Unlocking the Development Finance Toolbox

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Council of Development Finance Agencies

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What is Development Finance?

- Development finance is the efforts of local communities to support, encourage and catalyze expansion through public/private investment in physical development/redevelopment and/or business/industry.

- It is the act of contributing to a project/deal that causes that project/deal to materialize in a manner that benefits the long term health of the community.

- Development finance requires programs and solutions to challenges that the local environment creates.

- Proactive approaches that leverage public resources to solve the needs of **business**, **industry**, **developers** and **investors**.

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What Holds a Community Back from Unlocking Capital?

- Many roadblocks to supporting development including
  - **Credit Quality** – borrowers, project, community
  - **Disinvestment** – crumbling infrastructure, stressed workforce
  - **Environmental Challenges** – blight, contamination
  - **Costs** – sustainability is expensive
  - **Resistance** – equitable development is threatening to many
  - **Rebounding Economy** – easier paths to success (short lived as they may be)

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Principles of Development Finance

#1 Finance, generally speaking, is agnostic to your project. Your project is GREAT. I believe you…but, finance cares (mostly) about one question…

How are you going to pay me back?

Principles of Development Finance

#2 Finance wants to know all the details. How will you USE your money and can you define your project?

You must be able to define your project on **ONE** or **TWO** pages:

- What is the actual project?
- What is the timeline?
- How much will the project cost?
- Who are the customers or target market?
- Do you have land control?
- What are the alternatives?
- What are the expectations?

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Principles of Development Finance

#3 Finance is about identifying SOURCES of revenue. How are you going to pay me back?

Find the revenue streams….

Loans Fees Appropriations Equity

Rents

Taxes Donations Grants

Assessments Sales

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Principles of Development Finance

#4 Embrace the alternative. Development finance is very difficult and the project you envision simply may not be supported by the sources and uses available.

Embrace the alternatives early in the process. You may find that you can meet your goals by being open to new realities and new partners….

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Principles of Development Finance

#5 Development finance is all about identifying barriers to capital. Removing those barriers. Then identifying all the sources of capital that can contribute to the project financing. So….KNOW YOUR SOURCES!!!

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Landscape of Financing Tools

Tax Increment Finance

New Markets Tax Credits

504 Loans

Municipal Bonds

Collateral Support

Linked Deposit Programs

EB-5

Community Reinvestment Act

Revolving Loan Funds

Microlending

Grants

Historic Tax Credits

Opportunity Zones

Property Assessed Clean Energy

Special Assessment

Tax Abatements

Seed & Venture Capital

501(c)3 Bonds

Industrial Development Bonds

Mezzanine Funds

Credit Enhancement

PILOTS

In the End….

- All economic development comes down to the access to financial resources for completing a given project or deal.

- Nearly all projects/deals hinge on the ability to leverage inexpensive sources of financing.

- As they say, cash is king, money makes the world go around and show me the money!

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Building the Development Finance Toolbox

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Introducing the Toolbox Approach

- The Development Finance Toolbox Approach is a full scale effort for building local and regional financing capacity to serve and impact a variety of business, development, land use, infrastructure and industry needs.

- This is an investment in programs and resources that harness the full spectrum of a community's financial resources and is a dedication to public-private partnerships.

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The Toolbox Financing Spectrum

5 Practice Areas

Practice Area 1: Bedrock Tools
Bonds and the Basics of Public Finance

Practice Area 2: Targeted Tools
Tax Increment Finance, Special Assessment Districts, Government Districts, Project Specific District Financing & Tax Abatements

Practice Area 3: Investment Tools
Tax Credits, Opportunity Zones, EB-5

Practice Area 4: Access to Capital Lending Tools
Revolving Loan Funds, Mezzanine Funds, Loan Guarantees and Microenterprise Finance, Seed & Venture Capital

Practice Area 5: Support Tools
Federal Funding

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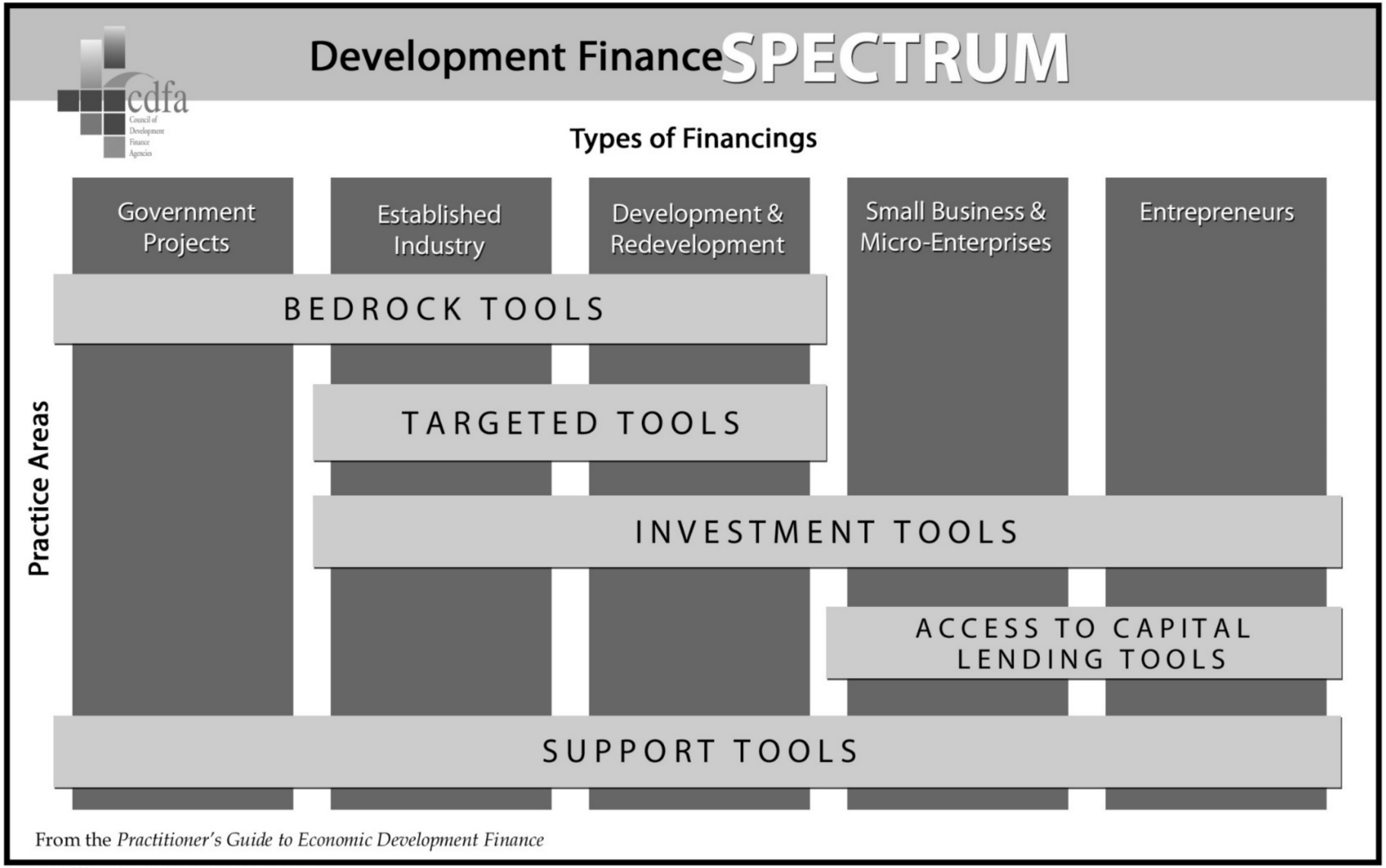
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Bedrock Tools

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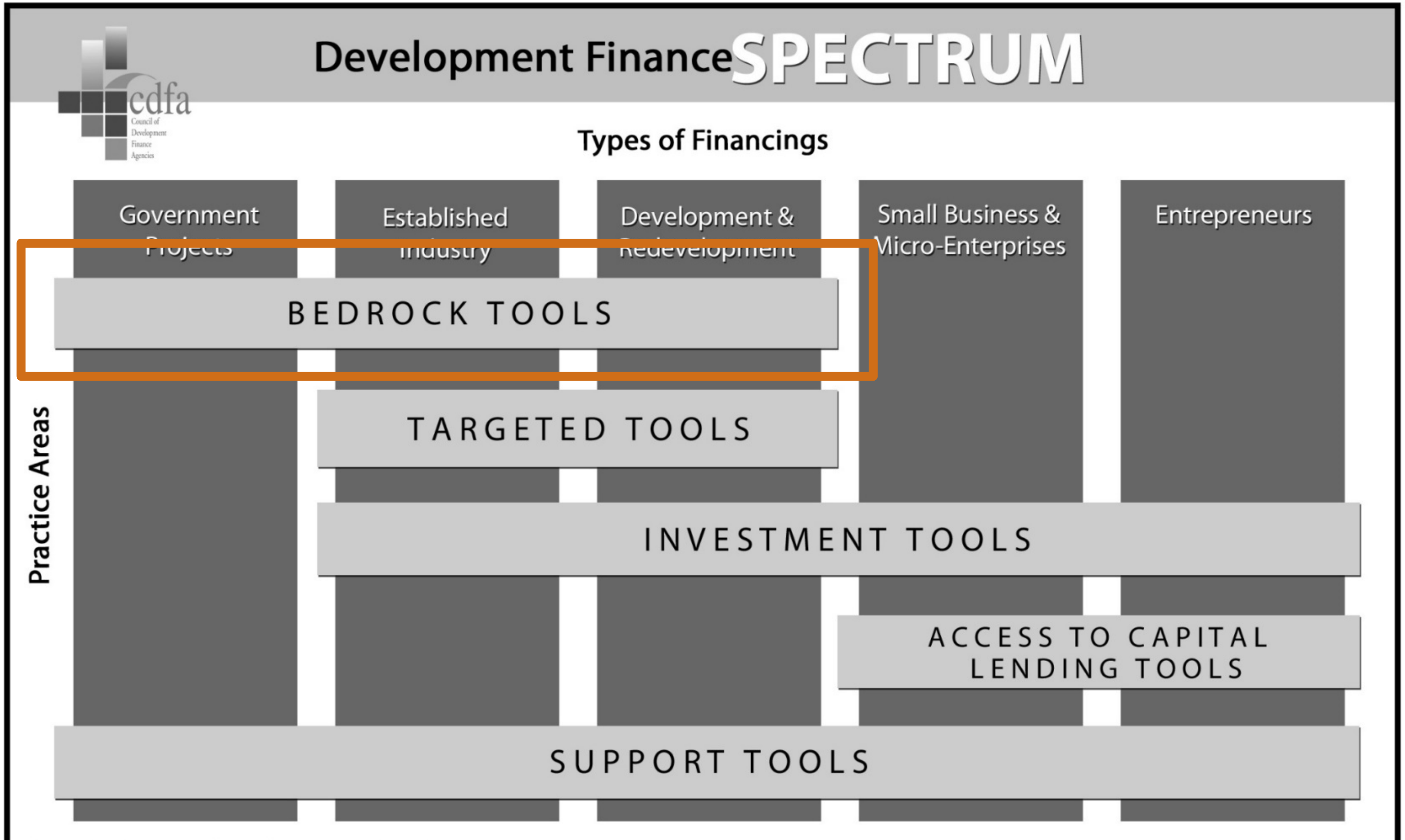

From the *Practitioner's Guide to Economic Development Finance*

Bond Finance - Overview

- Bond use dates back over 150 years with the tax reform act of 1986 shaping today's use
- A bond is a loan
- A loan is a promise to pay
- Loans have two components – **Principal & Interest**
  - Principal = Amount borrowed
  - Interest = Amount it costs to borrow the principal
- Projects value low interest capital….enter bond financing!!

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Bond Finance – How it Works

- Units of government (ISSUERS) borrow regularly in the tax-exempt bond market by pledging revenues to pay back the bonds
  - *Remember a bond is just a loan*
- Investors (BOND BUYERS) fund these loans and provide the principal capital
- The bond buyer sets the terms and interest rate for the bond
- As a tax-exempt bond, the bond buyer is afforded exemption from income tax on interest income earned on this investment
- Meaning, the investor does not pay income tax on interest earnings
- As such, the bond buyer offers a lower interest rate to the borrower

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Bonds – Two General Types

- **Government (GO) Bonds** – are tax-exempt, used for public projects
- **Private Activity Bonds (PABs)** – are tax-exempt, utilized for economic development
- What can they finance?
  - Roads, bridges, sewers, water treatment plants, dams
  - City halls, prisons, schools, hospitals, libraries, YMCAs, museums
  - Parks, swimming pools, community centers, universities,
  - Stadiums, theaters, music halls, clinics
  - Recycling plants, energy generation facilities, solar fields
  - Small manufacturing facilities, first-time farmers, non-profits, affordable housing
  - And much more

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Bond Finance – Simplified Process

1. **Project** – Issuer identifies a project and determines if it qualifies for tax-exempt financing
2. **Legal & Finance** – Counsel and underwriters prepare documents, legal opinions and offering statements to price and sell bonds in capital markets
3. **Placement** – Underwriter places (sells) bonds with investors (bond buyers) raising principal for project
4. **Pledge** – Issuer pledges revenues (taxes, fees, appropriations, proceeds, etc.) to pay back the bond

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Bond Finance – Simplified Process

4. **Repayment** – The bond is paid back over prescribed timeframe with regular principal and interest payments
5. **Trustee** – Acts as fiduciary agent on behalf of bond holders (bond buyers) and manages payments

- **Benefit to Borrower** – Lower cost capital for public purpose investment

- **Benefit to Investor** – Bond buyer receives relief from federal and state income taxes on interest earnings on bonds

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Borrowers, Issuers & Conduit Bonds

- The issuer and borrower are not always the same entity
- An issuer can be a borrow (such as a city, county, etc.)
  - Issuing bonds for their own public benefit purpose
- However, a borrower ***does not*** have to be an issuer
  - Certain borrowers (non-profits, first time farmers, manufacturers, hospitals, etc.) may use an issuer to access bond financing
- This type of issuance is called **conduit bond financing**

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Borrowers, Issuers & Conduit Bonds

- Bonds issued on a conduit basis are not backed by the issuer
- Conduit bond debt is solely the responsibility of the borrower
- Issuer has no responsibility to pay back the bonds
- This type of bond is called a non-recourse conduit bond
- Private Activity Bonds are typically issued on a conduit basis

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Bond Finance Resource Center

Bonds are the bedrock of public development finance. They have been used to help build roads, bridges, sewers, dams, and thousand of other public and private projects. Bonds are issued and sold to the investing public by governmental entities to finance both governmental activities and the development of physical infrastructure and local economies.

There are two types of bonds: Government Bonds (GOs) and Private Activity Bonds (PABs). GOs may be used for many public purposes (e.g., highways, schools, bridges, sewers, jails, parks, government equipment and buildings, etc.). Private entities may not significantly use, operate, control, or own the facilities that are being financed. GOs benefit the general public, while PABs benefit private entities. PABs are the development finance mechanisms that drive projects involving both the public and private sector.

The CDFA Bond Finance Resource Center contains development finance tools that can be used to better understand the essentials of bond finance. Over 50,000 individual governments and authorities around the country issue bonds and the Bond Finance Resource Center is a comprehensive clearinghouse of information, case studies, and educational materials on the uses and function of bonds.

Want regular updates on bond financing? Subscribe to **CDFA's Bond Finance Update** newsletter.

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⟹ **Read more about this Tool**

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Targeted Tools

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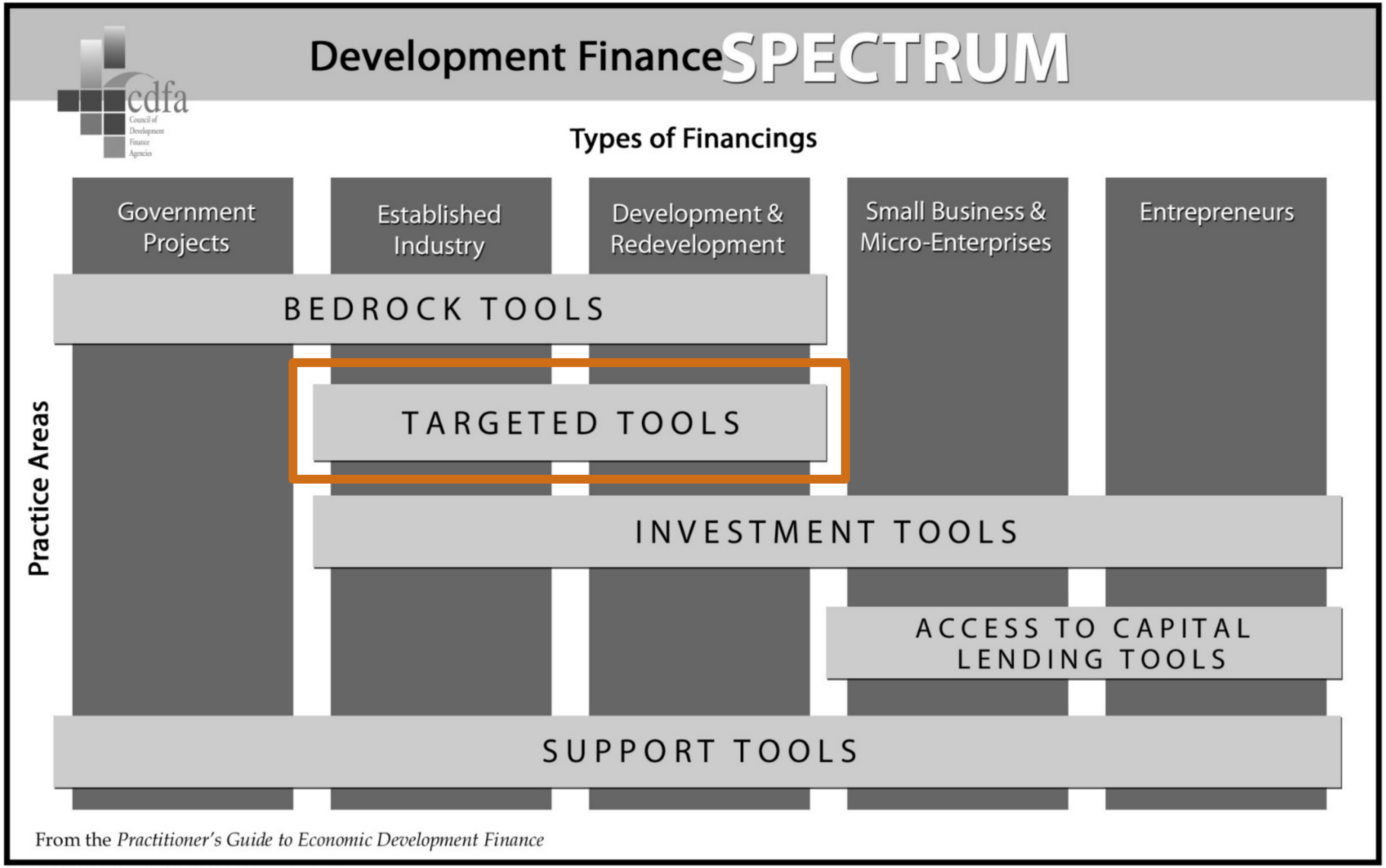
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Tax Increment Finance

- Second and most common targeted form of financing.
- First created in 1952 in California to act as a catalyst for redevelopment areas.
- Quickly spread across the country – 48 states and District of Columbia have enabling legislation.
- Referred to by a variety of names:
  - TIF - Tax increment financing (most states)
  - TAD - Tax allocation district financing (GA)
  - PDF – Project Development Financing (NC)
  - TIRZ - Tax increment reinvestment zones (TX)
- California currently does not have a TIF law

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What is TIF?

- Special authority provided to a local governmental jurisdiction which allows them to allocate specific tax revenues towards the redevelopment, development or renovation of the built environment.

- A mechanism used to capture the future tax benefits of real estate improvements to pay the present cost of specific improvements.

- TIF is used to channel incremental taxes toward improvements in distressed or underdeveloped areas where development would not otherwise occur by using the increased property or sales taxes that new development generates to finance qualified costs related to development.

What is Increment?

- Increase in taxes resulting from development
- Difference between base frozen tax and future generated taxes.
- Types of taxes used:
  - Real estate – most common
  - Sales tax
  - Income tax
  - Gross tax
  - Value added tax

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Simple Project-Specific TIF Example

Using Up-Front Method of Financing:

- Existing property generates **$50,000** a year in real estate taxes.
- Government designates the property as a "TIF" district.
- Tax base is frozen at **$50,000** level.
- New project is proposed for the site and will in effect raise overall tax base generated to **$750,000** (and rising) a year once completed.
- Developer agrees to make significant investment and seeks TIF funds from govt. for eligible public improvements.

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Simple Project-Specific TIF Example

- Government conducts “but for” test and agrees to TIF deal and issues tax-exempt bonds to finance proposed infrastructure improvements.
- Bonds are issued generating cash for the project (several options on actual financing mechanism).
- Once project is complete, new assessment is completed on property (**$750,000** in taxes a year as indicated before).
- Frozen base (**$50,000**) continues to flow to pre-existing coffers (city, county, schools, state, etc.).
- Increment (**$700,000**) goes towards debt service on the bonds or developer loan that were issued for the project.

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Simple Project-Specific TIF Example

- Increment is used to pay back bonds over time, anywhere from 10-40 years.
- Once bonds are paid off, the property taxes are "unfrozen" and the full tax base generated goes to existing coffers (city, county, schools, state, etc.).
- **THE KEY - No new taxes are requested and no existing taxes are used in the financing of the project.**

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Tax Increment Finance Resource Center

Tax Increment Finance (TIF) is a mechanism for capturing the future tax benefits of real estate improvements, in order to pay for the present cost of those improvements. TIF is generally used to channel funding toward improvements in distressed or underdeveloped areas where development would not otherwise occur.

⇒ **Read more about this Tool**

Tax increment finance is a popular development finance tool generally used to address blight, promote neighborhood stability and inspire district-oriented development. TIF uses the increased property or sales taxes (increment) generated by new development to finance costs related to the development such as public infrastructure, land acquisition, demolition, and planning. The life of a district can be anywhere from 10-40 years, or enough time to pay back the costs or bonds issued to fund the improvements.

The tax increment from a TIF district is created without raising taxes, and also without dipping into the base tax revenues present at the time of adoption. The increment thus becomes a repayment stream for debt used to finance some aspects of what is driving the increase.

The Council of Development Finance Agencies (CDFA) and the **International Council of Shopping Centers (ICSC)** have collaborated with teams of Tax Increment Finance Experts from across the country to develop a series of resources that highlight the use of this bedrock development finance tool. The resources found on this webpage address what TIF is, why it should be used, and how to best apply the TIF tool. The collaborative efforts of CDFA & ICSC have developed a six-part video series, along with two TIF reference guides that will help experienced and novice TIF users alike.

⇒ **View the TIF Videos Series from CDFA and ICSC**

Want regular updates on TIF? Subscribe to CDFA's **Tax Increment Finance Update** newsletter.

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Investment Tools

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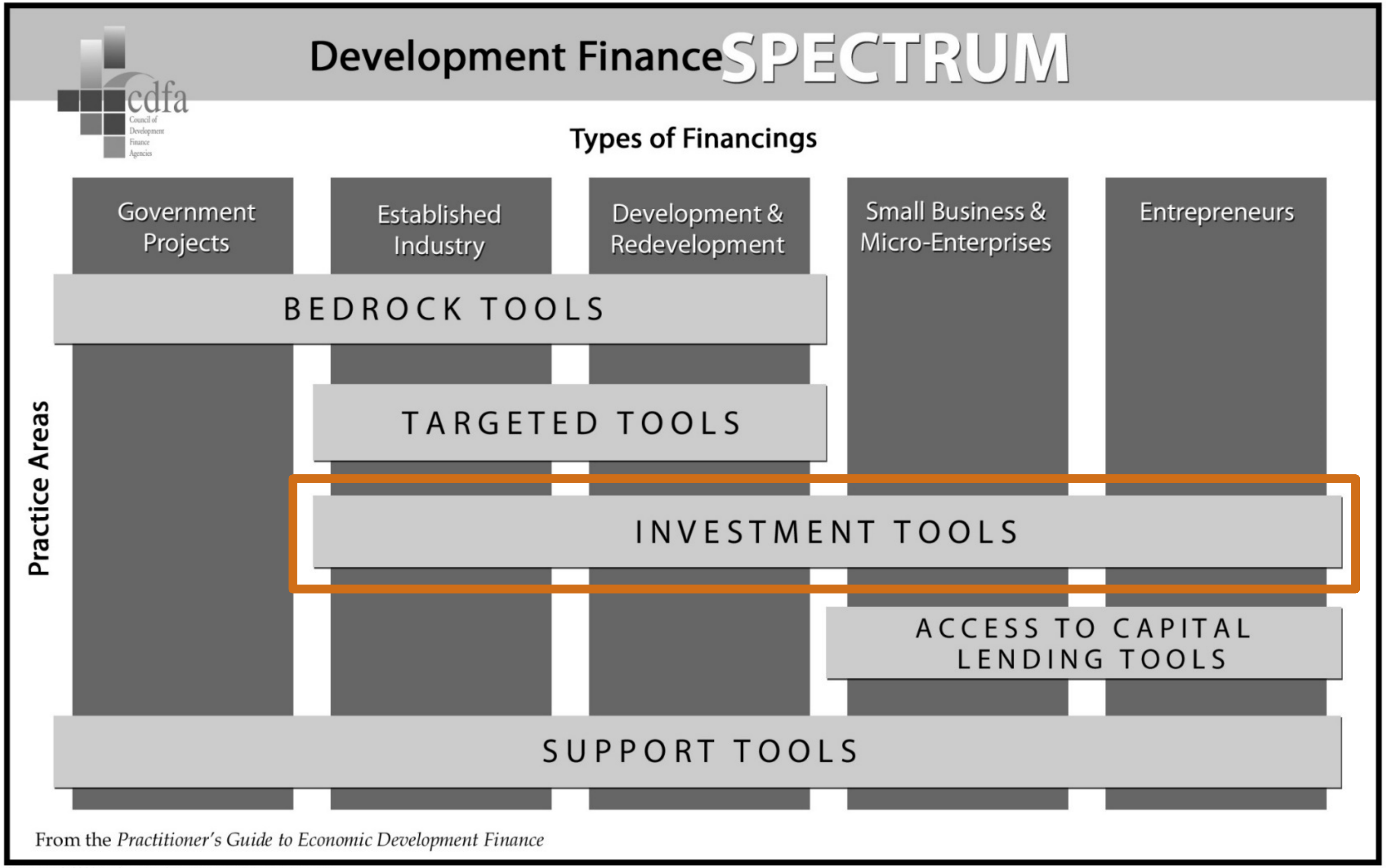
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Investment Tools

- Investment tools, such as tax credits, opportunity zones and EB-5 play a major role in local economic development efforts
- States have created hundreds of programs with both targeted and broad based functions
- Federal government has numerous programs which are proving to be very successful
- Programs have emerged based on need for niche financing to help capitalize new business ventures or solidify project financing for real estate projects

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Taxation 101

- **Taxable Income** –Portion of your income that is subject to taxation
- **Tax Deduction** – Allowances that reduce your taxable income
- **Tax Rate** – Rate with which you are taxed
- **Tax Liability** – Amount you owe after taxable income and deductions have been factored accordingly with your tax income tax rate
- **Tax Credit** – Amount of relief afford to you to offset your tax liability (dollar for dollar)

Basics of Tax Credits

- Investors receive a state/federal credit on their tax liability for qualified cash investments in projects/deals
- Investors must demonstrate, with written proof, that the resource commitment has been made and in turn the distributor of the tax credit is only authorized to issue credit based on actual outlays of these resources
- Investor then takes the credit on govt. tax liability. Can be personal, business, corporate or other liability
- In some cases, the credit is transferable to others through sale creating a secondary financial market

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New Markets Tax Credits (NMTCs)

- New Markets Tax Credits (NMTCs) are federal, dollar-for-dollar tax credits to assist in the funding of neighborhood changing/job creating commercial real estate projects and businesses located in low-income census tracts.
- According to the GAO, 88% of NMTC investors would not have considered investing in a project without the NMTC.
- Credit is equal to 39% of total qualified investment.
- Very complex, lots of terminology, requires considerable legal and accounting oversight.

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Opportunity Zones and New Markets Tax Credits (NMTC) Interactive Map

NMTC Program

Your project may be eligible for the Program based on its location in a qualified census tract. This mapping tool helps access eligibility using census-based criteria from the 2011-2015 and 2006-2010 American Community Surveys. Either census database may be used to evaluate eligibility through a transition period ending October 31, 2018*.

Designated Opportunity Zones

To identify the designated Opportunity Zones for potential investment or Opportunity Zone related projects, enter an address. If an address falls within an Opportunity Zone, that designation will appear.

Enter an address or US census tract number for your project to see if it is "Qualified" for the NMTC Program and if it meets "Severely Distressed" criteria. Any correlating Opportunity Zone designation also will appear if it meets that program's criteria.

Enter an address or census track number | ACS 2011-2015 | Find Location

Need help? ›

https://www.cohnreznick.com/nmtc-map

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NTMCs – What can be Financed?

- Charter schools, health care facilities, timberlands, child care providers, supermarkets, restaurants, museums, hotels
- Performing arts centers, pharmacies, convenience stores, manufacturers, processors, distributors, trucking companies, printing companies
- Waste management, renewable energy projects, sporting goods, office buildings, shopping centers
- Substance abuse treatment facilities, recording studios, movie studios, parking garages, etc., etc.

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Tax Credit Distinctions

- Require considerable oversight and understanding for qualified investments
- Require high level of disclosure
- Performance based tool so must be proved by investor
- Easier financing such as loans, grants, bonds, etc., reduce the interest in credits
- Misconceptions – often cited as corporate welfare
- General lack of application and understanding across the board – little marketing, few concrete training options, projects hard to define, lack of federal oversight

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Tax Credit Finance Resource Center

Tax credit programs allow businesses and investors to claim tax credits for committing resources to a project or business. Several different types of tax credit programs exist at the federal and state levels to encourage investments in redevelopment projects, affordable housing, specific industries, and communities of all sizes.

The Tax Credit Finance Resource Center provides information about the various tax credit programs available and how they can be used within the context of development finance. Tax credits directly reduce a tax payer's tax liability and are not a deduction, thus making them a very desirable and effective tool. They can be used in urban, rural and suburban communities, and in some cases on a regional basis. They can also provide a targeted impact by addressing many different community sectors, such as low-income neighborhoods, historic districts and under-served markets that present opportunities for new investment.

There are three main federal tax credit programs: New Markets Tax Credits, Historic Rehabilitation Tax Credits and Low-Income Housing Tax Credits. There are also numerous state tax credit programs available, which can be found in the map provided in the resource center below.

In order to receive a tax credit, an investor must first demonstrate that an investment has been made. Such a resource commitment could be an investment in a bricks and mortar real estate project or a cash investment in a business. The distributor of the tax credit is authorized to issue credit based on the actual outlay of resources as evidenced by the investor. Tax credits can be used for several purposes in development projects: to provide an increased internal rate of return for investors, to reduce the interest rates on a particular financing package, and perhaps most importantly, to provide a repayment method for investors in place of cash. In the latter case, the credits can often be sold on the secondary market to generate income.

Want regular updates on tax credits? Subscribe to CDFA's **Tax Credit Finance Update** newsletter.

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Access to Capital Lending Tools

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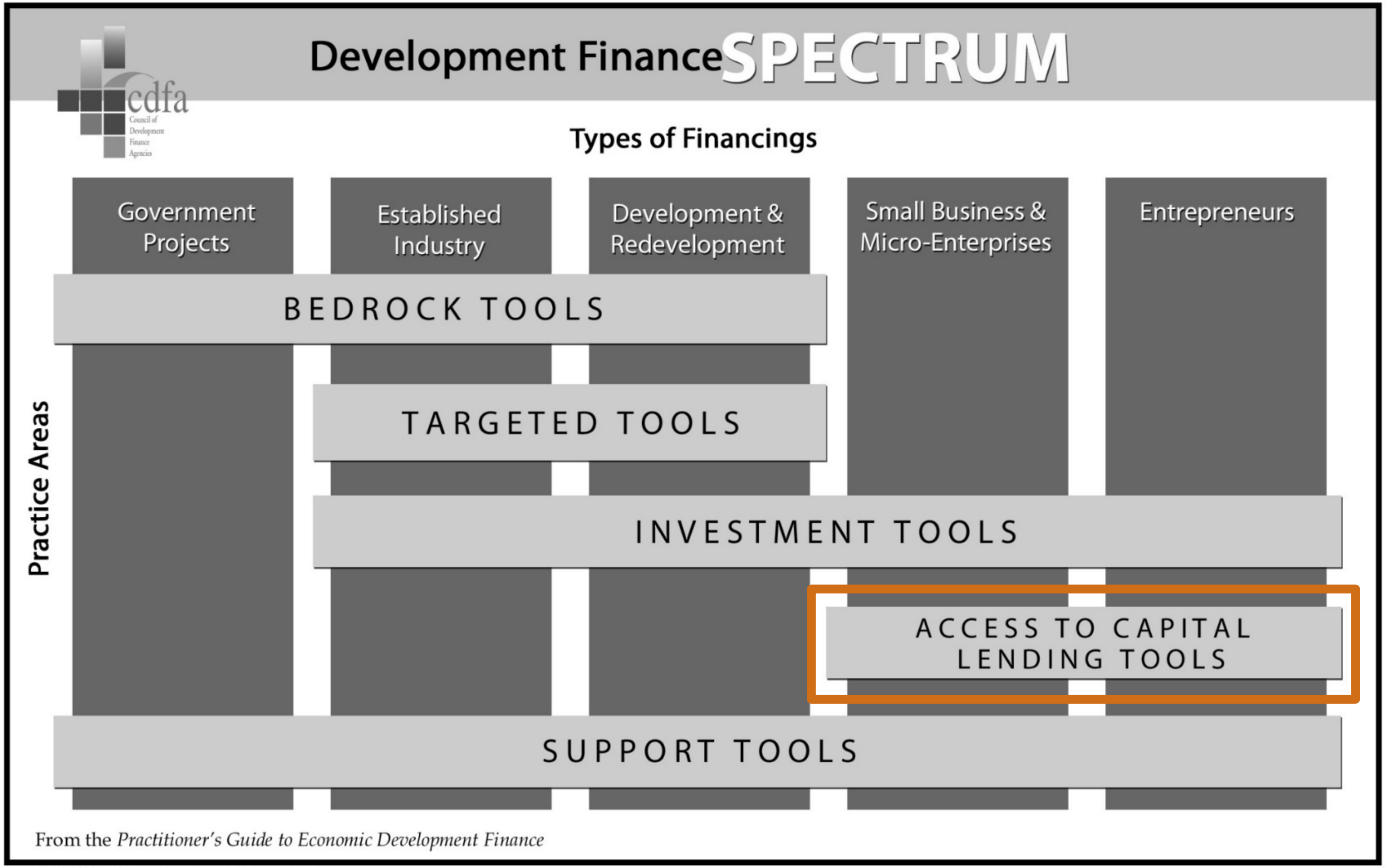

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Small Business Investment

- Small businesses make up 99.7% of all firms, employ half of all private sector employees and account for 45% of the total U.S. payroll.
- Small businesses have also generated 60-80% of all new jobs annually over the past decade.
- Economic developers, however, have traditionally neglected small business development in pursuit of larger companies.
- Small businesses need access to affordable, reliable capital to get started and “working capital” for their day to day operations and for new investment.
- Communities that offer access to capital options are building relationships with their small business community as a partner and investor.

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Traditional Access to Capital Tools

- Access tools cover a wide variety of programs that are tailored to address specific industry needs, for businesses in different stages of development, largely at the local level. They can include:
  - Revolving Loan Funds
  - Mezzanine Funds
  - Loan Guarantees
  - Linked Deposit Programs
  - Collateral Support Program
  - Microenterprise Finance

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Revolving Loan Funds

- Gap financing measure primarily used for development and expansion of small businesses which struggle to obtain financing through traditional sources.
- Self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones.
- Can be designed for broad sectors (small businesses) or for very targeted niches (facade improvements) to address myriad challenges in the community.
- Designed to allow for greater flexibility for borrowers with significant consideration put on the growth opportunity of the borrower's business.
- Capitalized by grants, federal funds, appropriations, foundations, banks and bond issuances.

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RLF Characteristics

- RLFs don’t compete with convention funding sources, they compliment them.
- Loan interest rates and terms can very from very low to market rate and above.
- RLFs are not free money, they are loans with an expectation of repayment.
- RLFs require traditional loan procedures including:
  - Credit Analysis
  - Underwriting
  - Packaging
  - Closing
  - Servicing
  - Monitoring
  - Collections
  - Workouts

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RLF Characteristics

- RLFs should be staffed by financial and/or lending professionals or should involve partnerships with banks, credit unions and other lending institutions
- RLFs carry the risk of default and are a risk lending instrument
- RLF policies and approaches should reflect the relative risk profile of the loan fund and adhere to decision making that reflects the goal of the program
- RLFs are intended to be "evergreen" meaning that the program revenue (interest) earned on outstanding loans replenishes the fund to allow for ongoing new loans.

RLF Distinctions

- Key to a successful program is flexibility, adaptability, aggressiveness and efficiency of program.
  - **Flexibility** – working with borrowers to craft a loan and repayment structure that works for the borrowers growth needs.
  - **Adaptability** – willingness of fund managers to change with the economy and the local lending environment to fill needs of borrowers at any given time.
  - **Aggressiveness** – effort made by loan fund manger to market program, catalyze leads and understand the needs of borrowers in the local market
  - **Efficiency** – ability of fund to be nimble, easy to use and available in a reasonable timeframe.

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Revolving Loan Funds Resource Center

Revolving Loan Fund programs are diverse tools that communities can use to support small and mid-sized businesses, environmental remediation and even affordable housing. Revolving Loan Funds are designed to be evergreen as they are maintained by the repayment of principal and grow through interest payments.

Establishing a revolving loan fund provides access to a flexible source of capital that can be used in combination with more conventional sources. Often the RLF is a bridge between the amount the borrower can obtain on the private market and the amount needed to start or sustain a business. For example, a borrower may obtain 60 to 80 percent of project financing from other sources.

Quality RLFs issue loans at market or otherwise competitive and attractive rates. Many RLF studies have shown that access to capital and flexibility in collateral and terms is more important to borrowers over lower then market interest rates. RLF programs should be built on sound interest rate practices and not perceived as free or easy sources of financing. RLFs must be able to generate enough of an interest rate return to replenish the fund for future loan allocations. With competitive rates and flexible terms, a RLF provides access to new financing sources for the borrower, while lowering overall risk for participating institutional lenders.

Want regular updates on RLF? Subscribe to CDFA's **Revolving Loan Fund Finance Update** newsletter.

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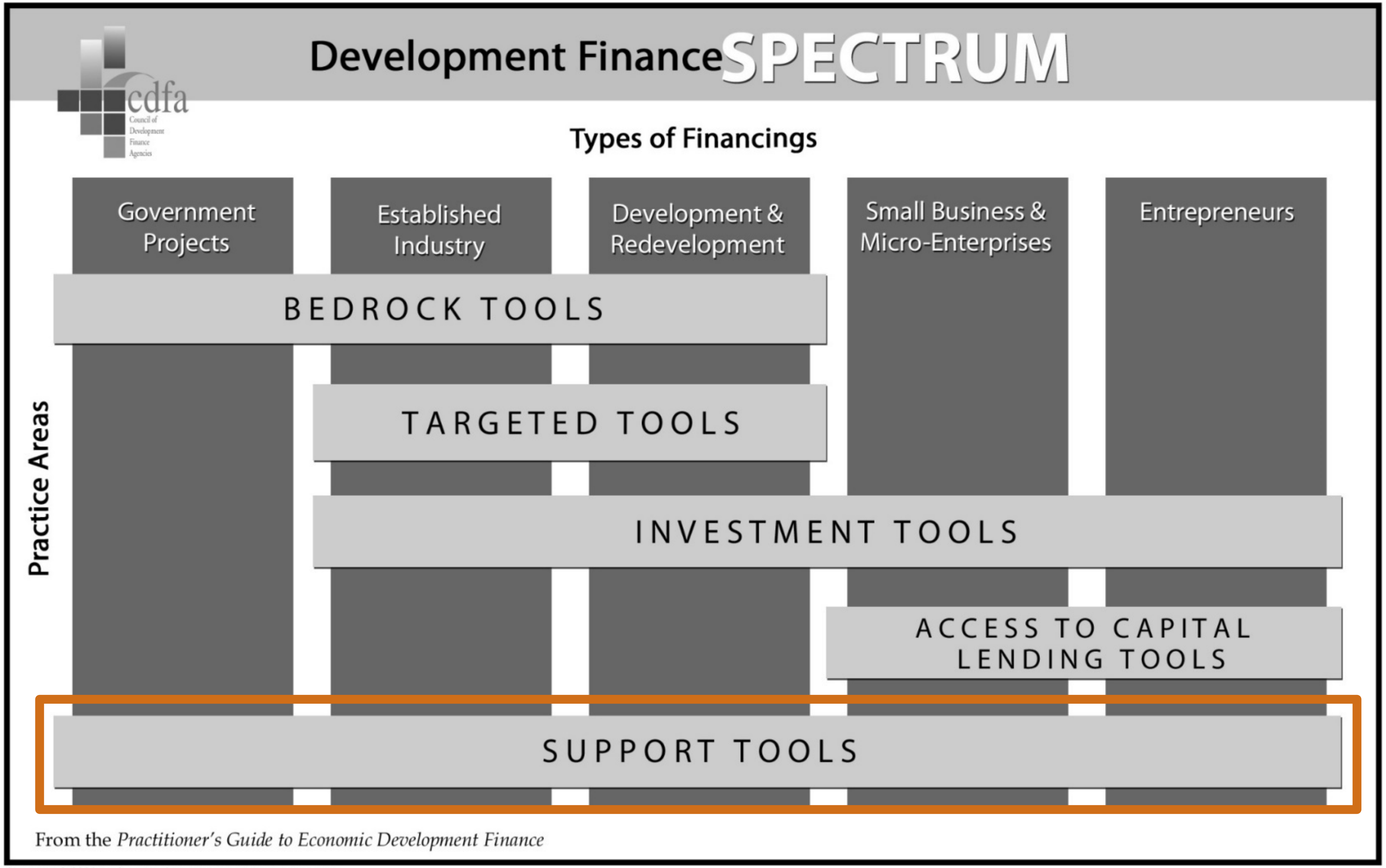
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Federal Financing

- Federal government plays a significant role in development finance
- Operates over 200+ programs across 18 agencies and commissions
  - 33 federal programs offer assistance for energy related projects
  - 47 federal programs provide some type of access to capital
  - 8 programs help address brownfield financing
  - 10 provide resources for starting up or accessing a revolving loan fund
  - 26 address innovation finance opportunities
  - 9 programs provide resources to U.S. based business trying to access global markets
  - 35 help finance food and agriculture efforts

Federal Financing – Unique Partners

- Some of the most interesting and perhaps beneficial programs within the federal government are located in non-traditional agencies.
- This presents both a challenge and an opportunity.
  - **Challenge** – finding and identifying the programs, getting engaged, resources, etc.
  - **Opportunity** – these very unique and often targeted programs present a readily available resource to address your needs.

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U.S. Department of Housing & Urban Development

- U.S. Department of Housing & Urban Development works to strengthen the housing market to bolster the economy and protect consumers and meet the need for quality affordable rental homes.

- Financing programs include:
  - Community Development Block Programs
  - Choice Neighborhoods Program
  - Green and Resilient Retrofit Program from Multifamily Housing
  - Section 108 Loan Guarantee Program
  - Energy Efficiency and Climate Resilience Upgrades

U.S. Environmental Protection Agency

- U.S. EPA's mission is to protect human health and the environment. Works to ensure that Americans have clean air, land, and water.

- Recent federal legislation has expanded the funding opportunities and programs under EPA's control.

- Funding opportunities include:
  - Greenhouse Gas Reduction Fund ($27 billion)
  - Climate Pollution Reduction Program ($4.3 billion)
  - Environmental and Climate Justice Community Change Grants
  - Brownfields Program grants and technical assistance

U.S. Department of the Treasury

- Treasury's mission is to maintain a strong economy and create economic and job opportunities by promoting the conditions that enable economic growth and stability
- Houses the CDFI Fund, the IRS, the Federal Reserve, and the Federal Financing Bank
- Funding opportunities include:
  - Capital Magnet Fund
  - CDFI Bond Guarantee Program
  - Tax Credits
  - State Small Business Credit Initiative

U.S. Department of Agriculture

USDA

- Provide economic opportunity for agricultural producers, w
  also helping rural America thrive.

- 18 offices and/or agencies contained within USDA

- Funding programs include:
  - Farm loans through the Farm Service Agency
  - Economic development and business support, multifamily housing, broadband, rural energy through the Rural Development Office
  - Composting and food waste reduction, innovation production grants through the Urban Agriculture office
  - Forest Service Conservation Programs

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U.S. Economic Development Administration

- Housed within the U.S. Department of Commerce, U.S. EDA facilitates community and regional economic development nationwide.

- Provides grant investments in planning, technical assistance, and infrastructure construction under the following programs:
  - American Rescue Plan Act (6 programs, $3 billion total)
  - Build to Scale (2023 NOFO for $50 million)
  - Recompete Pilot Program ($1 billion total funding)
  - Regional Technology and Innovation Hubs ($10 billion)
  - Revolving Loan Funds

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U.S. Small Business Administration

U.S. Small Business Administration

- Government agency that helps Americans start, build, and grow businesses. SBA has at least one office in every state, Washington, D.C., and various territories.

- Provides series of tools to assist new and existing small business owners. Financing tools include:
  - 7(a) and 504 loans and Microloans
  - Capital Investments in debt, equity, and debt with equity investments.
  - Low-interest disaster loans
  - Surety bonds
  - Grants for research and development, community development, or state exportation

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Applying for Federal Funding: Getting Started

- Create an account on Grants.gov and within the System for Award Management (SAM). Do it today!
- Align projects with anticipated federal funding opportunities
- Understand the Notice of Funding Opportunity (NOFO)
  - Eligibility, terms, length, reporting, format, deadline, etc.
- Establish uniform procedures for applying and (hopefully) administering federal funds.

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Applying for Federal Funding: Getting Started

- Identify potential community partners/stakeholders. Get buy-in!
- Get any needed political support at local, state, and federal level
- Provide supporting information to strengthen project
- Understand the environment in which you are applying (external political/social/environmental forces)
- Be ready to administer the grant and be in full compliance throughout its life
- Maintain accurate records and reporting practices to assist with closing any federal funding opportunity

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CDFA's Federal Financing Clearinghouse

Federal Financing Clearinghouse

CDFA's **Federal Financing Clearinghouse** is the only online resource cataloging the development finance programs offered by the federal government. The FFC includes overviews of over 200 federal financing programs available to both public and private sector users. To conduct a search of the Federal Financing Clearinghouse, click on the features below.

Current Search | *Search by Department* | Search by Subsidiary Agency | Advanced Search

Search by Department

- Export-Import Bank of the United States (EXIM Bank)
- Federal Communications Commission (FCC)
- U.S. Dept. of Agriculture (USDA)
- U.S. Dept. of Commerce (DOC)
- U.S. Dept
- U.S. Dept. of Education (DoED)
- U.S. Dept. of Energy (DOE)
- U.S. Dept. of Health & Human Services (HHS)
- U.S. Dept. of Homeland Security (DHS)
- U.S. De Urban D
- U.S. Dept. of Justice (DOJ)
- U.S. Dept. of the Interior (DOI)
- U.S. Dept. of Transportation (DOT)
- U.S. Dept. of Treasury
- U.S. Protec
- U.S. Small Business Administration (SBA)

Federal Financing Clearinghouse

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Current Search | Search by Department | Search by Subsidiary Agency | Advanced Search

U.S. Dept. of Agriculture (USDA)

U.S. Dept. of Agriculture (USDA)

The **U.S. Department of Agriculture (USDA)** provides leadership on food, agriculture, natural resources, rural development, nutrition, and related issues based on public policy, the best available science, and effective management. USDA has a vision to provide economic opportunity through innovation, helping rural America to thrive; to promote agriculture production that better nourishes Americans while also helping feed others throughout the world; and to preserve our Nation's natural resources through conservation, restored forests, improved watersheds, and healthy private working lands.

- Agricultural Marketing Service (AMS)
- Farm Service Age (FSA)

Search Results: U.S. Dept. of Agriculture (USDA)
Displaying 1 - 25 of 61

Agriculture and Food Research Initiative (AFRI) Members only
U.S. Dept. of Agriculture (USDA) | Agriculture Finance | Food Systems Fin
AFRI research, education, and extension grants improve rural economies, impacts, address water scarcity, ensure food safety, enhance human nutr

Biomass Crop Assistance Program (BCAP) Members only
U.S. Dept. of Agriculture (USDA) | Agriculture Finance | Energy Finance |
BCAP provides financial assistance to owners and operators of agricultura and deliver biomass feedstocks. BCAP provides matching payments and e

Rural Broadband Access Loan and Loan Guarantee

Program Agency	U.S. Dept. of Agriculture (USDA)
Financing Category	Economic Development Infrastructure Finance Rural Development
Financing Type	Loan Guarantee(s) Rural Direct Loans
Program Overview	The Rural Broadband Access Loan and Loan Guarantee Program (Broadband Program) furnishes loans and loan guarantees to provide funds for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide service at the broadband lending speed in eligible rural areas. This loan and loan guarantee program offers financial assistance to eligible applicants that will construct, improve, or acquire facilities and equipment needed to provide service at the broadband lending speed as defined in the most recent funding announcement in eligible rural areas.
Eligible Users	**Who may apply?** To be eligible for a broadband loan, an applicant may be either a non-profit or for-profit organization, and must take one of the following forms: • Corporation; • Limited liability company (LLC); • Cooperative or mutual organization; • A state or local unit of government • Indian tribe or tribal organization Individuals and Partnerships are not Eligible.

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Implementing the Toolbox

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Keys to Toolbox Success

- Comprehensive effort involving bold thinking, innovative planning, considerable strategizing and a fully supported, cooperative effort from all involved.
- Agencies that fail to build partnerships typically fail to implement the toolbox.
- Bring stakeholders to the table – don't try to operate all of these programs on your own.
- Partnerships should exist on the local, county, regional, state and federal level through the public, private, non-profit communities.

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Think About Financing

- Create a ***Strategic Financing Plan*** that mirrors the community's master plan and economic development strategy.
- Connect the economic and physical development goals of your community with aligned development finance strategies and tools.

Franklin County Community Capital, Inc.

CDFI Strategic Development Plan

LORAIN PORT AUTHORITY

Authored by
Council of Development Finance Agencies

Strategic Plan 2018

Detroit/Wayne County Port Authority Strategic Plan

Detroit/Wayne County Port Authority

Authored By
Council of Development Finance Agencies

March 31, 2009

EDA Project Number: 06-69-05246

This report was prepared under an awared from the
U.S. Department of Commerce
Economic Development Administration

MARCH 2024

ARIZONA

ARIZONA FINANCE AUTHORITY

STRATEGIC DEVELOPMENT FINANCE FRAMEWORK

cdfa

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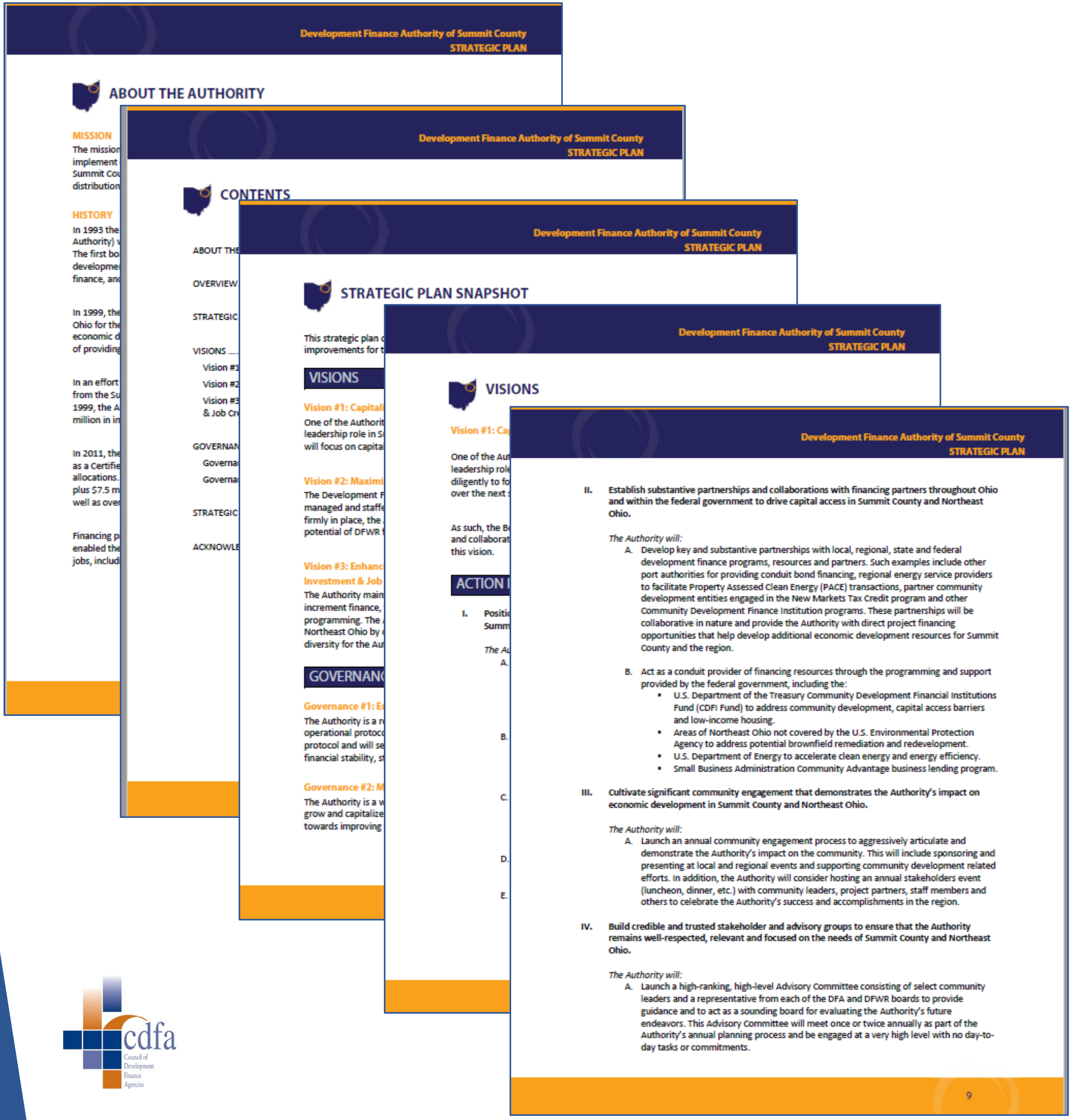


Development Finance Authority of Summit County
STRATEGIC PLAN

II. **Establish substantive partnerships and collaborations with financing partners throughout Ohio and within the federal government to drive capital access in Summit County and Northeast Ohio.**

The Authority will:

A. Develop key and substantive partnerships with local, regional, state and federal development finance programs, resources and partners. Such examples include other port authorities for providing conduit bond financing, regional energy service providers to facilitate Property Assessed Clean Energy (PACE) transactions, partner community development entities engaged in the New Markets Tax Credit program and other Community Development Finance Institution programs. These partnerships will be collaborative in nature and provide the Authority with direct project financing opportunities that help develop additional economic development resources for Summit County and the region.

B. Act as a conduit provider of financing resources through the programming and support provided by the federal government, including the:
- U.S. Department of the Treasury Community Development Financial Institutions Fund (CDFI Fund) to address community development, capital access barriers and low-income housing.
- Areas of Northeast Ohio not covered by the U.S. Environmental Protection Agency to address potential brownfield remediation and redevelopment.
- U.S. Department of Energy to accelerate clean energy and energy efficiency.
- Small Business Administration Community Advantage business lending program.

III. **Cultivate significant community engagement that demonstrates the Authority's impact on economic development in Summit County and Northeast Ohio.**

The Authority will:

A. Launch an annual community engagement process to aggressively articulate and demonstrate the Authority's impact on the community. This will include sponsoring and presenting at local and regional events and supporting community development related efforts. In addition, the Authority will consider hosting an annual stakeholders event (luncheon, dinner, etc.) with community leaders, project partners, staff members and others to celebrate the Authority's success and accomplishments in the region.

IV. **Build credible and trusted stakeholder and advisory groups to ensure that the Authority remains well-respected, relevant and focused on the needs of Summit County and Northeast Ohio.**

The Authority will:

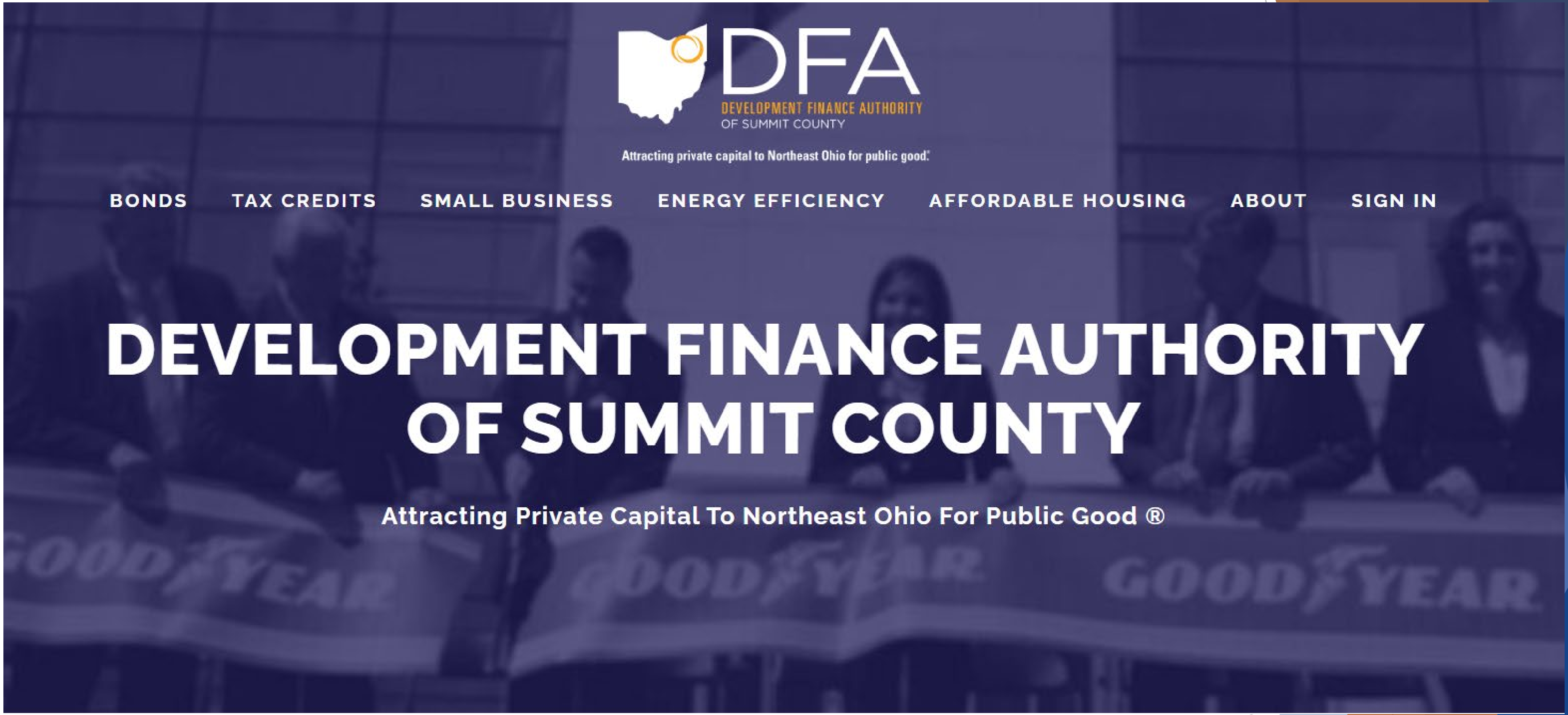
A. Launch a high-ranking, high-level Advisory Committee consisting of select community leaders and a representative from each of the DFA and DFWR boards to provide guidance and to act as a sounding board for evaluating the Authority's future endeavors. This Advisory Committee will meet once or twice annually as part of the Authority's annual planning process and be engaged at a very high level with no day-to-day tasks or commitments.

9

DFA
DEVELOPMENT FINANCE AUTHORITY
OF SUMMIT COUNTY

STRATEGIC PLAN
2017

Authored by
Council of Development Finance Agencies


DFA
DEVELOPMENT FINANCE AUTHORITY
OF SUMMIT COUNTY
Attracting private capital to Northeast Ohio for public good.
BONDS
TAX CREDITS
SMALL BUSINESS
ENERGY EFFICIENCY
AFFORDABLE HOUSING
ABOUT
SIGN IN
DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY
Attracting Private Capital To Northeast Ohio For Public Good ®
GOODYEAR

Jobs & Investment Bond Fund

DFA issues both taxable and tax-exempt fixed-rate bonds through its Jobs & Investm
underwritten with its A- Bond Rating (S&P). You may download **S&P Bond A- Rating** re
files below. **Jobs & Investment Bond Fund loans** typically range from $2M - $7M and
for 10-30-year terms, and the borrower is responsible for service on the incurred debt
exceeding $2M (see below) may be eligible for financing through the Jobs & Investm

You may view the Jobs & Investment Bond Fund application below.

Conduit Bond Financing

DFA issues both taxable and tax-exempt conduit bonds underwritten by commercial
financing sources. These include **private activity bonds (PABs)**, **capital lease bonds**,
development bonds. For each of these, the borrower is responsible for service on the incurred debt. Capital lease financing enables a for-profit borrower to obtain a sales tax exemption on all construction materials.

You may view the Conduit Bond Financing application below.

PACE Bond Financing

DFA's Property Assessed Clean Energy (PACE) bonds are available to assist property owners with financing energy efficiency projects, resulting in a better work environment and reduced energy costs. Improvements can include roof replacement and enhancements to HVAC, insulation, electrical, and windows that result in reduced energy consumption and cost. Repayment costs for the improvements are paid through a voluntary special assessment by the property owner.

Depending on project size, PACE improvements can be financed by DFA or other private sources:

1. PACE projects exceeding $2M may be eligible for financing through the **Jobs & Investment Bond Fund**. You may view the Jobs & Investment Bond Fund application below.
2. Within Summit County, PACE Projects between $250,000 and $1M may be eligible for financing through the **Energy Efficiency Revolving Loan Fund (EERLF)**. You may view the EERLF application below.
3. Conduit PACE financing through various private lending sources is also possible.

DEVELOPMENT FUND
of the WESTERN RESERVE

The Development Fund of the Western Reserve (DFWR) is a Community Development Entity (CDE) managed by the Development Finance Authority of Summit County. DFWR's mission is to enable New Markets Tax Credit (NMTC) investments that target eligible economically distressed communities throughout an **18-county area of Northeast Ohio**. As a CDE, DFWR may apply for and receive authority from the U.S. Treasury to allocate NMTCs for use in eligible projects.

The NMTC program is a valuable financing tool because it incentivizes private investment in underserved urban and rural communities. The program, authorized by Congress in 2000, provides tax credit benefits to qualified business or real estate projects, which may include mixed-use, health care, housing, industrial, commercial, retail, office, hospitality, community facilities, and more. Eligible projects must be located in a distressed census tract (determined by factors such as poverty rate and median area income).

As the only CDE focused exclusively on Northeast Ohio, DFWR allocates NMTCs to projects that directly address specific needs in our region; additionally, NMTC financing is often secured as one of the last sources of capital to fill a financial gap. DFWR has an experienced team to assist developers and businesses with structuring and closing transactions. To learn more about the typical NMTC structure, you may download **NMTC Facts** from the files below.

General Loan Fund

WRCF General Loan Fund

The general loan fund is WRCF's primary lending tool, offering flexible
from $10,000 to $500,000. Projects must be located within distressed
jobs or services to communities; special consideration is given to mino
with the intention of fostering a more inclusive economy.

- WRCF has partnered with The Ohio Department of Development Participation Program (CDFI LPP), which provides subordinated d WRCF accepts CDFI LPP applications, determines rates and term services these subordinated loans; depending on the nature of th 2.5% to a maximum of 4%, with terms ranging from 1 to 15 years. C found **here**.

For more information on the general loan fund, including preferred pro
download the **WRCF Flyer** from the files below. You may also call our

WESTERN RESERVE COMMUNITY FUND

The Western Reserve Community Fund (WRCF) is a certified Community Development Financial Institution (CDFI). WRCF supports small business, affordable housing, and non-profit organizations with flexible, low-cost financing and technical support.

As a CDFI certified by the U.S. Treasury, WRCF works to promote equity and expand economic opportunity for disadvantaged communities and businesses by providing financial products and services, striving to foster economic opportunity and revitalized neighborhoods. WRCF was created to help fill the regional gap in access to capital and provide support in disinvested areas, and is not a competitor with banks.

In addition to WRCF's **General Loan Fund**, WRCF has collaborated with community partners to spearhead initiatives like the **Minority Contractor Capital Access Program (MCCAP)®**, the **Akron Resiliency Fund**, and the **Summit County Affordable Housing Trust Fund**. You may read more about these programs below.

MCCAP
MINORITY CONTRACTOR CAPITAL ACCESS PROGRAM

Minority Contractor Capital Access Program®

The Minority Contractor Capital Access Program (MCCAP)® is a collaborative initiative to provide
financial and technical assistance to Akron and Summit County-based
Veteran and Disabled-owned contracting businesses. MCCAP® is a col
the Akron Urban League providing technical assistance and financing f
bonding premiums. For more details on MCCAP®, you may **click the bu**

AKRON RESILIENCY FUND
A WRCF Program

Akron Resiliency Fund

The Akron Resiliency Fund is a partnership between WRCF and the City of Akron. The fund provides low-cost loans between $10,000 and $100,000 to help stabilize Akron's small businesses. For more details on the Akron Resiliency Fund, you may **click the button below** (or navigate to our site menu, point to Small Business, and then select **Akron Resiliency Fund**).

Summit County AFFORDABLE HOUSING TRUST FUND
A WRCF Program

Summit County Affordable Housing Trust Fund

The Housing Trust Fund was created to assist in the creation, development, rehabilitation, programming and preservation of affordable housing in Summit County. For more details on the Housing Trust Fund, you may **click the button below** (or navigate to our site menu and select **Affordable Housing**).

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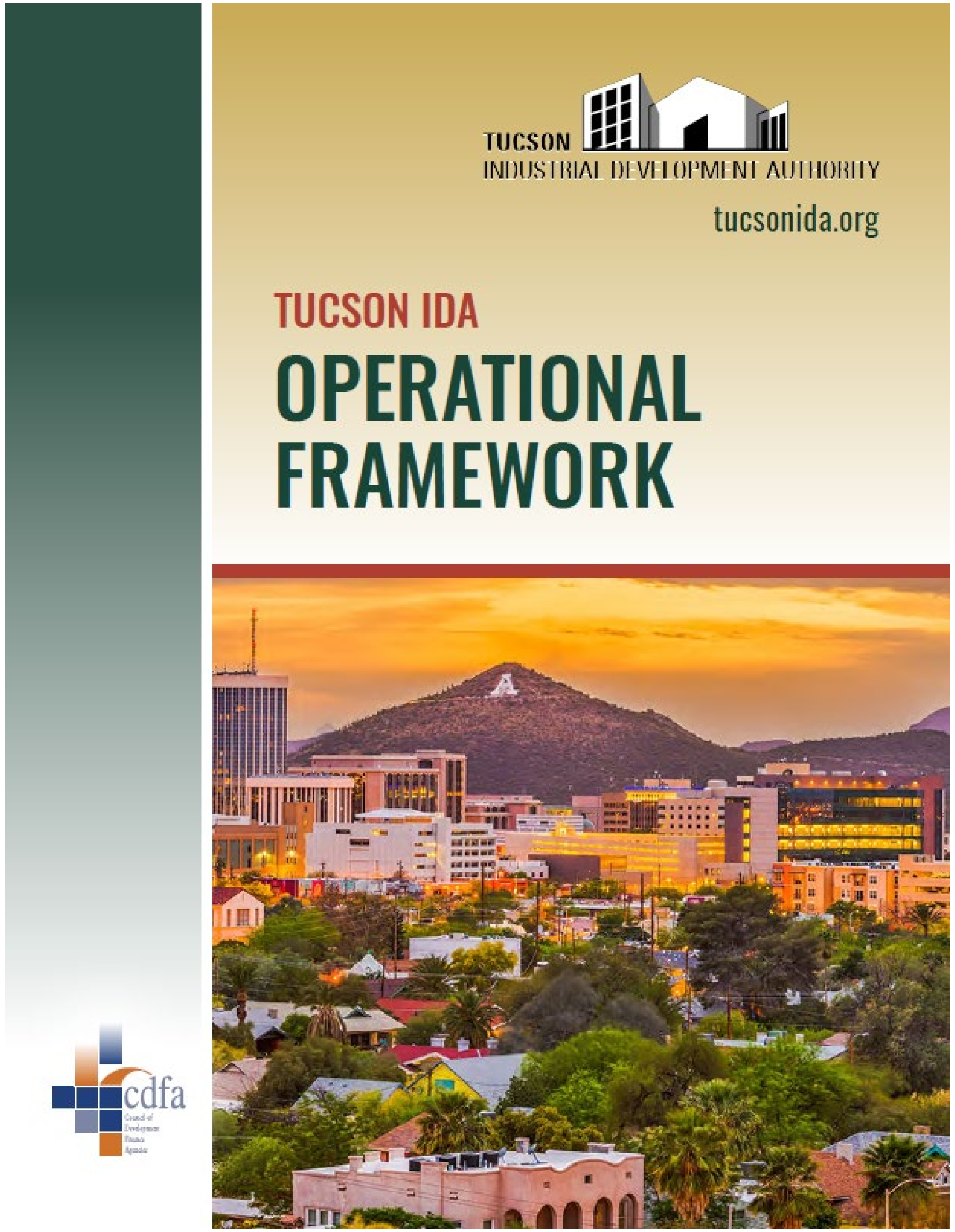
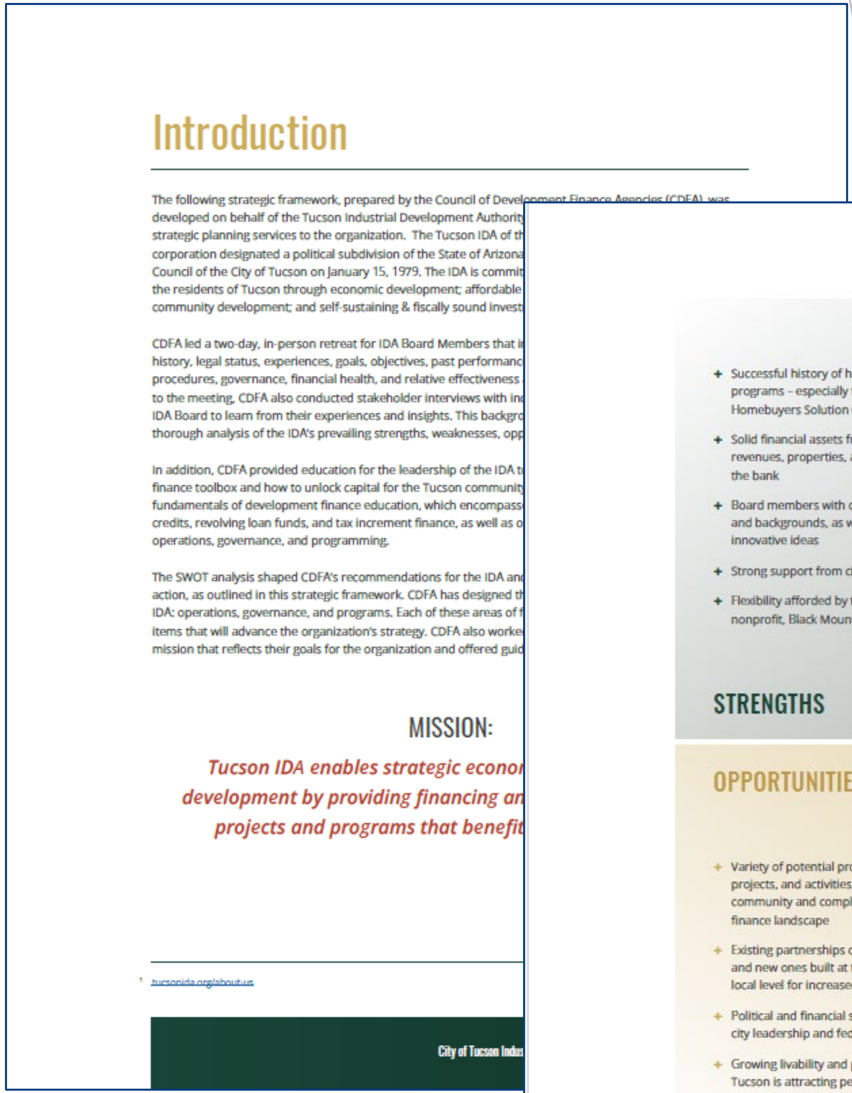




Introduction

The following strategic framework, prepared by the Council of Development Finance Agencies (CDFA), was
developed on behalf of the Tucson Industrial Development Authority
strategic planning services to the organization. The Tucson IDA of th
corporation designated a political subdivision of the State of Arizona
Council of the City of Tucson on January 15, 1979. The IDA is commit
the residents of Tucson through economic development; affordable
community development; and self-sustaining & fiscally sound invest

CDFA led a two-day, in-person retreat for IDA Board Members that i
history, legal status, experiences, goals, objectives, past performanc
procedures, governance, financial health, and relative effectiveness
to the meeting, CDFA also conducted stakeholder interviews with in
IDA Board to learn from their experiences and insights. This backgr
thorough analysis of the IDA's prevailing strengths, weaknesses, opp

In addition, CDFA provided education for the leadership of the IDA t
finance toolbox and how to unlock capital for the Tucson communit
fundamentals of development finance education, which encompass
credits, revolving loan funds, and tax increment finance, as well as o
operations, governance, and programming.

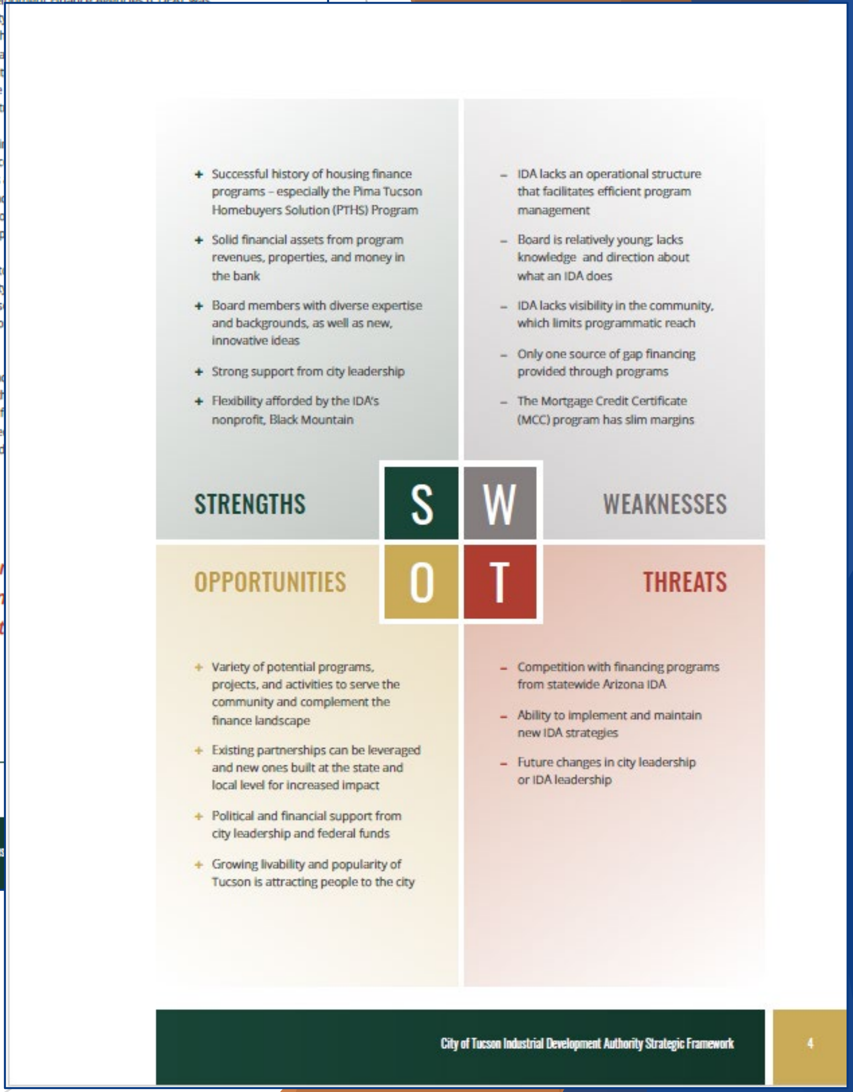
The SWOT analysis shaped CDFA's recommendations for the IDA an
action, as outlined in this strategic framework. CDFA has designed th
IDA: operations, governance, and programs. Each of these areas of f
items that will advance the organization's strategy. CDFA also worke
mission that reflects their goals for the organization and offered guid

MISSION:

Tucson IDA enables strategic econo
development by providing financing an
projects and programs that benefit

1 tucsonida.org/about-us

City of Tucson Indus



STRENGTHS

- Successful history of housing finance programs – especially the Pima Tucson Homebuyers Solution (PTHS) Program
- Solid financial assets from program revenues, properties, and money in the bank
- Board members with diverse expertise and backgrounds, as well as new, innovative ideas
- Strong support from city leadership
- Flexibility afforded by the IDA's nonprofit, Black Mountain

WEAKNESSES

- IDA lacks an operational structure that facilitates efficient program management
- Board is relatively young; lacks knowledge and direction about what an IDA does
- IDA lacks visibility in the community, which limits programmatic reach
- Only one source of gap financing provided through programs
- The Mortgage Credit Certificate (MCC) program has slim margins

S W O T

OPPORTUNITIES

- Variety of potential programs, projects, and activities to serve the community and complement the finance landscape
- Existing partnerships can be leveraged and new ones built at the state and local level for increased impact
- Political and financial support from city leadership and federal funds
- Growing livability and popularity of Tucson is attracting people to the city

THREATS

- Competition with financing programs from statewide Arizona IDA
- Ability to implement and maintain new IDA strategies
- Future changes in city leadership or IDA leadership

City of Tucson Industrial Development Authority Strategic Framework 4

Strategic Framework

This section identifies and briefly describes the key actions necessary for the IDA to realize
driving economic and community development that benefits a thriving Tucson. The opera
and programmatic frameworks are listed in order of critical importance to the IDA. A time
next section to guide the implementation of these actions based on how they relate to ea
they rank in terms of priority.

OPERATIONAL

An entity's operational framework must support efficient and effective day-to-day functio
enable broader organizational goals and strategies. Sound operations include consideratio
communications, technology, human resources, banking and accounting management, m
insurance. It is critical to have resources available for these basic needs and systems in pl
essential operations. These recommended actions will build the operational capacity of th
programs and governance.

ACTIONS:

☐ **Hire Full Time Staff**

Hire a full time Executive Director and a full time Operations Manager to increase the
presence, ability to pursue deals, and operational efficiency. The Executive Director s
appropriately paid to attract someone with the necessary background. Skills and exp
include community and economic development, marketing, lending, management, p
fundraising, and other leadership skills. This person must also be given autonomy an
power to run the organization, including the ability to hire the Operations Manager.

☐ **Put Safeguards in Place**

To help the IDA stay on course with its mission, bring on an independent Financial Ad
background in public finance. This person will help the Board and staff understand th
opportunities available to the IDA and how to best navigate new areas of work. Enga
Advisor will support IDA Board, staff, and contract partners by creating more focused
suited for each parties' expertise. Issue an RFP for this role to attract a variety of pote
allow IDA leadership to choose an advisor based on the specific needs of the organiza

Forming a loan review committee for the small business lending program(s) will safe
organization's mission as well. This body must be set up to make recommendations b
program goals and an established risk profile, which should be developed for all IDA

GOVERNANCE

Governance tends to be the most overlooked component of development finance agencies. Without
strong governance, the IDA cannot effectively fulfill its mission to serve the Tucson communit
recommendations below will lead to well-established governance that provides clarity for Bo
and staff in navigating roles and maintaining ethical practices while growing the IDA's progra

ACTIONS:

☐ **Review and Revise Bylaws**

Bylaws are an essential component of organizational governance. The Board should revi
to familiarize themselves, ensure that current bylaws are being followed, and to identify
are missing or in need of revision.

In particular, the bylaws need to better outline the role of the Treasurer so that this posi
regular program evaluation. Paid staff can provide program summaries for the Board to
the Executive Director will be responsible for signing checks and engaging an auditor. De
responsibilities for each Board position in the bylaws will bring clarity to the roles of the
other contractors.

☐ **Create a Budgeting Process**

Once hired, the Executive Director will work with the Board to create a budget for the ID
CPA to work with, and formalize the budgeting process. This new budgeting process sho
looking and drive strategic planning and investments that make the IDA more sustainabl
budgeting process should be deliberate and start three months prior to the end of the fi
The process should start with staff and the budget/finance committee of the Board and
through the necessary phases of review before being approved at the meeting prior to t
of the new fiscal year.

☐ **Review and Expand IDA Policies**

Assess the current policies as they relate to conflicts of interest, nondiscrimination, and
requirements. Expand and edit these policies as necessary to provide clear protocols for
governance. These policies must apply to Board members, staff, contracted partners, an
involved in the organization.

In addition, create a proper in-take process for potential new deals and financing opport
allows the Executive Director and authority staff to screen prospects before being prese
Board for consideration.

☐ **Establish a Risk Tolerance Philosophy**

A philosophy around risk should be set and universally understood by those who proces

PROGRAMMATIC

The IDA has a history of programmatic success that can be built upon and diversified to fulfill its mission.
This section first offers recommended approaches to programming, followed by suggested areas of focus
for projects and programs.

ACTIONS:

☐ **Build a Strong Financing Network**

Plan network building events and activities that bring together lenders, neighborhood groups,
representatives of state and federal agencies, specific demographic groups, and others involved in
community and economic development in Tucson. Aim to host two to three of these each year.

EXAMPLES

- **Lender Forum** that brings together all types of active lenders in the community, such as banks, credit unions, IDAs, CDFIs, and others
- **Redevelopment Gathering** to engage developers and real estate professionals, soliciting input and showcasing opportunities
- **Entrepreneurial Event** that invites small businesses together, highlighting the funding opportunities available locally
- **Annual Celebration** of community and economic development accomplishments from public and private sector stakeholders during the year

☐ **Create a Clearinghouse for Financial Resources**

Support businesses and projects in the community by becoming a clearinghouse for local, state, and
federal finance-related resources.

☐ **Focus on Partnerships**

Build relationships with new partners and strengthen existing engagement with current partners for
greater impacts from financing, projects, and activities. With staff overseeing day-to-day management of
the IDA, the relationships with current legal bond counsel and the current small business development
partner can provide programmatic support.

☐ **Become a Certified CDFI and CDE**

Apply for the designations of Community Development Financial Institution (CDFI) and Community
Development Entity (CDE) in order to support programs through access to capital, technical assistance,
and New Markets Tax Credits.

cdfa Council of Development Finance Agencies

CDFA National Development Finance Summit

October 8-10, 2025
San Juan, PR

⇛ Register

Advancing Development Finance Knowledge, Networks & Innovation

Join CDFA Today!

- Discounted Registration Rates for the CDFA Training Institute, Federal Policy Conference and National Development Finance Summit
- Reduced Rates for Publications in the CDFA Bookstore & Special Offers from Industry Partners
- Exclusive Access to the CDFA Online Resource Database and Federal Financing Clearinghouse
- Free Job and RFP Postings
- Access to the largest network of development finance professionals in the world

www.cdfa.net

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CDFA FOUNDATION TRAINING SESSION

BOND FINANCE STRUCTURING THE DEAL

May 21, 2025

MILLER CANFIELD

PRESENTED TO

CDFA Foundation

UNITED STATES   CANADA   MEXICO   POLAND   QATAR   UKRAINE

OVERVIEW

- Threshold Issues
- Structuring & Sizing
- Sources & Uses
- Credit Enhancement
- Market Conditions
- How Bonds are Sold
- Bringing a Deal to Market

MILLER CANFIELD

Threshold Issue - Statutory Authority

- Dillon's Rule
  - ✓ Local governments possess only those powers specifically delegated to them by state law, or fairly implied from expressly granted powers
- Typically, governments do not have the power to pledge property as security for governmental bonds generally only taxes or revenues
- Conduit issuers typically do have the power to secure bonds with property pledged by the conduit borrower (along with revenues)

MILLER CANFIELD

STRUCTURING & SIZING
I. GENERAL STRUCTURING CONSIDERATIONS

- **Governmental Bonds (either gov't use or payment)**
  - General Obligation Bonds
  - Revenue Bonds
  - Special Assessment Bonds
  - Tax Increment Finance Bonds
  - Double-Barreled Bonds
- **Private Activity Bonds (both private use & payment)**
  - Primarily secured by revenue pledges, although mortgages and security interests in property common
  - Examples:
    - 501(c)(3) Bonds
    - Multi-family Bonds
    - Manufacturing Bonds
    - Solid Waste Disposal Facility

MILLER CANFIELD

STRUCTURING & SIZING
II. CASH FLOWS

- **Determine timing and amount of projected cash flows available for debt service after operations, maintenance, taxes, etc.**

- **New revenue streams take time and create risk, often necessitating:**
  - Capitalized interest funds
  - Debt service reserve funds
  - Rate covenants and debt service coverage ratios
  - Third party credit enhancement

- **Once cash flows are projected, to calculate net borrowing proceeds available for the project:**
  - Cash flows need to be discounted by interest rate and debt service coverage requirements
  - Subtract issuance costs and reserves (limits)

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SOURCES & USES

- Governmental projects are typically financed with debt or some combination of debt and issuer's cash
  - Equity
  - USDA Loans / SBA Loans
  - Grants
  - TIF
  - SSA
  - Tax Credits
- Each source will have its own legal requirements as to eligible uses and other legal requirements (e.g., prevailing wage, surety bonding, competitive bidding, MBE/WBE/DBE, etc.)

- The more sources of funding, the more complicated the timing and negotiations are among participants (e.g. lien priority and intercreditor agreements)

CREDIT ENHANCEMENT

- Deal structure, issuer's underlying credit rating, rate and financial covenants, collection remedies, debt service coverage ratios, capitalized interest accounts, and debt service reserve funds are all primary drivers of credit/underwriting.
- Most common third-party credit enhancement includes:
  - Bond Insurance
  - Letters of Credit covering interest or liquidity
  - Third-party guarantors

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MARKET CONDITIONS

- Financial advisor, broker/dealer or placement agent will advise issuer on market conditions and timing
- Strength of issuer/project, credit rating, structure, duration, will influence interest rate.
- Many macroeconomic influences on municipal yields:
  - Treasury Rates,
  - Fiscal Policy
  - Strength of USD
  - Stock Market Performance
  - Supply/Demand
  - New Issue Calendar

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HOW BONDS ARE SOLD
1. OVERVIEW

- Bank loans
- Private placements
- Direct purchases
- Limited public offerings
- Public offerings (negotiated vs. competitive)
- Serial Bonds, Term Bonds, Bullet Maturities

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HOW BONDS ARE SOLD
II. METHODS OF SALE

Direct/Private Placement

- ❖ Bonds are sold directly to a bank or other investor.
- ❖ No official statement, rating or underwriter is required.
- ❖ A term sheet is typically prepared and sent to banks and other potential investors that can provide a proposal to purchase the bonds directly.
- ❖ Typically results in lower issuance costs, but higher interest rates. Can be cost effective for very small or short-term issuances.

Public Offering

- ❖ Bonds are sold using an underwriter to market and sell the bonds to investors.
- ❖ Official statement prepared.
- ❖ Bonds are typically rated and may be insured.
- ❖ Typically result in higher costs of issuance (more transaction participants) but lower interest rate.
- ❖ Can be sold using either a competitive or negotiated sale method.

Competitive Sale

- ❖ An underwriter is selected via a competitive sale in which bids are received for the purchase of the bond issue.
- ❖ Bonds are awarded based on the lowest true interest cost, which takes into account an underwriter's fee and the interest rates.

Negotiated Sale

- ❖ The issuer selects an underwriter to sell the issue ahead of the bonds sale and negotiates terms with the selected underwriter.

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HOW BONDS ARE SOLD
III. COMPETITIVE VS. NEGOTIATED

Competitive	Negotiated
Adequate size	Size – very small or very large
Common security	Complex issues/story
Good name and credit	Poor name and credit
Stable market	Volatile market
Favored for transparency and “best” results	Favored for refundings and target specific “fair” results

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Bringing a Deal to Market
I. Deal Team

- Issuer/Borrower
- Bond Counsel
- Municipal Advisor
- Underwriter/Placement Agent/Bank
- Underwriter's Counsel/Bank Counsel
- Disclosure Counsel
- Bond Registrar/Paying Agent/Escrow Agent
- Rating Agency
- Credit Enhancement Provider
- Other Professionals

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II. Municipal Advisor Rule

- Dodd-Frank
  - Regulation of Municipal Advisor
    - ✓ Municipal Advisor definition
    - ✓ Registering of Municipal Advisor
    - ✓ Exceptions
  - Regulation of Underwriter
    - ✓ Financial Industry Regulation Authority role is to license and regulate broker-dealer
    - ✓ Securities and Exchange Commission role is to protect investors
    - ✓ While underwriters have long been regulated by the SEC and other regulatory bodies, the regulation of municipal advisors pursuant to Dodd-Frank is relatively new

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Bringing a Deal to Market
III. The Process

- Determine the need for financing (e.g., project, working capital, refinancing)
- Project design/projections
- Allow for notice/hearing requirements
- Adopt bond ordinance (parameters/day of sale)
- Offering documents
- Determine purchaser of bonds
- Due diligence/credit rating
- Market
- Price
- Close

POST-CLOSING ISSUES
Arbitrage & Rebate

- The purpose of the Rebate Requirement is to prevent (1) the issuance of more bonds than are necessary for a project, (2) the issuance of bonds earlier than is necessary for a project, and (3) bonds from being outstanding longer than is necessary for a project.
- Compliance with the Rebate Requirement is determined on a bond issue by bond issue basis, and is a yield-based calculation comparing the yield of the debt service payments made to the bondholders (the "Bond Yield") to the return on the investments made with the proceeds of that bond issue (the "Investment Yield").
- If the Investment Yield exceeds the Bond Yield during a computation period, which typically covers a five-year time span, the bond issue will generate positive arbitrage.
- The Rebate Regulations specify that the first computation date to determine the rebate amount and/or yield restriction amount for an issue is a date no later than five years after the issue date of the Bonds and if a positive liability has accrued, the payment must be remitted to the U.S. Treasury within 60 days of that computation date.

POST-CLOSING ISSUES
Arbitrage & Rebate

FOR EACH BOND ISSUE:

- Know the rebate Computation Date for each bond issue.
- Know the Bond Yield for each bond issue. If interest rates/investment returns are higher than the Bond Yield for an issue, consider having a rebate calculation prepared at either the second or third anniversary of the issue date to determine if the bond issue met the requirements of one of the allowable spending exceptions detailed in the Rebate Regulations.
- If a bond issue meets the requirements of one of the spending exceptions, any positive arbitrage that may have been earned on a bond issue is kept by the Issuer or Borrower and does not have to be paid to the U.S. Treasury. To monitor if interest rates are higher than the Bond Yield for each bond issue, set up annual reminders for each bond issue to review interest rates/investment returns for the previous year.
- Know if you have any unexpended proceeds in a Project/Construction Fund on the third anniversary of the issue date of a bond issue.

POST-CLOSING ISSUES
What is Continuing Disclosure?

- In the context of municipal bonds: Continuing disclosure refers to the ongoing obligation of state and local governments (or other entities issuing municipal bonds) to provide certain financial and operating information to the bond market after the bonds have been issued.

- Purpose: It aims to provide investors with the information they need to make informed decisions about whether to buy, sell, or hold municipal bonds.

- Why it's important:
    - Enhances market transparency.
    - Reduces information asymmetry between issuers and investors.
    - Helps investors assess the ongoing creditworthiness of the issuer.
    - Can impact a bond's rating and market value.

- Legal basis: Continuing disclosure obligations are primarily established by Securities and Exchange Commission (SEC) Rule 15c2-12.

- Information is submitted to: The Electronic Municipal Market Access (EMMA) system, a central repository maintained by the [Municipal Securities Rulemaking Board | MSRB].

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What is Continuing Disclosure? (cont'd)

WHO IS SUBJECT TO CONTINUING DISCLOSURE?

- Municipal bond issuers (states, cities, counties, special districts, etc.)
- Other obligated persons (entities that are financially responsible for debt service)

WHAT INFORMATION IS DISCLOSED?

- Financial Information and Operating Data:
  - ✓ Annual financial statements
  - ✓ Budget information
  - ✓ Tax collections
  - ✓ Economic and demographic data
- Event Notices:
  - ✓ Certain material events that could affect the value of the bond (e.g., ratings changes, defaults, etc.)

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What is Continuing Disclosure? (cont'd)

CONTINUING DISCLOSURE AGREEMENTS:

- Issuers typically enter into a written agreement outlining their continuing disclosure obligations

THE ROLE OF EMMA:

- EMMA is the central repository for continuing disclosure information.

COMPLIANCE & BEST PRACTICES

What is Continuing Disclosure? (cont'd)

BENEFITS OF EFFECTIVE CONTINUING DISCLOSURE:

- Increased transparency and investor confidence.
- Lower borrowing costs for issuers.
- Enhanced liquidity in the municipal bond market.

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THANK YOU

QUESTIONS? CONTACT

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Targeted Tools

Tax Increment Finance and Special Assessments

Refer to Chapter 4 of
Practitioner's Guide to Economic Development Finance – *Building and Utilizing the Development Finance Toolbox*, by Toby Rittner, for more detail

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Bricker Graydon

Tax Increment Financing (TIF)

- History
  - Started in 1952 in California
  - 49 states (all but AZ) plus D.C.

Tax Increment Financing (TIF)

- Also known as:
  - Tax Allocation District (TAD)
    - Georgia
  - Tax Increment Reinvestment Zone (TIRZ)
    - Texas
  - Community Reinvestment Area (CRA)
    - Florida
  - Revenue Allocation District (RAD)
    - New Jersey

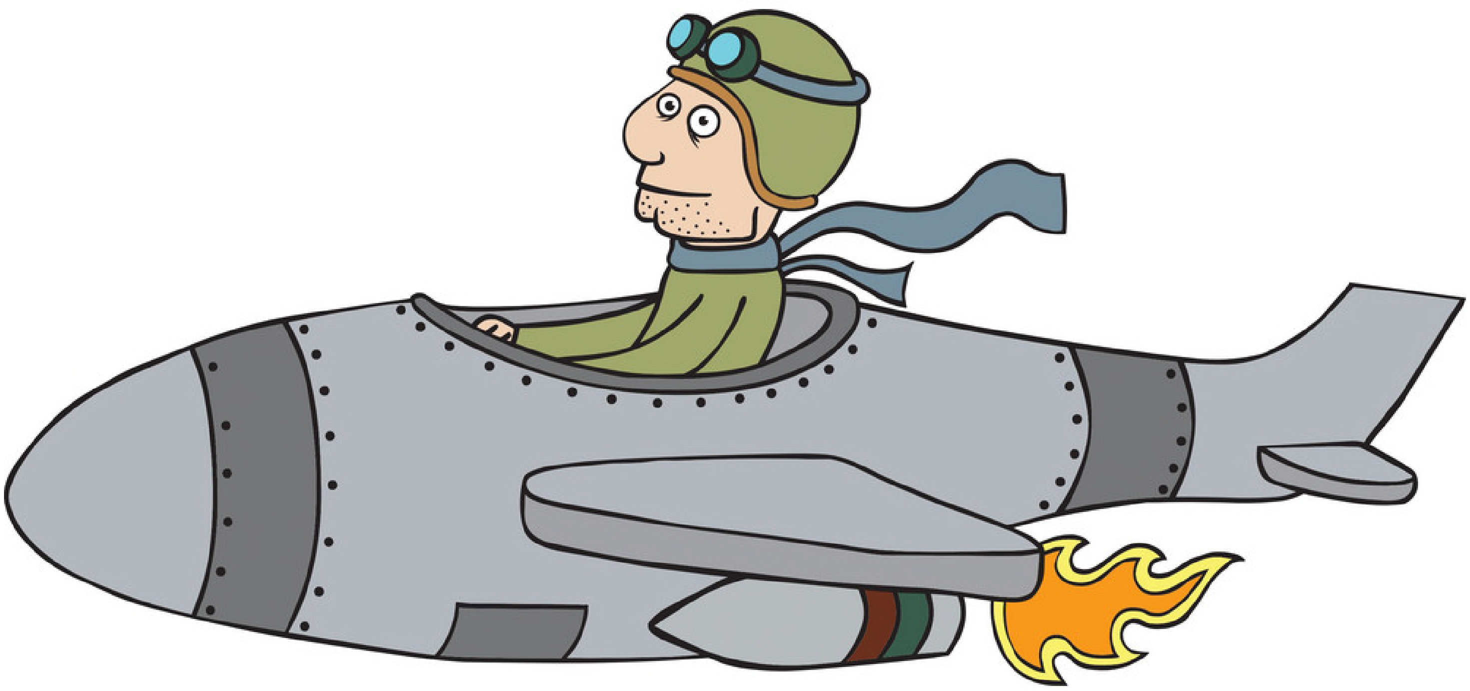
What is TIF?

- Redirect <u>new</u> tax revenue in connection with a development (or redevelopment) away from normal recipients and toward payment of costs of improvements that benefit that development
  - Infrastructure Improvements
  - Direct Development Costs

Increment

- Increase in taxes resulting from development

PILOTs

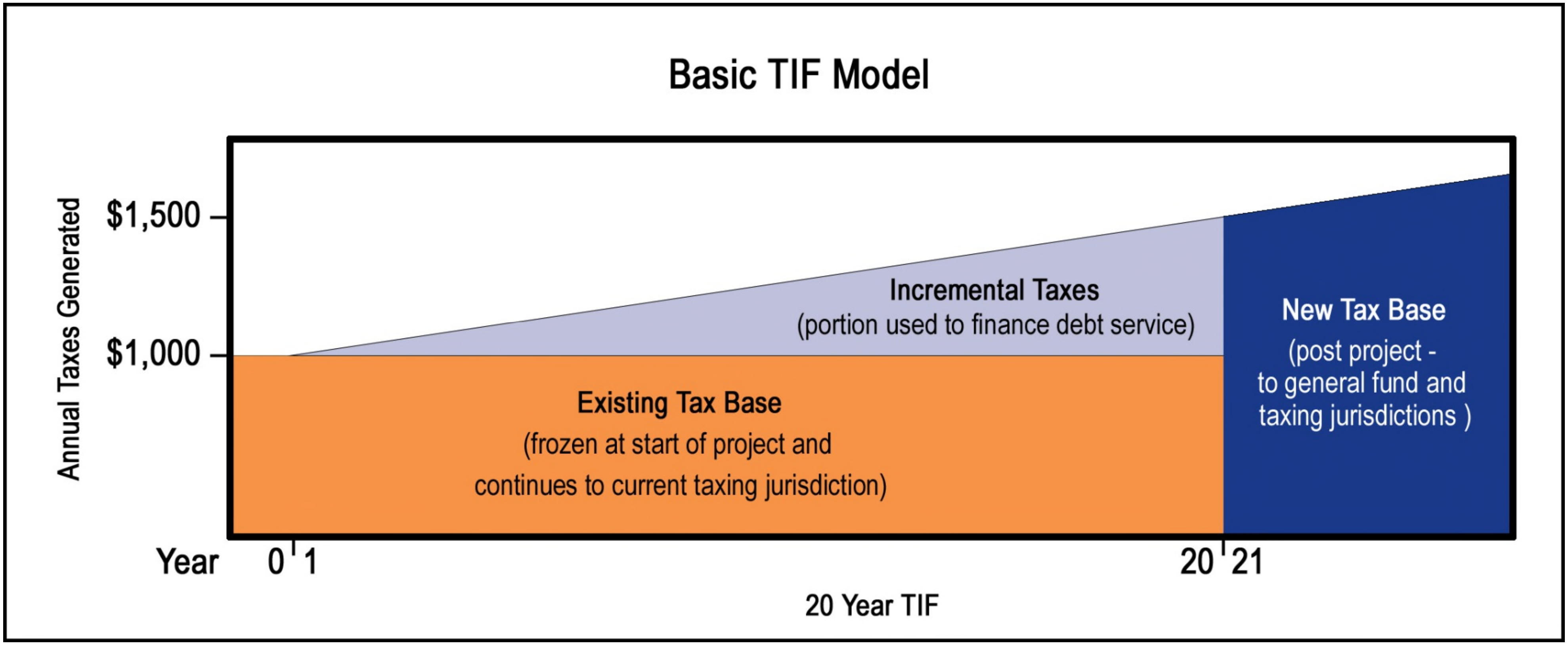


PILOTs

PILOTs

- "Payment in Lieu of Taxes"
  - Taxpayer does not receive a reduction in the amount of taxes they are required to pay – the entire tax liability continues to be paid by the taxpayer.
  - Instead the taxes paid are "redirected" toward the costs of infrastructure improvements or development expenses

TIF Revenue Stream



* “Tax Increment Finance Best Practices Reference Guide” (CDFA and ICSC), page 2.

Types of TIF

- Real Estate Tax – most common
- Sales Tax
- Income Tax (limited)
- Bed Tax
- Super TIF
- Synthetic TIF

Why Use TIF?

- Encourage Development
- Eliminate Blight
- Address Environmental Issues
- Adaptive Reuse
- Finance Infrastructure

Types of TIF Districts

- Project Specific or Site Specific TIF
- District-Wide or Wide Area TIF

Uses of TIF Revenue

- Public Infrastructure
- Land Acquisition
- Relocation
- Demolition
- Utilities
- Debt Service
- Planning Costs
- Direct Costs of Development (typically only in blight situation)

Two Categories of Public Infrastructure Improvements

- Generic Public Improvements
  - Roads, bridges, sidewalks
  - Utility extensions (water, sewer, electric, gas, telecommunications)

Two Categories of Public Infrastructure Improvements

- On-site Public Improvements
  - Environmental Remediation
  - Parking facilities
  - Landscaping
  - Storm water management

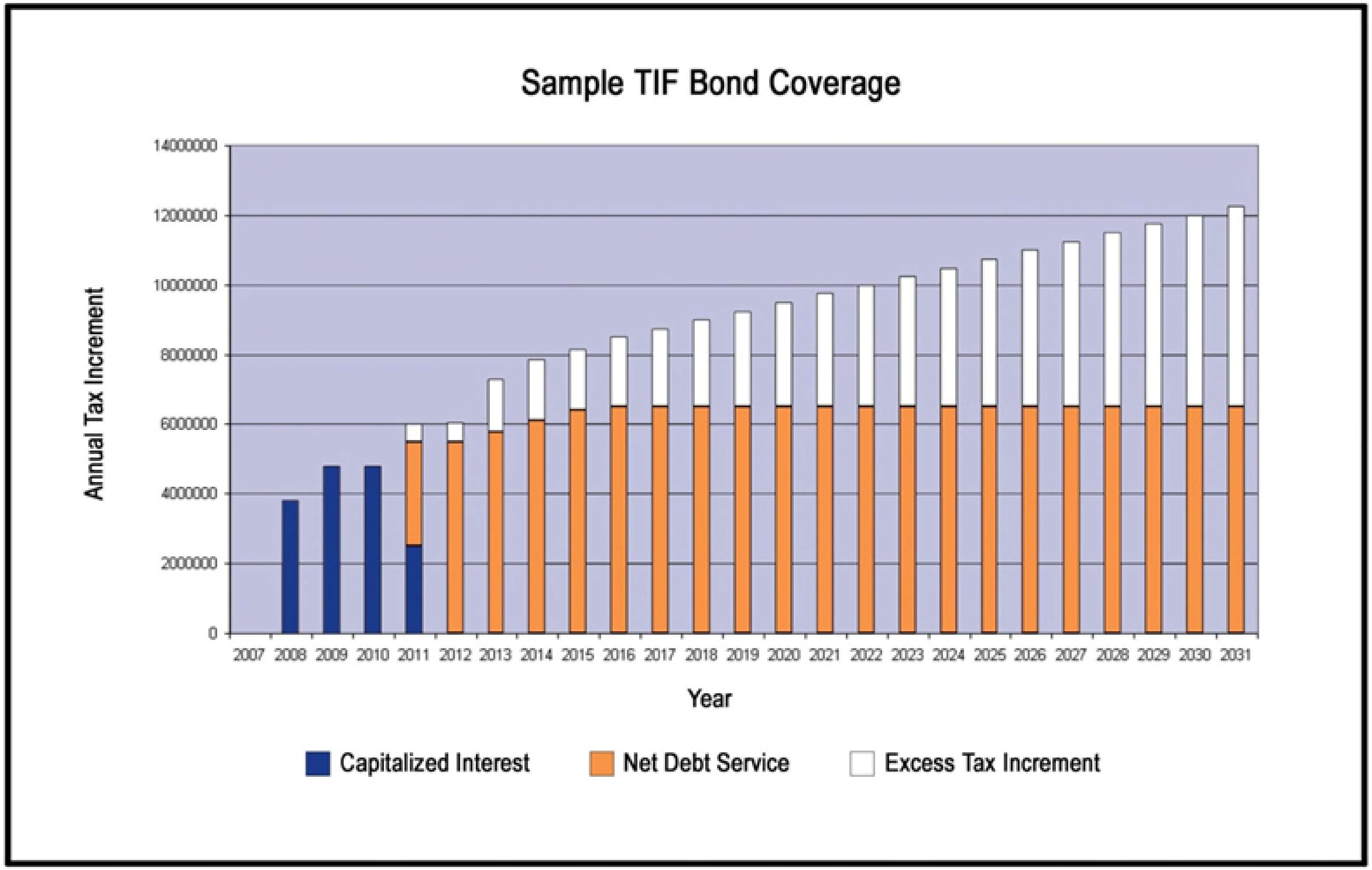
Requirements for Creation of TIF

- Establish TIF District
- “But for” Analysis
  - Feasibility or Market Study
- TIF or Development Plan
- Development Agreement

Leveraging TIF

- Bond Financing
  - Challenges based on speculative revenue stream
  - Could be tax-exempt
- Pay-As-You-Go Financing
  - Developer responsible for financing and providing necessary security to lender
  - Harder to do tax-exempt financing

Leveraging TIF



* "Tax Increment Finance Best Practices Reference Guide" (CDFA and ICSC), page 29.

Benefits of TIF

- Not a new tax – redirection of tax paid in normal course
- Can be utilized with tax-exempt bonds
- Can be coupled with direct tax incentives
- Generally strong collection enforceability – lien status

Challenges with TIF

- Dependent on development – hard to leverage
  - Can be addressed by combining with assessment tools
- Controversial when TIF "takes" money away from other local government entities

Special Assessment District Financing

- Overlay “tax” in a defined area
- Two Basic Types
  - Business and Neighborhood Districts
  - Government Districts

Business and Neighborhood Districts

- Typically run by property owners in defined area
- Property owners voluntarily impose tax to provide for infrastructure improvements or enhanced public-type services

Business and Neighborhood Districts

- Examples:
  - Business Improvement Districts (BID)
  - Special Improvement District (SID)
  - Downtown Improvement District (DID)
  - Community Improvement District (CID)
  - Community Development Authority (CDA)
  - Neighborhood Improvement District (NID)

Business and Neighborhood Districts

- Services and Programs:
  - Security and safety patrols
  - Economic Development
  - Graffiti removal
  - Snow removal
  - Marketing
  - Beautification projects

Government Districts

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- Services and improvements directed by local government in defined area
- Can be initiated by property owners or by local government

Government Districts

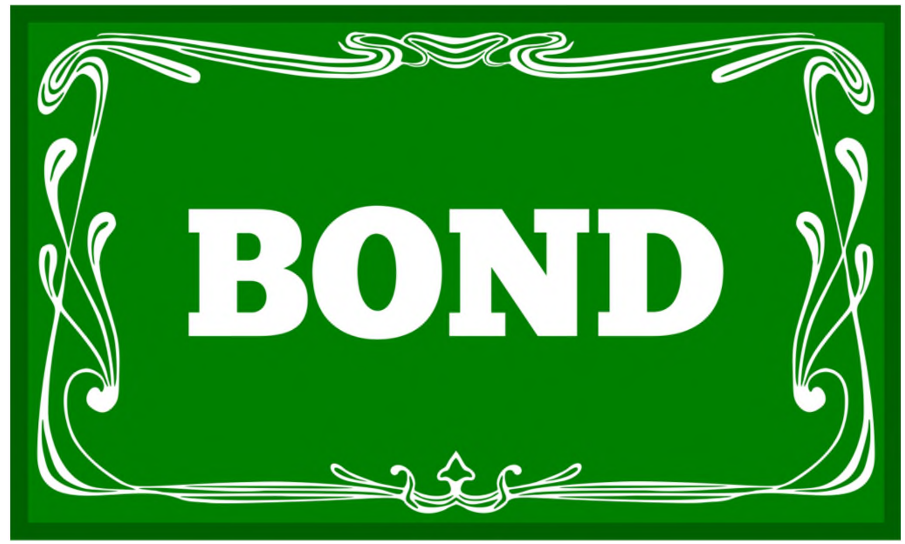
- Examples:
  - Special Services District (SSD)
  - Special Assessment District (SAD)
  - Community Facilities District (CFD)
  - Community Development District (CDD)
  - Transportation Improvement District (TID)

Government Districts

- Typically focused on infrastructure improvements
  - Roads and Highways
  - Utilities
  - Community Amenities
  - Schools
  - Other Public Facilities

Benefits of Special Assessment District Financing

- Can be leveraged with bonds
- Not development-dependent
- Can span two or more jurisdictions
- Generally strong collection enforceability – lien status
- Can be combined with TIF



Challenges of Special Assessment District Financing

- Overburden to property owners
- Less likely to approve other necessary tax increases?
- If assessment can be imposed with less than unanimity, litigation is common by non-approving property owners

Questions?

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Into the TIRZ-iverse:

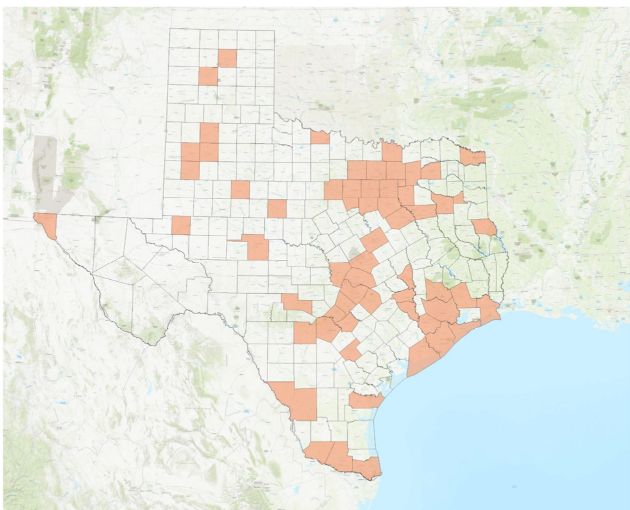
The Municipal Multiverse of Tax Increment Financing

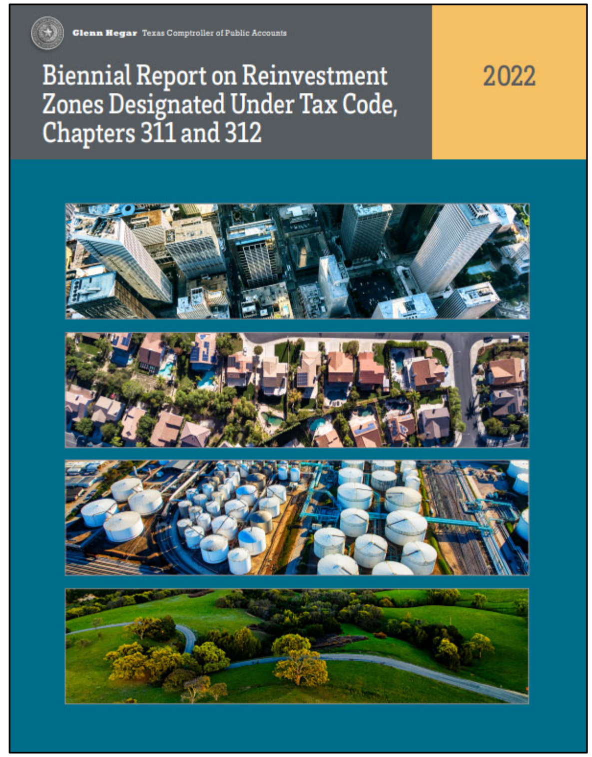
City of Dallas TIF Program Overview

May 2025

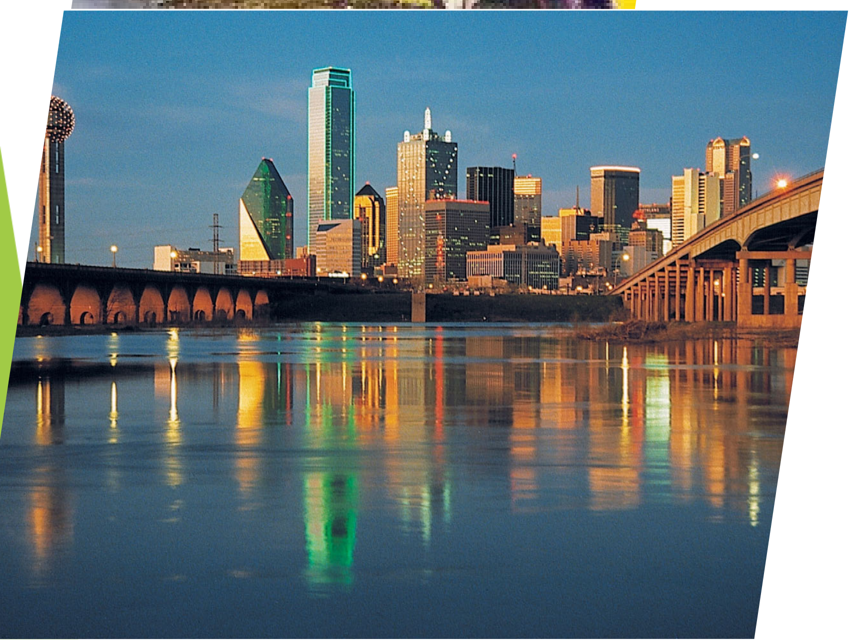
Tax Increment Reinvestment Zones (TIRZ) in Texas

Property Type	Number	Percent
Industrial/Commercial	95	23%
Residential	77	19%
Both	212	52%
Unreported	22	6%





Chapter 311 of the Texas Tax Code ("the Act") is the governing statute for tax increment reinvestment zones (TIRZ) or more commonly known as TIF districts in Texas.

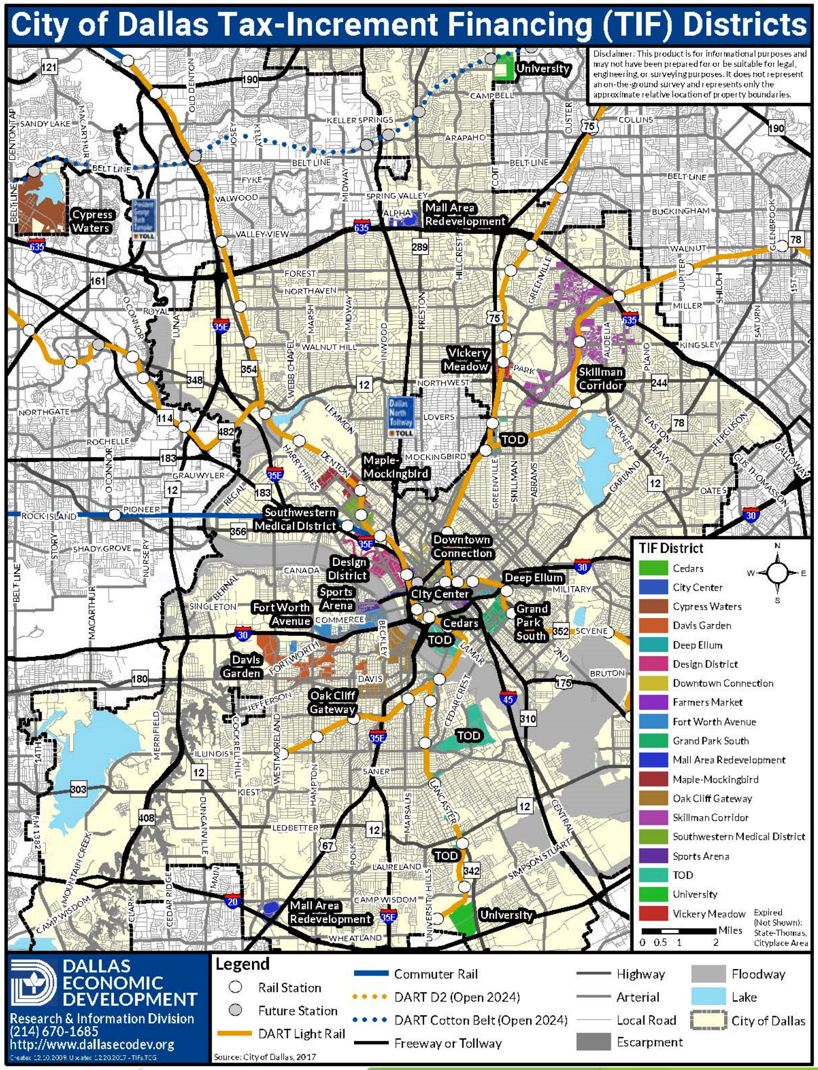


Dallas TIRZ (aka TIF districts)

- Sue Hounsel, Senior Manager
- City of Dallas Office of Economic Development
- sue.hounsel@dallas.gov
- www.dallasecodev.org

Dallas TIF Program Overview

- The City of Dallas has been in the Tax Increment Financing (TIF) business since 1988.
- Currently, there are 18 active TIF Districts (the first three districts: State-Thomas, Cityplace, and Cedars have sunset).
- As of 2024, overall property values have grown 604% ($25.5 billion) cumulatively over the total of the base values for all the districts.
- The first 7 TIF districts were created in and near downtown without any City policy criteria beyond the City's FMPC (Financial Management Performance Criteria) that addressed:
  - The proportion of the City's tax base that could be included in TIF Districts (initial cap set at no more than 5% of the City's tax base, raised to 10% in 2007, and 15% in 2017).
  - Criteria for TIF bond issuance.



Dallas TIF Program Overview

- Of the 21 TIF districts created to date, only 2 were by property owner petition. The majority were City initiated with a focus on improving the real estate market of a broader area.
- Since 2005, TIF districts have been set up beyond the downtown core in areas near light rail stations, distressed malls, and in underserved areas with significant vacant land.
- Along with the evolution of the Texas TIF Act over time, the City has initiated additional policies and guidelines.
- Formal broad policy – adopted by City Council in February 2005 and amended in 2009, 2015, and 2023. The latest amendment includes a greater focus on providing equity to underserved areas.
- Additional working policies/guidelines - staff level and/or TIF Board adopted focused on implementation such as design guidelines and procedures for leasing/compliance reporting for mixed-income housing requirements.

Dallas TIF Program Overview

- Current policy criteria for establishing new TIF districts, term extensions or major district expansions includes:

FMPC

- Complies with Financial Management and Performance Criteria (FMPC) adopted by the City Council for limit on % of City tax base in TIRZs
- More restrictive than State statute limit

FUTURE PLANNED DEVELOPMENT

- Minimum of $50 million in new investment is reasonably anticipated within 5 years of the creation/term extension/major expansion

MIXED-INCOME HOUSING

- Minimum 20% of residential units leased to households earning up to 80% of the Area Median Family Income determined annually by HUD
- Good faith effort to accept housing vouchers

NEIGHBORHOOD PRESERVATION

- If the TIF district contains/abuts a single-family neighborhood in a Target Area*, the TIF Plan must provide a budget line for homeowner stabilization and/or displacement mitigation

URBAN DESIGN

- Projects seeking funding from the TIF district shall comply with Urban Design Guidelines and/or conform to the recommendations of the City's Urban Design Peer Review Panel

M/WBE

- Projects seeking funding from the TIF district shall comply with the City's Business Inclusion and Development Plan for all construction costs of the project

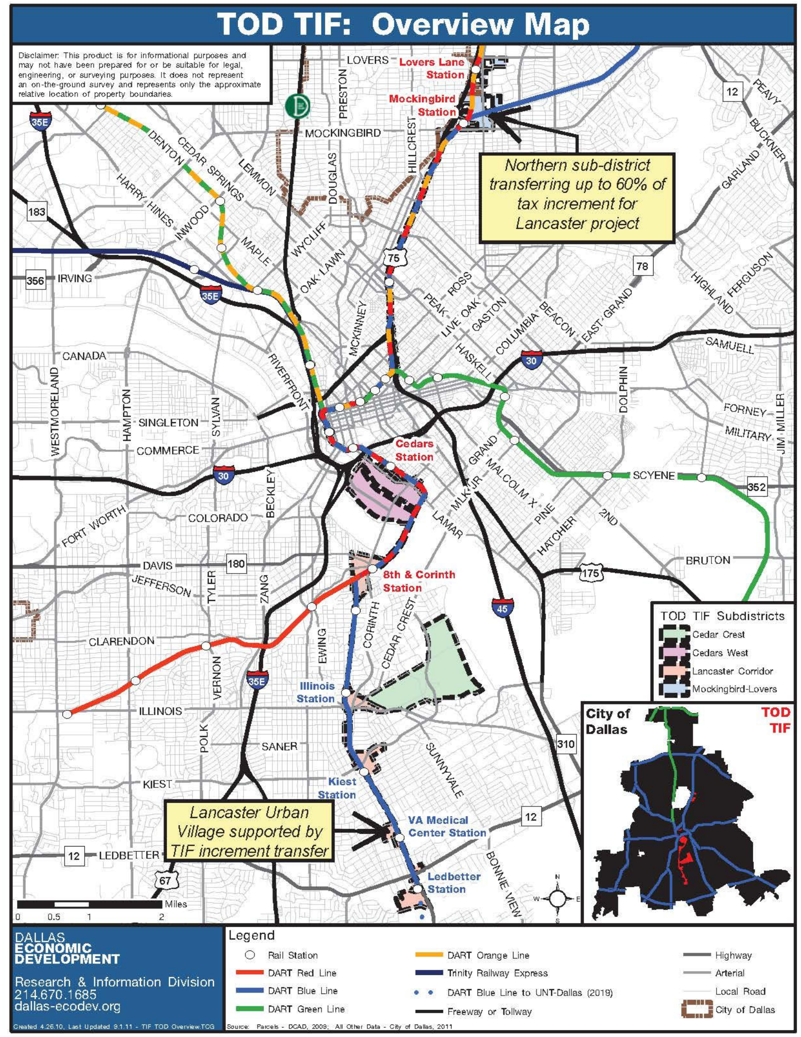
**Target Areas - align with the State of Texas Enterprise Zone designations. These zones are re-evaluated as part of the decennial Census.*

Dallas TIF Program Overview

- Map on the right shows the first TIF district created with a "barbell" increment sharing mechanism – TOD TIF District (2008) before the concept was codified in the City's updated Economic Development Incentive Policy (2023).

INCREMENT SHARING

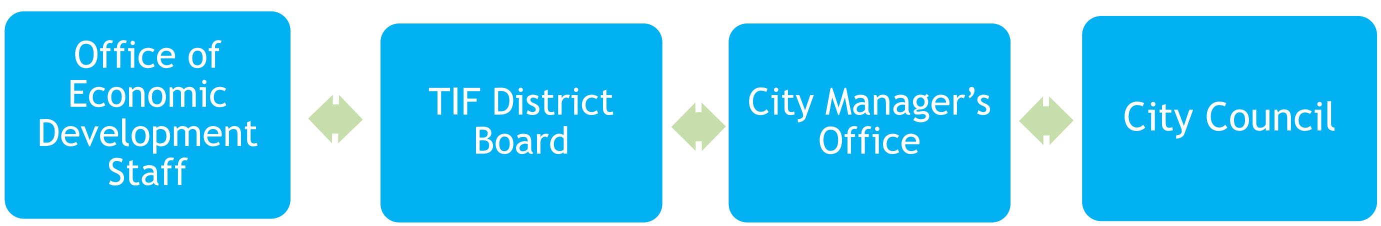
- To promote equitable development, staff will consider inclusion of a barbell mechanism designed to transfer a portion of captured tax increment from stronger market areas of the TIF district to a specified area identified in the TIF district project plan and financing plan where catalytic investment is needed to jumpstart private investment and development
- Increment sharing can take the form of non-contiguous or contiguous sub-districts



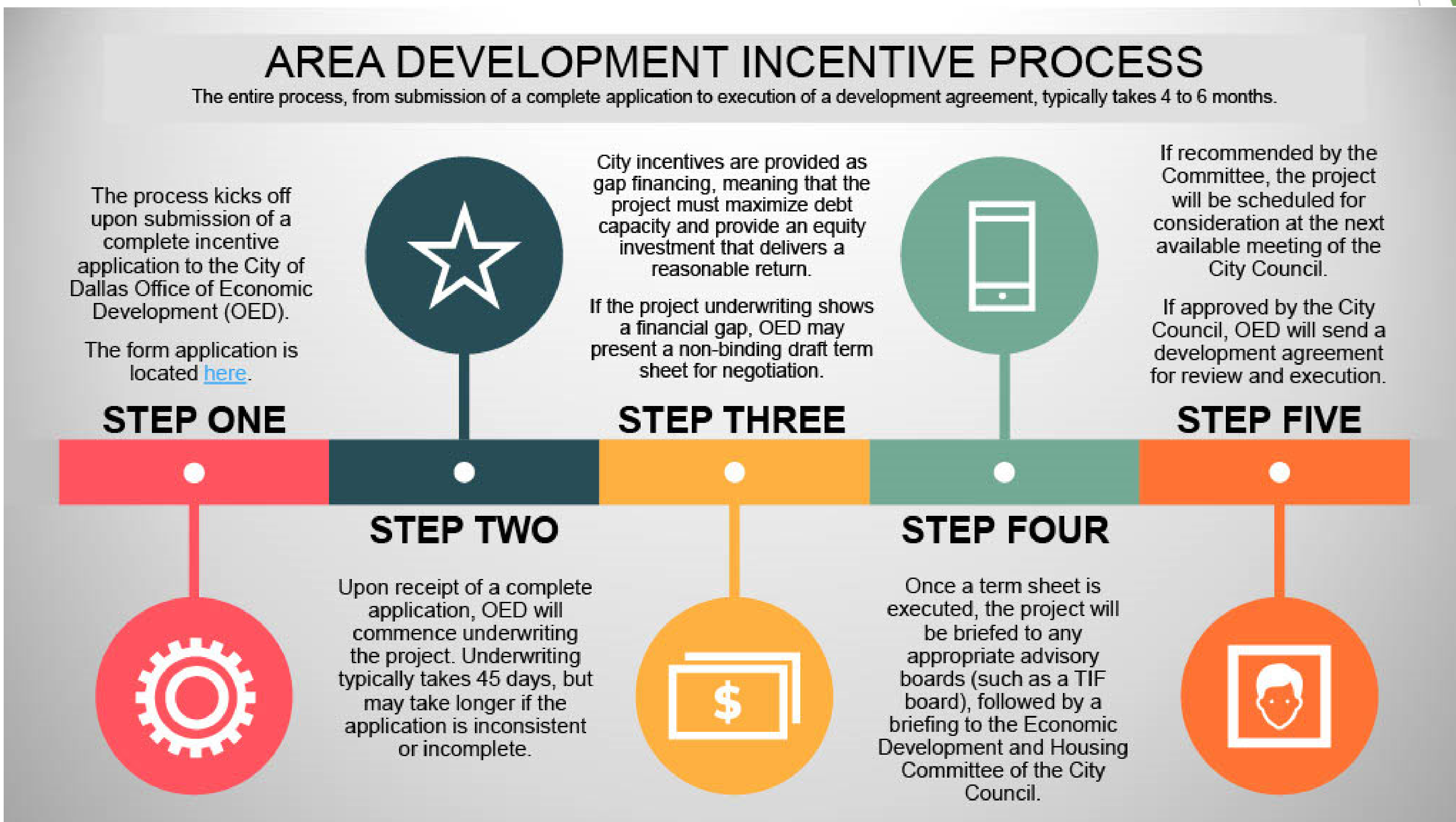
- More details about the City of Dallas Economic Development Incentive Policy (including TIF district criteria) can be found on https://www.dallasecodev.org/

Dallas TIF Program Overview

- Dallas has a very centralized approach to TIF program administration. Staff from the Office of Economic Development handle all aspects of the program such as creation of TIF districts, negotiating project incentives, staff support for TIF district boards, and all related compliance reporting.
- The City Manager’s Office reviews proposals at various stages before an item is presented to City Council.
- TIF district boards are advisory to the City Council, the governing body that has final approval authority.

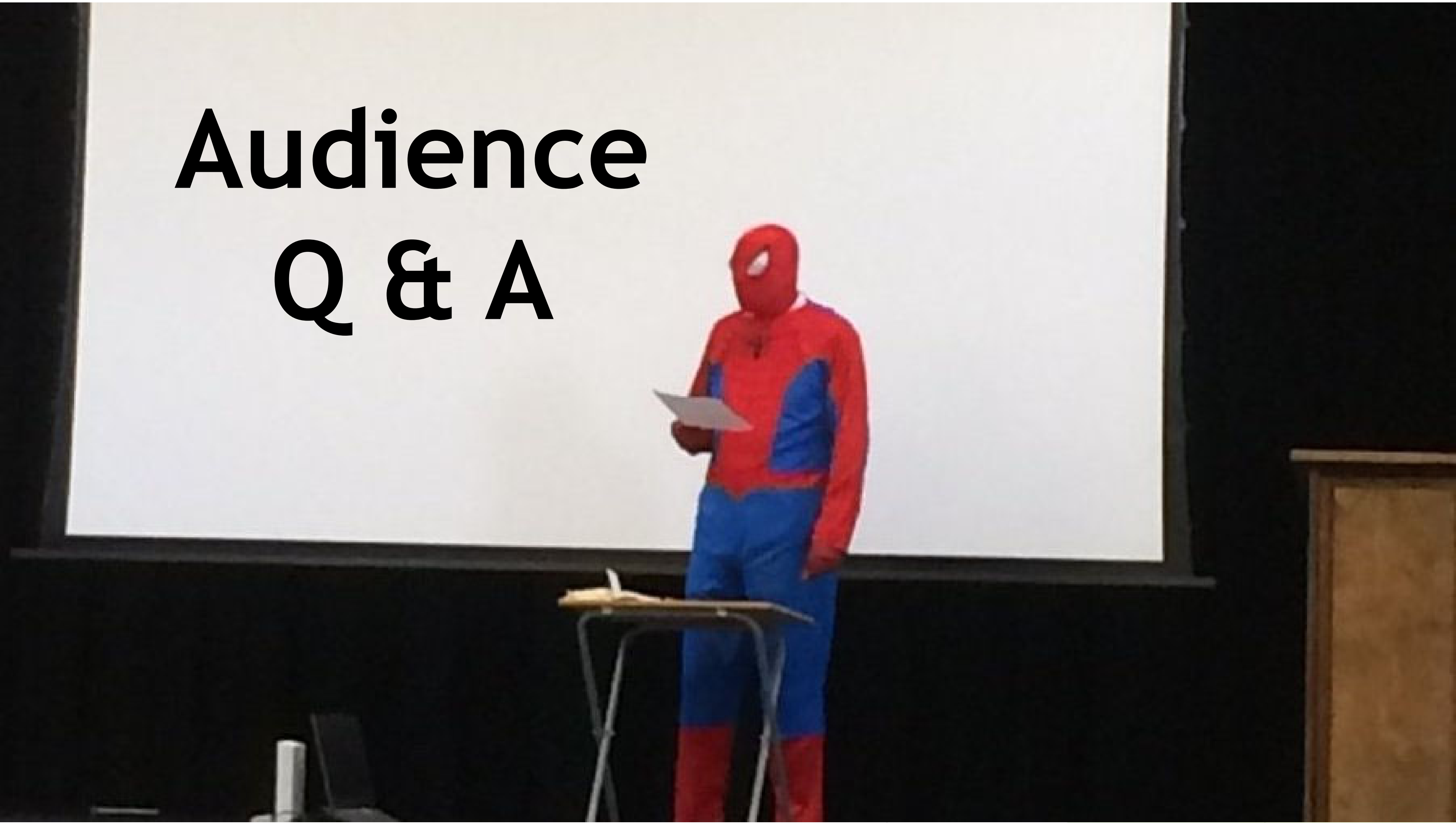


Dallas TIF Program Overview



Dallas TIF Program Overview

- Staff has developed a detailed internal manual, ***TIF Program Administrative Guidelines***, last updated January 2025. Key components include:
  - Process for TIF district property tax roll compilation for annual budgeting and tax increment collections.
  - Reporting and monitoring of active TIF projects.
  - Preparation of annual reports for each active TIF district.
  - Procedures for distributing unallocated funds upon district close out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Q & A

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