDY: City of Marysville, Ohio

- EPA Mandate
- Wastewater Infrastructure Needs
- How to Finance?

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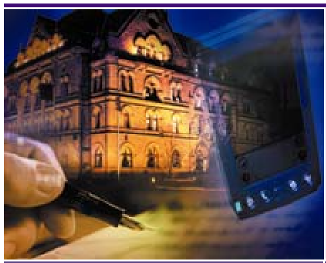
CASE STUDY: City of Marysville, Ohio

- Revenue Bonds
- No Mortgage
- Franchise to Operate Facility Given as Security



CASE STUDY: City of Marysville, Ohio

- Add Residential Incentive District TIF
- From New Residential Developments Pressuring the System

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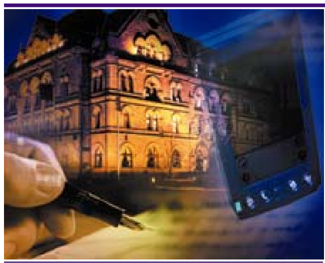

OTHER EXAMPLES: Creative Use of TIFs

Great Lakes Ecosystem

- Point Source Pollution Problem
- Non-Point Source Pollution Greater Problem

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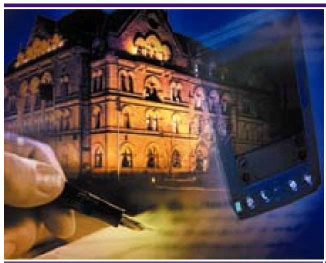

OTHER EXAMPLES: Creative Use of TIFs

Great Lakes Ecosystem

- Great Lakes Protection Fund Grant for Creative Financing
- Northeast-Midwest Institute Studying Financing Alternatives

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OTHER EXAMPLES: Creative Use of TIFs

Great Lakes Ecosystem

- Watershed Runoff Problem
- Farming, Chemicals, Development

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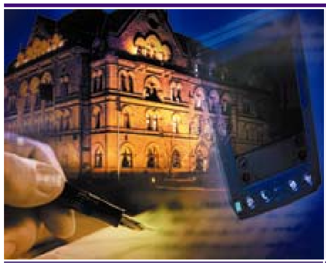

OTHER EXAMPLES: Creative Use of TIFs

Great Lakes Ecosystem

- Proposed Solution: TIFs

- Dedicate TIF Incremental Revenue to Watershed Management

- Help Solve Non-Point Source Pollution Problems

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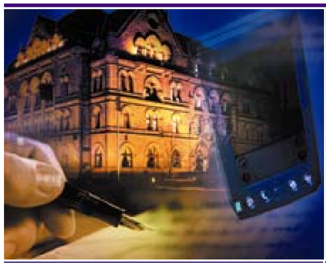

TIF FINANCING: Variations on the Theme

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