TIF CASE STUDY: FOREST LAKES PROJECT VILLAGE OF CASEYVILLE, ILLINOIS

Financing: $30,975,000 Tax Increment Senior Revenue Bonds Series 2004

Overview:
The Village of Caseyville adopted the Redevelopment Plan via ordinance in 1998, but to date, development had not occurred, due to the inability of two developers to overcome the topographic, environmental, infrastructure and economic impediments to the development of the site. Presently, the Village has been approached by a developer who has submitted a project concept that differs from the objectives of the original redevelopment plan. As a result, an amendment to the original plan occurred. The development envisioned is a high-quality, master planned residential community which also incorporates commercial and recreational components benefiting both the development and the larger community. TIF financing will be used to finance a portion of the site assembly, site preparation, street work, public utilities, landscaping and traffic signalization.

Because the reimbursable project costs are for public improvements, a private guarantee could be given and the bonds could be issued as tax-exempt. The private guarantee enabled the sale of the bonds prior to site acquisitions and construction. The guarantee of the developers secured a $5mm letter of credit designed to burn off when revenues covered average annual debt service 1.25 times. While the letter of credit mitigated construction risk we still needed to provide comfort to investors that homes would be built and absorbed within a time frame and price range to adequately cover debt service. Thus, the following was required prior to underwriting the bonds:

a) An appraisal (pre and post improvement)
b) A residential market study
c) A revenue study
d) Clean environmental studies
e) A minimum number of homebuilder contracts
f) Land sales escrows
g) Evidence of private financing

Once these pieces were in place, an institutional-only bond sale was conducted. Two days of presentations were made to prospective institutional purchasers, with presentation by the developers, homebuilders, feasibility analysts and City officials. The presentations were followed by helicopter tours of the eastern portion of the St. Louis metropolitan area, to identify residential growth patterns, commuting patterns and so on.

Ultimately, despite a significant amount of construction and market risk, the bond issue was nearly 3.5 times oversubscribed - a true success that was literally years in the making!

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