Tax Increment Financing Practice and Policy Seminar

Case Studies:
A Look at TIF Projects from Across the U.S.

Presented by:

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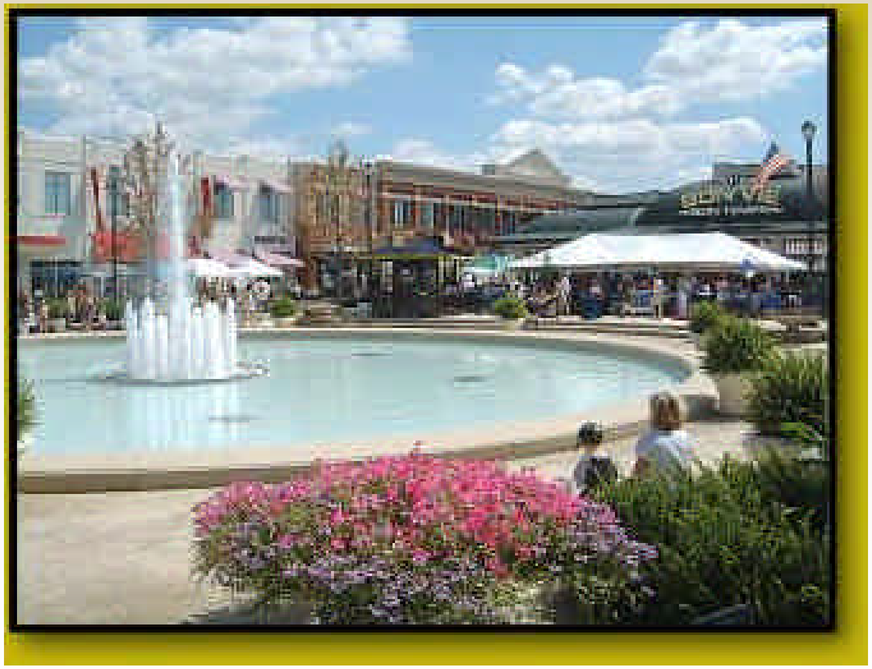
CASE STUDY:
Easton Town Center

EASTON TOWN CENTER

EASTON.



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CASE STUDY:
Easton Town Center

EASTON TOWN CENTER

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

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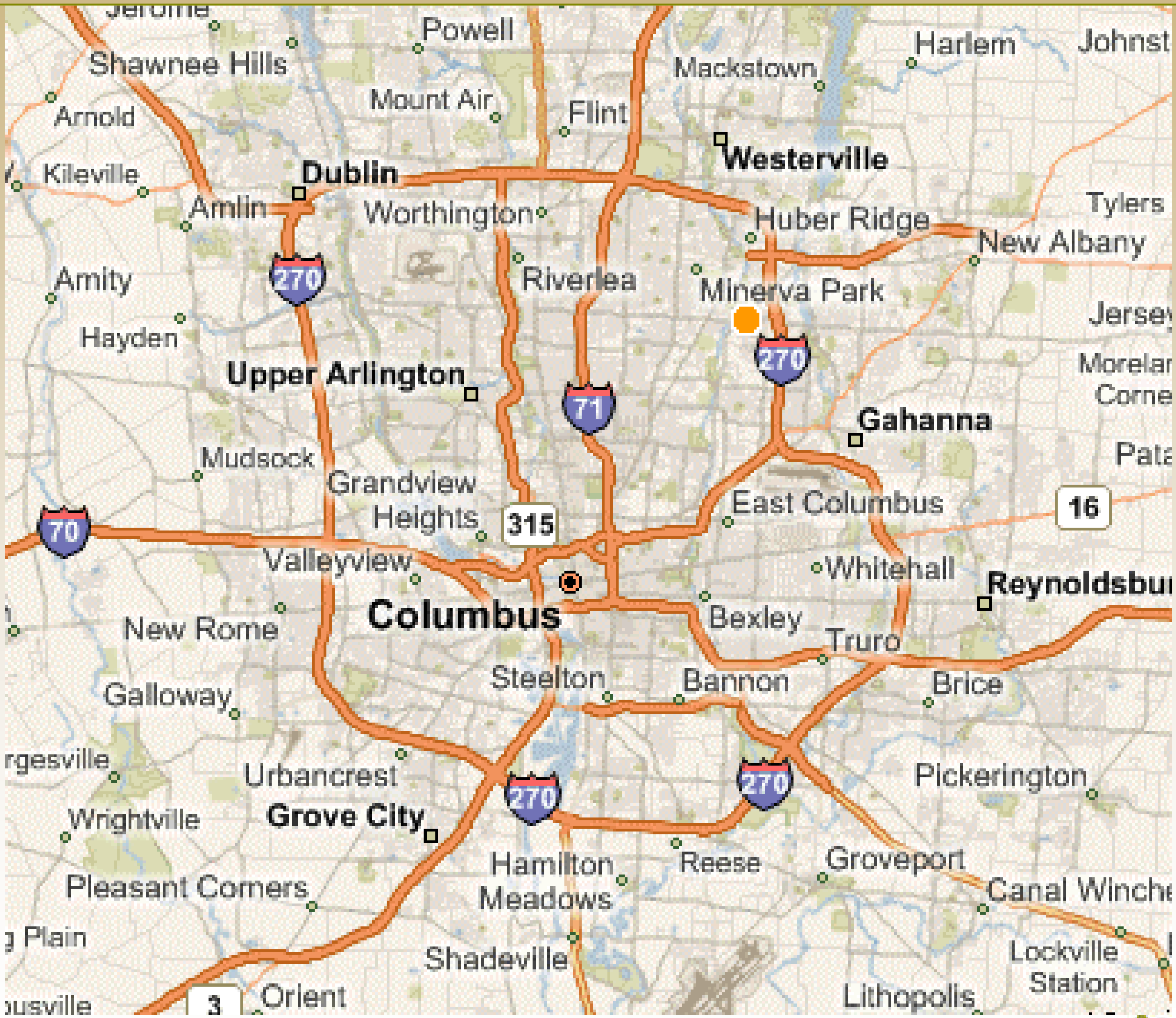
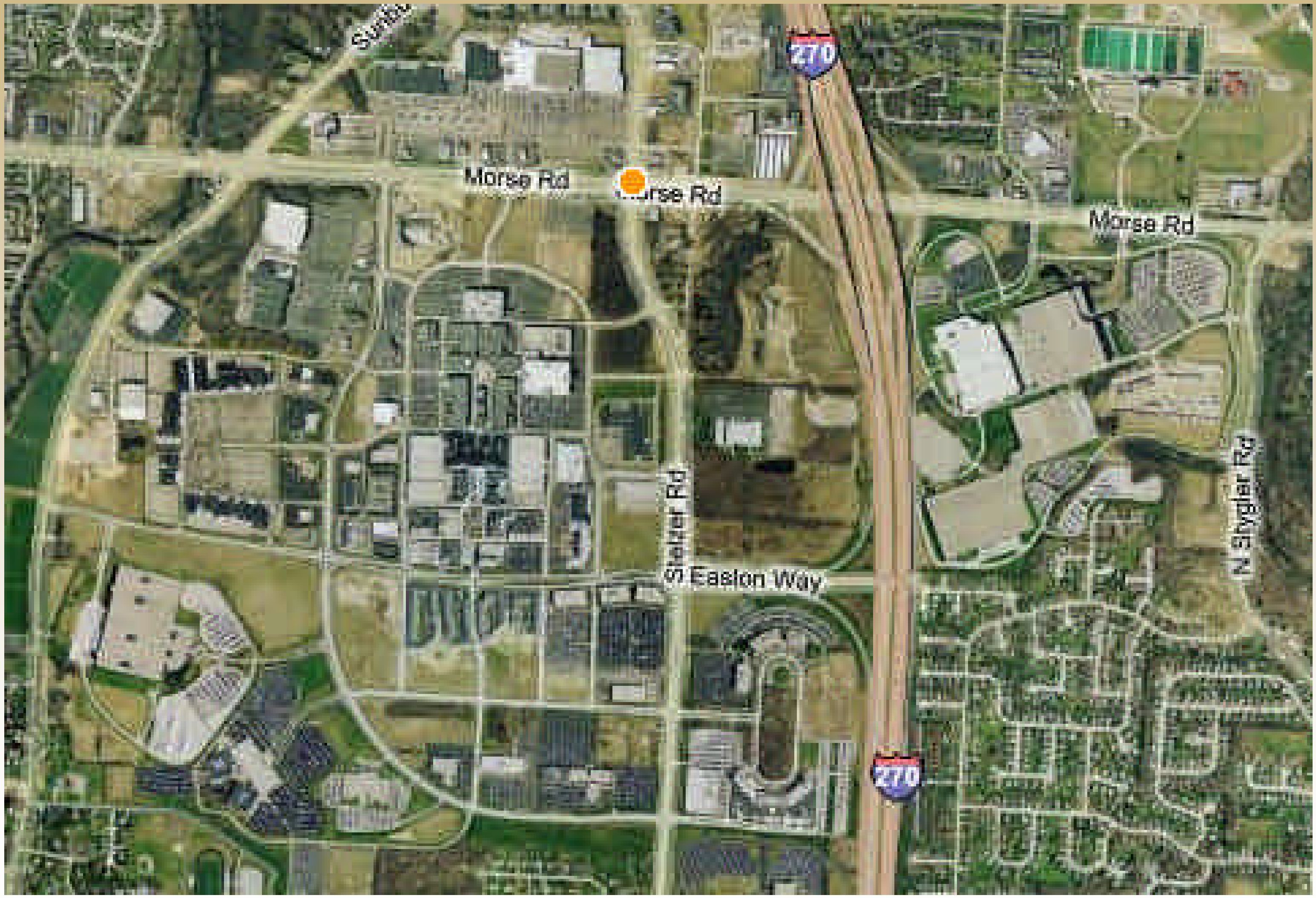


CASE STUDY:
Easton Town Center



CASE STUDY:
Easton Town Center

EASTON – MAJOR COMPONENTS

– Market at Easton
  - 900,000 square feet of retail space (primarily big box)
  - Located on perimeter of development

EASTON – MAJOR COMPONENTS

– 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)

CASE STUDY:
Easton Town Center

EASTON – MAJOR COMPONENTS

- 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.)

EASTON – MAJOR COMPONENTS

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

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

CASE STUDY:
Easton Town Center

THE FINANCING PROCESS

– Financing Parameters and Issues
  - Original Plan -- raise $26,000,000 for parking structures
    – Federal tax questions with financing these parking garages on tax-exempt basis
  - 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

CASE STUDY:
Easton Town Center

TIF STRUCTURE

- 30 year TIF
- 100% of “non-school” TIF revenues committed to project
- 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

CASE STUDY:
Easton Town Center

TIF STRUCTURE (cont’d)

- By holding schools “harmless”, 66% of potential TIF revenue was not available for project
- City would not offer GO’s or any other support beyond TIF revenues
- Proposed bond issue was not investment grade or marketable to the general public

CASE STUDY: Easton Town Center

FINANCING STRUCTURE

- Parking Financing Abandoned
  - City reimbursed developer for investment in roads made prior to issuance of bonds
    in amount of $26,000,000
  - Developer used reimbursement cash to build parking structures
- Interest Capitalized
  - City borrowed $2.2 million to pay interest through 2000 to provide time for revenues to “ramp up”

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FINANCING STRUCTURE (cont'd)

- "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

CASE STUDY:
Easton Town Center

FINANCING STRUCTURE (cont'd)

- Municipal Bond Insurance
  - Insurers are in business of insuring municipal credit risk, but not development risk
  - City would not take development risk

CASE STUDY:
Easton Town Center

FINANCING STRUCTURE (cont'd)

- Solution – Developer Letter of Credit
  - Required for principal plus 225 days of interest

CASE STUDY:
Easton Town Center

FINANCING STRUCTURE (cont'd)

- 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

» If Letter of Credit terminates prior to meeting these conditions, bonds are immediately redeemed

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

CASE STUDY:
Easton Town Center

EASTON – THE RESULT

- 3 million sq. ft. retail
- 16 office buildings - 3.7 million s/f
  - Less than 100,000 s/f vacant
- 750 apartments
- 3 hotels – combined 560 rooms
- Over 25,000 workers

CASE STUDY:
Easton Town Center

THE NEXT CHAPTER

- Original deal allowed no additional bonds – excess revenues used to redeem bonds

CASE STUDY:
Easton Town Center

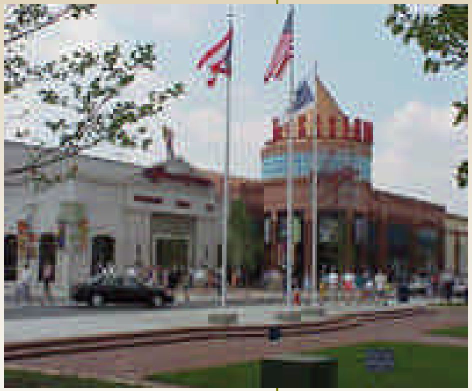
THE NEXT CHAPTER

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

CASE STUDY:
Easton Town Center

COMPLICATING FACTORS

- Columbus not willing to assume any risk with respect to bonds
- Easton lost potential revenue by waiting until 1996 to create the district
  - Significant office and retail development occurred prior to 1996



CASE STUDY:
Easton Town Center

COMPLICATING FACTORS

- Original Trust Agreement had to be defeased because of restrictive bond terms
- Problems with TIF revenues
  - No one monitoring TIF

CASE STUDY:
Corridor 75 Park

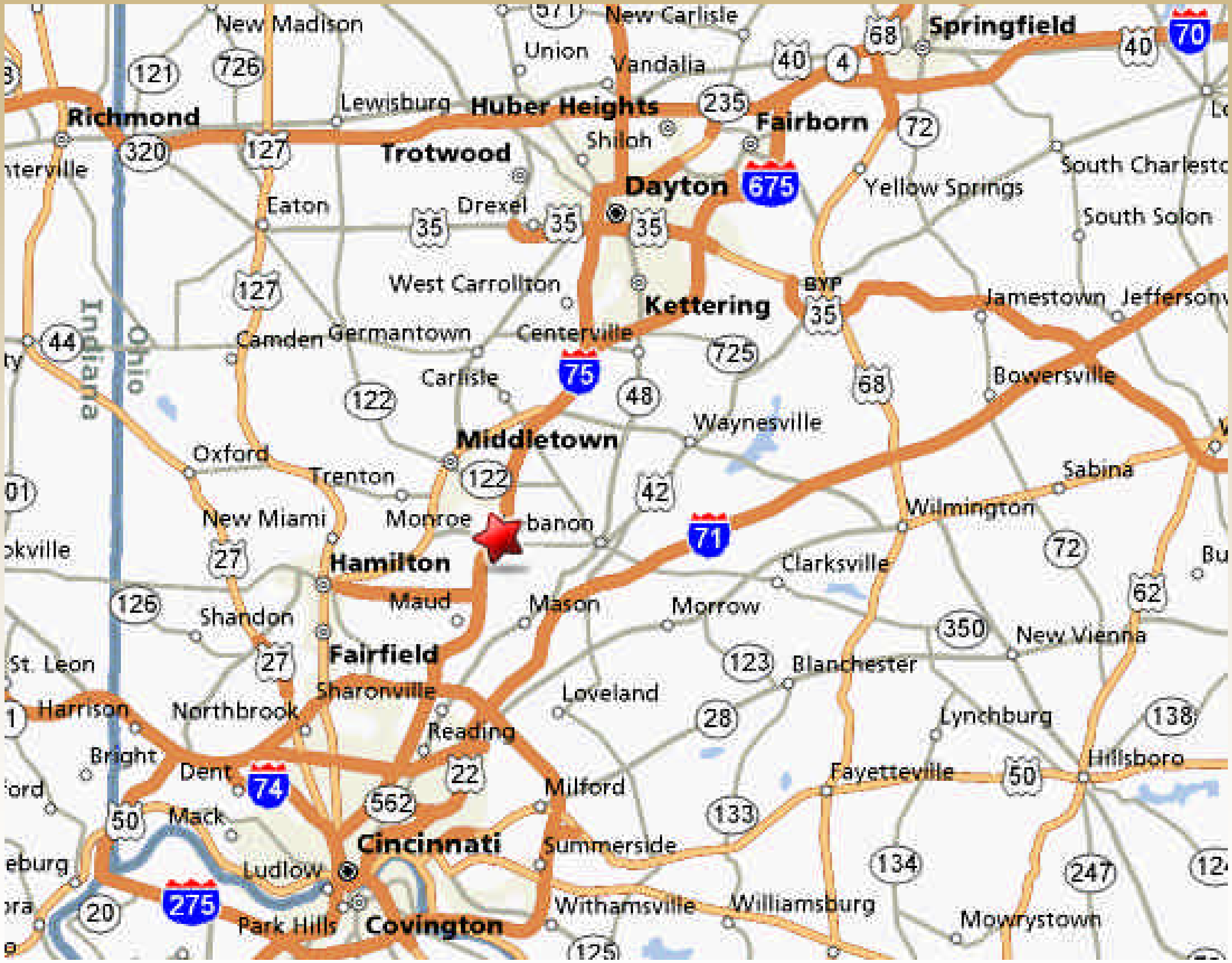
CORRIDOR 75 PARK

CASE STUDY:
Corridor 75 Park

BACKGROUND

- Developer with option on 429 acres at I-75 and SR 63 in Monroe, Ohio
- Planned development as “fulfillment” center
- 6 million s/f warehouse/distribution space
- 10-12 buildings – developed over 8-10 years

CASE STUDY:
Corridor 75 Park



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CASE STUDY: Corridor 75 Park

PROJECT NEEDS

- CRA Abatement – 15 years (buildings, not land
- Up to $14 million of infrastructure
  - 5-lane boulevard through site
  - Storm water detention system
- TIF Funding
- No developer LOC
  - "Back-up" Special Assessment
- City unwilling to own storm water basin

CASE STUDY:
Corridor 75 Park

FINANCING STRUCTURE

- Ohio law – bonds issued by municipality and backed by special assessment must be G.O.
- Warren County Port Authority willing to issue bonds
  - Conduit only
  - But also willing to take title to storm water detention system

CASE STUDY:
Corridor 75 Park

FINANCING STRUCTURE (cont'd)

- Because of tax abatement, TIF revenue insufficient to cover debt service during first 15 years
  - Options:
    - Developer LOC
      - Costly and limits developer's ability to get bank financing for other projects
    - Special assessment

CASE STUDY:
Corridor 75 Park

FINANCING STRUCTURE (cont'd)

- Structure selected:
  - TIF/special assessment revenue bonds
    - Special assessment is for full amount of improvements but is reduced in any year to the extent that TIF is sufficient to cover debt service
  - School District issues

Contact Information

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