

# CDFA – Stone & Youngberg Tax Increment Finance Webcast Series: The State of TIF in 2012

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

*While you're waiting, mark your calendar for TIF Week:*



Intro Tax Increment  
Finance WebCourse



September 18-19, 2012  
Daily: 12-5pm (EDT)



Advanced  
Tax Increment  
Finance WebCourse



September 20-21, 2012  
Daily: 12-5pm (EDT)

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Tax Increment Finance  
Webcast Series

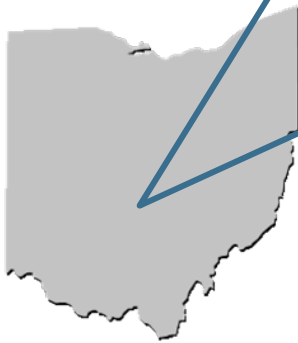


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# The State of TIF in 2012

**Erin Tehan**

**Legislative & Federal Affairs Coordinator  
Council of Development Finance Agencies  
Columbus, OH**



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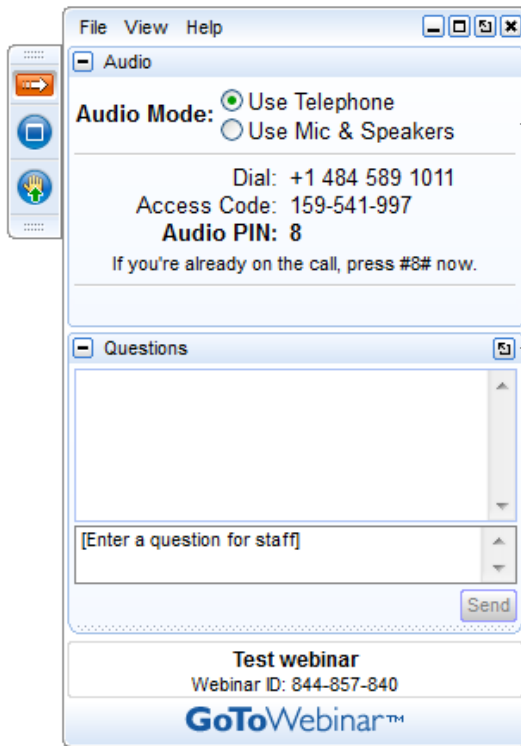
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# The State of TIF in 2012



Using your telephone will give you better audio quality.

Submit your questions to the panelists here.

## ■ ■ Want to watch again?

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# The State of TIF in 2012

## Speakers

**Ken Powell**, *Moderator*  
Stone & Youngberg  
*A Division of Stifel Nicolaus*

**Steve Friedman**  
SB Friedman Development Advisors

**John Kamins**  
Foster, Swift, Collins & Smith, P.C.

**John Markowitz**  
Stone & Youngberg  
*A Division of Stifel Nicolaus*

**Intro Bond  
Finance Course**



March 15-16, 2012  
Washington, DC

**Innovation  
Finance WebCourse**



May 8-9, 2012  
Daily: 12-5pm (EDT)

**Intro Energy  
Finance Course**



July 31-August 1, 2012  
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**Intro Tax Increment  
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**Advanced  
Tax Increment  
Finance WebCourse**



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**Intro Tax Credit  
Finance Course**



August 11-12, 2011  
Washington, DC

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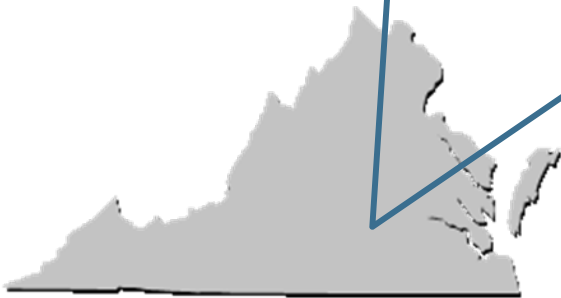
# The State of TIF in 2012

**Ken Powell**

**Managing Director**

**Stone & Youngberg, a Division of Stifel Nicolaus**

**Richmond, VA**



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# The State of TIF in 2012

**TIF Webcast Series**

**February 9, 2012**

**Ken Powell**

**Stone & Youngberg**

**Richmond, VA**

**John Markowitz**

**Stone & Youngberg**

**Richmond, VA**



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## Why TIF?

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- **Allows local governments to invest in infrastructure and other improvements and pay for them by capturing increase in tax revenues**
  - **Can be used to finance variety of costs and improvements pertaining to public infrastructure, land acquisition, demolition, utilities, planning costs and other improvements**
  - **Generally used to address blight and deterioration, promote neighborhood stability and inspire economic development or redevelopment**
  - **Helps a locality advance economic development priorities such as targeted investment and redevelopment, developing industry niches and opening new markets for non-existent services, recycling infrastructure and cleaning up brownfields**
- 



## Why TIF Today?

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- **Localities and states facing severe revenue and budgetary pressures while also facing deteriorating infrastructure, and wide variety of transportation and economic development needs**
- **Allows localities to finance needed infrastructure that otherwise could not be financed in current fiscal environment, often ahead of development and at a higher level**
- **Advances economic development or redevelopment projects that otherwise would not begin in current economy**
- **Job creation**
- **Preservation and strengthening of tax base**





## What Are the Hurdles?

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- **Proper usage**
- **Transparency**
- **Accountability**
- **Competition for funds**

# The State of TIF in 2012

## Steve Friedman

President

SB Friedman Development Advisors

Chicago, IL



### ■ Are you a CDFA Member?

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# Current Project Types

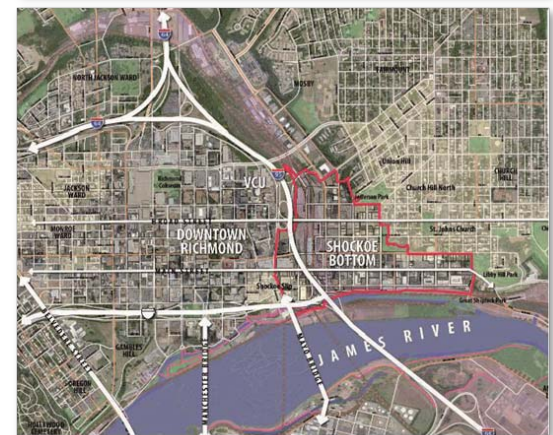
## *Jobs, Tax Base and Community Benefits*

- Headquarters and Training
- Obsolete Shopping Centers
- Stormwater or Other Regulatory Costs
- Challenged Soils/ Environmental/Landfill



# More Current Project Types

- Layered Deals (e.g., TIF, Historic, NMTC)
- TIF Layers in Residential/ Section 42 Projects
- Institutional (e.g., University-related)
- Big Redevelopment Districts (Waterfront; Entertainment; Downtown, TOD)



# Objections to TIF

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## *Increasing Resistance to Government Generally*

- Objection to Redevelopment – Market Responsibility
- Raising Overall Taxes in Declining Property Value Environment
- School District Distress
- But for... Skepticism
- Lack of Transparency of Process
- Accountability/Decision Making

# Counter Arguments

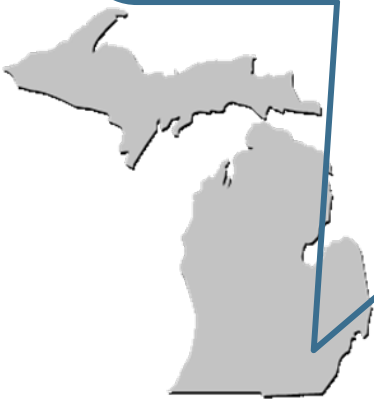
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- Broad Community Planning and Support for Project
- Lack of Good Options for Redevelopment
- Declining Tax Base Projects
- Overcoming Development Barriers
- Stronger Underwriting
- Community Benefits

# The State of TIF in 2012

## John Kamins

Shareholder & Chair of the Public Finance Practice  
Foster, Swift, Collins & Smith, P.C.  
Farmington Hills, MI



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# Legal Changes & Trends in TIF

- **Economic crisis spurs looking to TIF for creative financing**
- **Existing state enabling legislation**  
*States are making or considering amendments*
- **Existing TIF districts and TIF plans**  
*Also making or considering amendments*



# What's the Focus of the Changes?

- **How much taxes can be captured?**
- **From whom?**
  - *School Districts#*
  - *Counties, Cities – Urban#*
  - *Villages, Towns – Rural*

# What's the Focus of the Changes?

- **Eligibility Criteria & Uses**

- *Blight, Distress, Severe Distress#*
- *Economic Development – Jobs, Investment #*
- *Affordable Housing*

- **TIF District Boundaries**

- *Single Project*
- *Wider, Multi-Use*

- **Sunset Dates & Duration Limits**

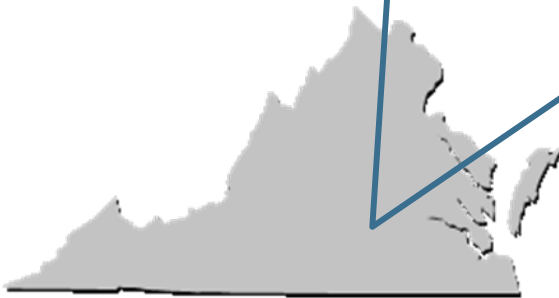
# The State of TIF in 2012

## John Markowitz

Analyst

Stone & Youngberg, *a Division of Stifel Nicolaus*

Richmond, VA



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## *Municipal yields hit all-time low*

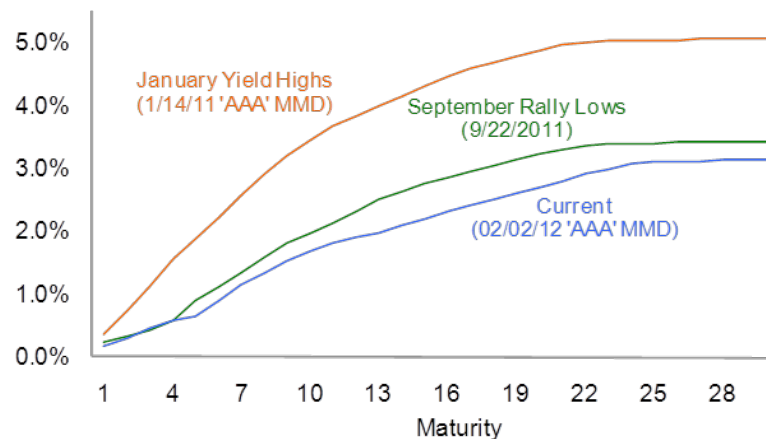
### ◆ Municipal market yields

- Long-term municipals hit record-low for second time in month
- After very brief cooling, market heats up again and yields plummet across the curve
- Rates far below yields witnessed during the record-setting rally of September 2011

**30-Year MMD Yield**  
(1/1/2010 - 2/2/2012)



**Municipal Market Data (MMD) Yield Curves**



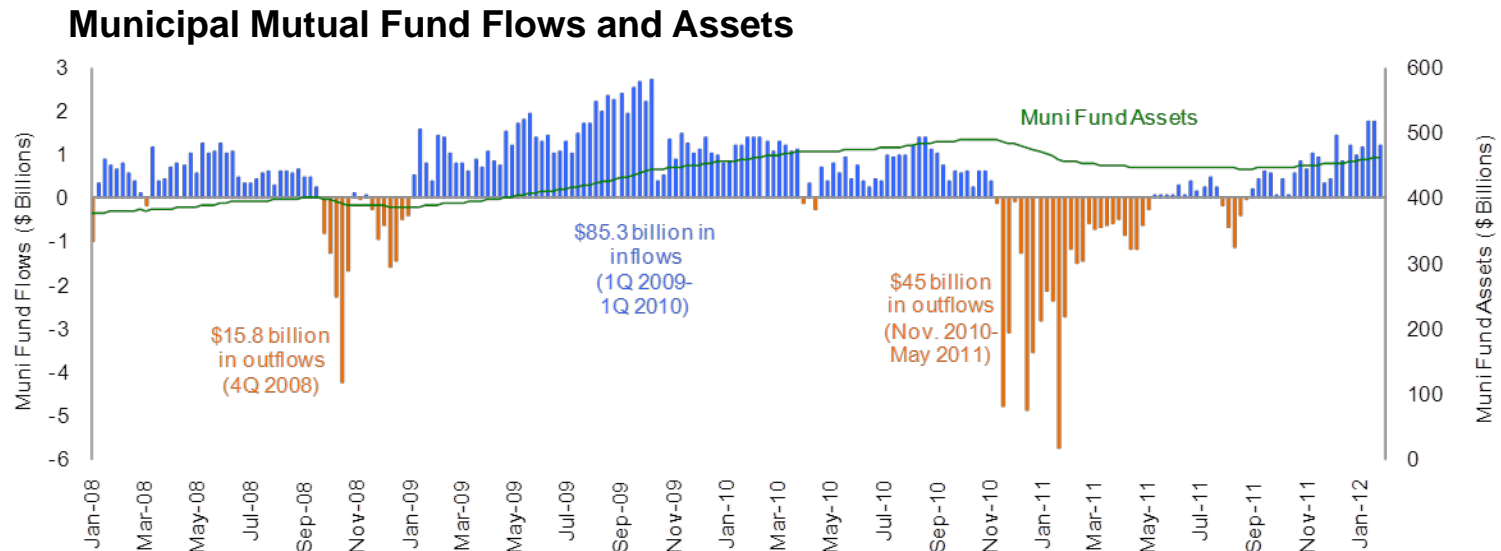
*Municipal mutual fund flows moving in right direction*

◆ **Fund flows positive since August 2011**

- \$14.5bn of total inflows since
- \$5.8bn of inflows in January (through the 25<sup>th</sup>); largest monthly inflow since September 2009

◆ **Funds experience record cash outflows from November 2010 through May 2011**

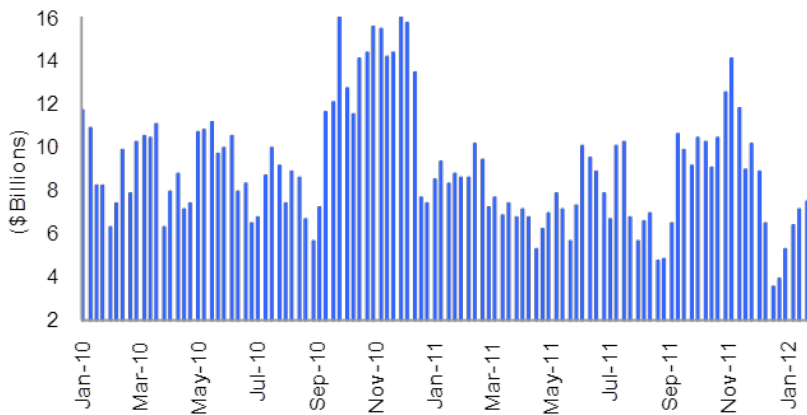
- \$45bn left the market



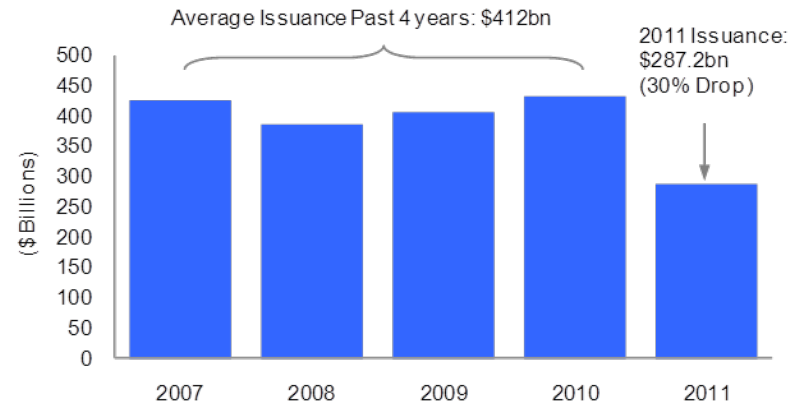
*Municipal new-issue supply low, but picking up*

- ◆ 2012 begins with low supply, increasing modestly
- ◆ Supply fallen substantially since November, which saw largest monthly issuance for 2011
- ◆ National new-issue supply in 2011 lowest in past decade

**Bond Buyer 30-Day Visible Supply<sup>1</sup>**



**National Municipal New Issuance**



<sup>1</sup>Long term issues only. Weekly averages of estimated 30-day visible supply  
Sources: SDC and The Bond Buyer

# Selected January TIF and Land Secured Trades / Transactions

Issue	San Mateo CFD No. 200-1 (Bay Meadows)	Mayor & City Council of Baltimore - East Baltimore Research Park	Village CDD No. 9
Trade Type	New Issue	Secondary	New Issue
Metro Area	San Francisco	Baltimore	Orlando
State	California	Maryland	Florida
Location Type	Urban	Urban	Suburban
Development Plan	1,171 res. units, 725k sf commercial, and 85k sf retail	893 res. Units, 1.1 mm s.f. commercial	5,376 residential units
Development Status	0% of vertical built, 50% of infrastructure built	By value - 24% complete & 18% under construction	3% closed to home-owners, 6% under contract; lot dvl/pmt. 64% complete
Developer Type	Regional	National	Local
Security Type	Special Tax	TIF and Special Tax	Special Assessment
Value: Bonds	6.5:1	1.8:1	NA
Delinquency Rate	0%	0%	0%
Original Issue Date	1/19/12	5/8/08	2/15/12
Maturity	9/1/42	9/1/38	5/1/42
Trade Date	1/5/12	1/5/12	1/20/12
Trade Amount	\$21,695,000 <sup>1</sup>	\$3,500,000	\$29,895,000 <sup>2</sup>
Yield	6.10%	6.27%	5.50%
MMD AAA Index for Maturity on Trade Date	3.57%	3.53%	3.25%
Spread to MMD	2.53%	2.74%	2.25%
Earlier Trade Date in 2010-11	NA	6/30/11	NA
Yield on Earlier Trade	NA	7.01%	NA

<sup>1</sup> \$4,815,000 Series Bonds through 2027 and \$5,290,000 Term Bond due 2032 (6.51% yield) also issued

<sup>2</sup> \$9,695,000 Term Bond due 2022 (5% yield) and \$14,180,000 Term Bond due 2031 (5.25% yield) also issued



## Questions?

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# The State of TIF in 2012



## ■ CDFA Recommended Practices: Effective Tax Increment Finance Program Management

Planning/Goal Setting and Community Benefits

Transparency

Accountability

Due Diligence

Download your copy in the CDFA Online Resource Database at [www.cdfa.net](http://www.cdfa.net). In the search form, enter *Recommended Practices* and select the Tax Increment Finance category for quick reference.

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# Audience Questions

A graphic for a summit. The top half features a photograph of the US Capitol building and the White House under a blue sky. The text "Save the Date" is written in a red, cursive font across the image. The bottom half has a light blue background with white stars. The text "CDFA National Development Finance Summit" is in a large, dark blue, sans-serif font. Below it, "July 31-August 3, 2012" and "Washington, DC" are written in a smaller, red, sans-serif font.

*Save the Date*

**CDFA National  
Development Finance Summit**  
July 31-August 3, 2012  
Washington, DC

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March 15-16, 2012

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# Upcoming Webcasts

**CDFA – BNY Mellon Development Finance Webcast Series**  
**Tuesday, February 21, 2012 @ 1:00pm Eastern**

**CDFA – Stern Brothers Renewable Energy Finance Webcast Series**  
**Thursday, March 8, 2012 @ 1:00pm Eastern**

**CDFA – Stone & Youngberg Tax Increment Finance Webcast Series**  
**Thursday, April 5, 2012 @ 1:00pm Eastern**

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# For More Information



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