

Welcome

CDFA - Tax Increment Finance Coalition Webcast Series: How to Avoid the “Subprime” TIF

The Broadcast will begin at 1:00pm (EDT).



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Welcome

CDFA - Tax Increment Finance Coalition Webcast Series: How to Avoid the “Subprime” TIF

This Webcast is a listen-only event. Please make sure your computer speakers are turned on to hear the presentation.

You can also listen by telephone using the instructions provided in the email from GoToWebinar.

To ask a question, type your question into the Question box in the GoToWebinar control panel. The moderator will field your question to the appropriate panelist.

CDFA is recording this Webcast, and it will be available to view online at www.cdfa.net.



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How to Avoid the “Subprime” TIF

Erin Tehan

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How to Avoid the “Subprime” TIF

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How to Avoid the “Subprime” TIF

TIF Webcast Series

July 28, 2011

Ken Powell

Stone & Youngberg

Richmond, VA



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San Francisco Los Angeles San Diego New York Chicago Phoenix Richmond Annapolis

What is TIF?

- TIF = Tax Increment Financing
- Varied Tax Sources:

Real estate taxes

Sales taxes

Food / Beverage taxes

Occupancy taxes

Utility taxes

Earning taxes

Capital taxes

Connection fees

Usage fees

Special assessments

Parking fees

What is TIF?

- Land use tool
- Finance Tool
- Economic Development Tool

“Subprime TIF”

- **City / County Perspective: How not to create a TIF project with popular / political support but with inadequate financial strength?**
- **Developer Perspective: How to prevent your project from becoming a “Subprime TIF.”**
- **Economic Responsibility and Economic Reality**

TIF Project vs. Other Real Estate Projects

- **Separate Analysis**
- **Ongoing Reporting Requirements**
- **Transparency**
- **Accountability**

How could a TIF project become “Subprime”?

- Popular Support Overshadows Objective Economic Analysis
- Political Power of Developer
- Land Use Planning Not Forward Thinking Enough to Consider TIF Up Front of Development
- Inexperienced Developer
- Thinly Capitalized Developer

TIF Process: How to Put Together a Good TIF Project?

- **Public Policy**
- **Community Buy-In**
- **Education**
- **Building Consensus**
- **Identifying Stakeholders**
- **Communication**

TIF Policy and Guidelines – Broad Considerations

- To TIF or not to TIF?
- Policies vs. Guidelines
- Most troubles arise from developer financial problems
- Do not create policy, then make exceptions
- Do not adopt for first project only
- Do not make up for shortfalls in other areas – zoning, permitting, etc.
- Make procedure transparent
- Timing
- Create real “But For” test
- Blight
- “Scholarship” vs. “Entitlement” approach

How to Make Sure Developer Has Enough “Skin in the Game”?

- Realistic development plan, detailed revenue projections, quality market studies, appraisals, appropriate TIF contributions, adequate due diligence.
- Back-Up Special Assessment



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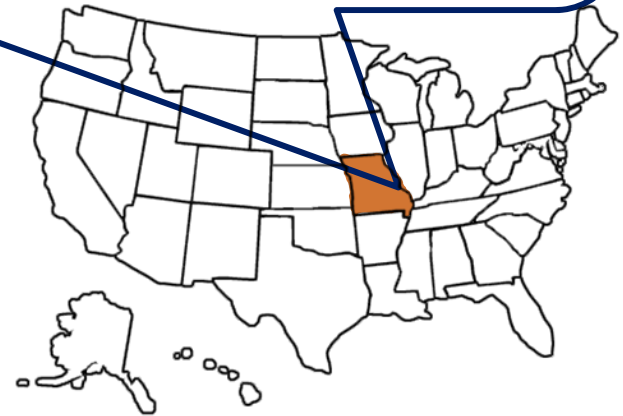
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How to Avoid the “Subprime” TIF

Laura Radcliff

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


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A CDFA Coalition Dedicated to the Advancement of Tax Increment Finance

How to Avoid the Subprime TIF

Laura Radcliff

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Do Your Homework

- Staff/consultants
- Review statutes
- Developer/team background
- Development plan reality check
- Funding/financing arrangements
 - Sources and uses of funds, revenue projections, appraisals
 - The gap and TIF: determining amount of assistance
- Market/competition



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Design the Financing

- At what stage will assistance be provided?
- At what stage will you do the financing?
- What is required for a financing at that stage?
- Ongoing performance covenants, defaults, remedies



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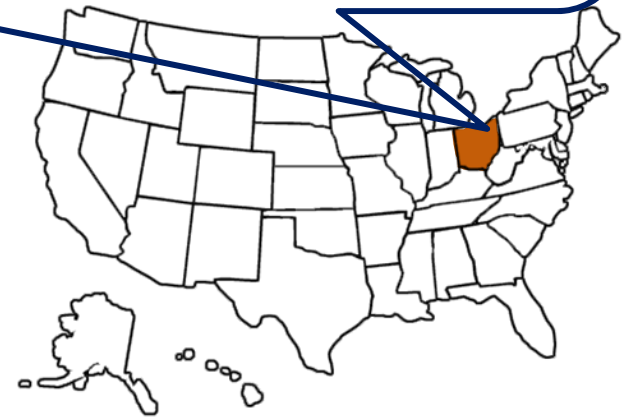
How to Avoid the “Subprime” TIF

GiGi Benjamin

Partner

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How to Avoid the “Subprime” TIF

CALFEE



Tools to Avoid Problems with TIFs

*Virginia D. (“GiGi”) Benjamin
Calfee, Halter & Griswold LLP*

July 28, 2011

Size and Scope of TIF Districts

- > Leverage broader revitalization area - increase coverage
 - Political and philosophical issues
- > Timing of future development
- > Include, if state law permits, more sources of revenue (i.e. not just property tax increases, but sales tax, income tax, etc.)

- > Completion Guaranties
 - Appropriate parties
 - Form of guaranty - e.g. letter of credit
- > Guaranteed Maximum Price contracts -- bond funds and other moneys sufficient to pay for completion of project; performance bonds
- > Governmental promise to make up shortfall (e.g. appropriation)

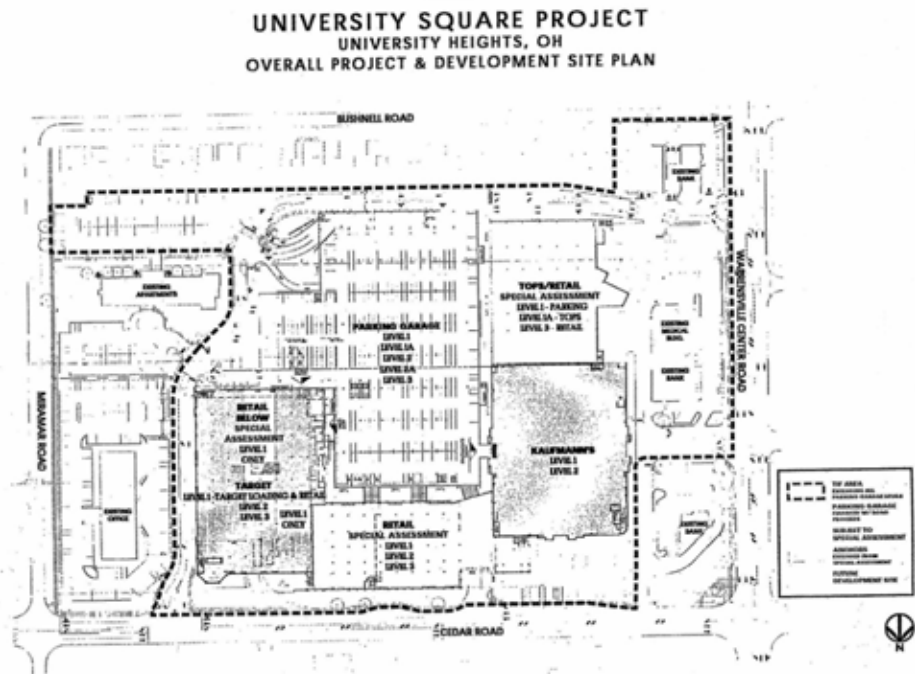
- > Security for TIF payments
 - Property Liens (statutory or consensual)
 - Special assessments
 - Either based on debt service or
 - Based on some other measure
 - Minimum service payments
- > Minimum valuation/agreements not to contest value
- > Intercepts

Post-construction tools (continued)

- > City debt payments - other revenues or sources
- > Extended life of TIF district
- > Risk Shifting to Developer by requiring Developer purchase of TIF debt

Understanding limitations of security

- > Other lienholders
- > Delays in revaluation (up or down)
- > Timing of foreclosure/levy



How to Avoid the “Subprime” TIF

Audience Questions



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Upcoming Events at CDFA

Intro Tax Credit Finance Course

August 11-12, 2011

Washington, DC

Advanced Bond Finance WebCourse

September 20-22, 2011

Daily: 1-5 pm (EDT)

Intro Tax Increment Finance Course

November 3-4, 2011

Washington, DC

Register online at www.cdfa.net



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Next Webcast

Thursday, September 29, 2011 @ 1:00pm Eastern

CDFA - Tax Increment Finance Coalition Webcast Series: The California TIF Experience

California was the birthplace of TIF nearly 60 years ago. Today, the Golden State remains the leader in employing this important and transformational redevelopment tool. This webcast will tell the TIF story from the California perspective and provide insight from the leaders who have put this tool to work with continued success.



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