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## Bond Financing for Disaster Response

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## Malcolm Guy

Coordinator, Government & External Affairs  
Council of Development Finance Agencies  
Columbus, OH

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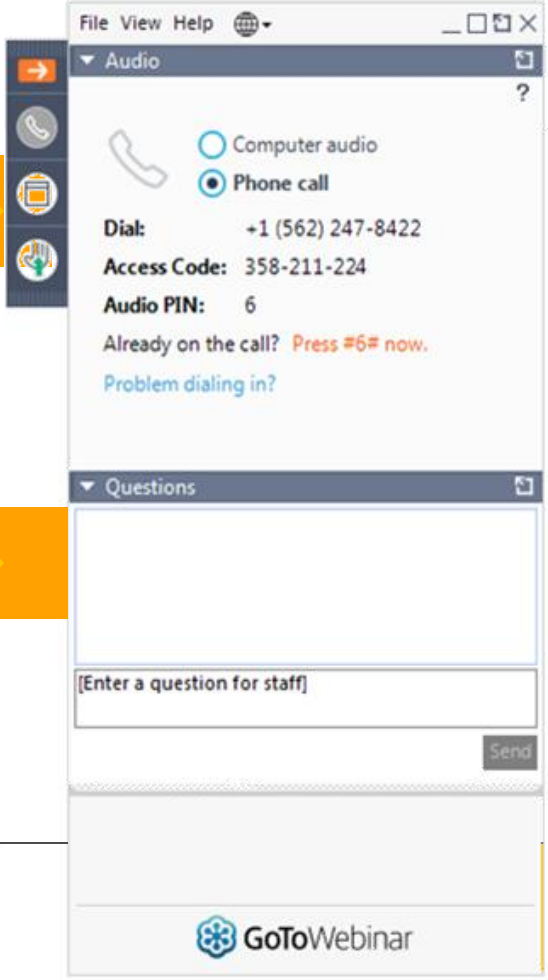
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## Panelists

### **Troy Pitman, *Moderator***

Vice President, Relationship Manager  
The Bank of New York Mellon Trust  
Company, N.A.

### **Jim Parks**

President and Chief Executive Officer  
Louisiana Public Facilities Authority

### **Emily Metzler**

Senior Vice President  
MuniCap, Inc.

### **Frank Canning**

Vice President  
MassDevelopment

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## Troy Pitman

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## Emily Metzler

Senior Vice President  
MuniCap, Inc.

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Coastal Flooding; Annapolis, MD 2012

**MUNICAP, INC.**  
— PUBLIC FINANCE —  
**EMILY METZLER**

# **BOND FINANCING FOR DISASTER RESPONSE**



# DISASTER RECOVERY PROJECTS

## I. Replacement infrastructure

- e.g. Roads, bridges, common areas, coastal infrastructure

## II. Replacement development uses

- e.g., Homes and businesses

## III. Lacking facilities to accommodate immediate and long-term needs

- e.g., Fulfillment centers, distribution, and cold storage facilities

## IV. Social infrastructure

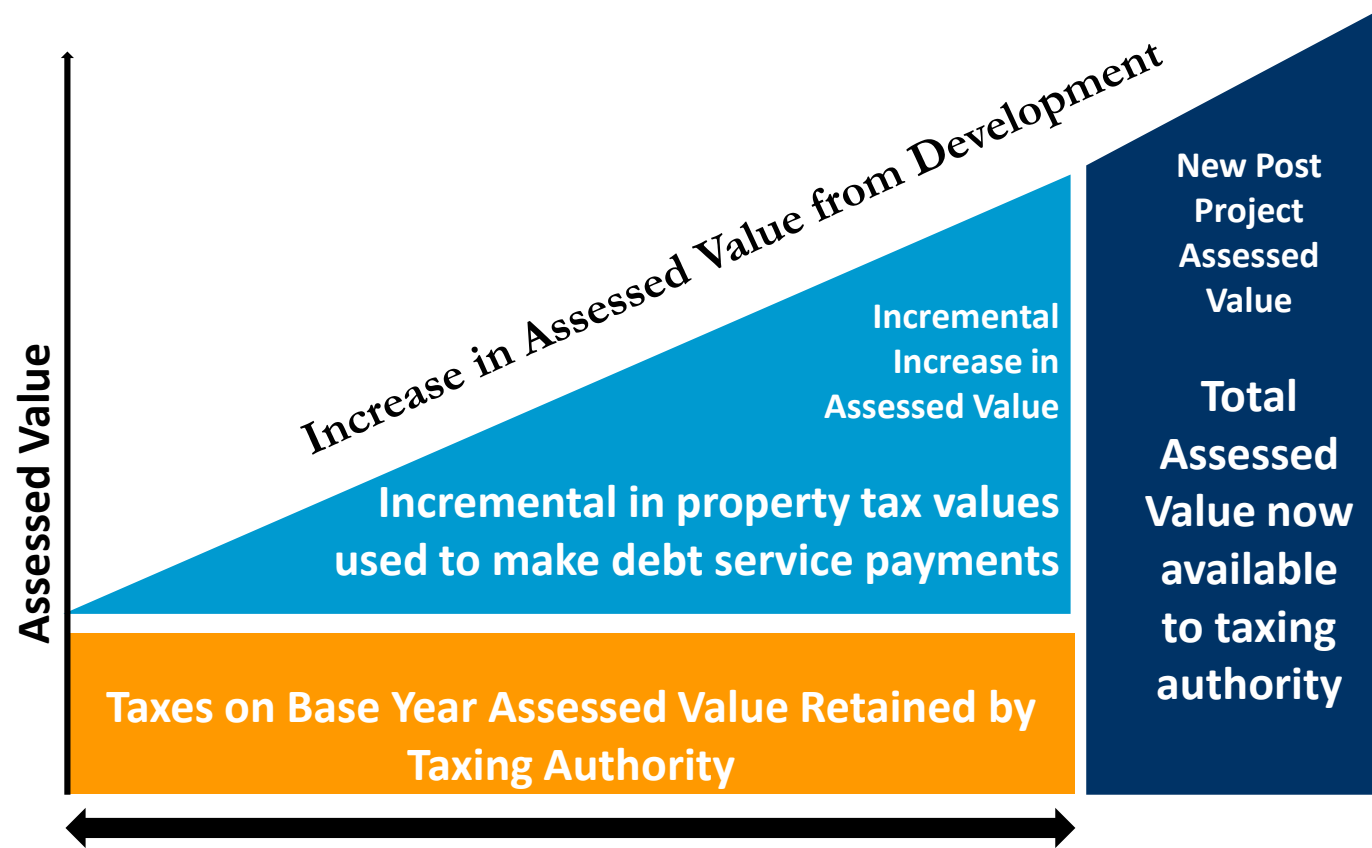
- e.g., Hospitals, fire stations, police stations

# TIF BONDS AS A DISASTER FINANCING TOOL

- TIF bonds can be issued to leverage capital
  - Revenue stream for repayment is the primary cause that typical forms of financing does not work
  - TIF bonds create the development that generates the revenues available to repay the bond (a self-financing tool)
- Can levy a special assessment/tax to secure minimum tax agreement and leverage TIF proceeds up-front
- No tax effect on properties outside of the tax increment finance district
- Not an obligation of the issuer

# HOW TIFs WORK

- **Base value set at current assessed value**
- **Development increases assessed value**
- **Higher assessed value results in additional real property tax revenues**
  - These revenues are the tax increment revenues
- **Incremental revenues pledged can go beyond real property taxes including sales, meals, and hotel tax revenues**





## James Parks

President and Chief Executive Officer  
Louisiana Public Facilities Authority  
New Orleans, LA

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# LPFA and MassDevelopment are Founding Members of CDFA



# Planning, Planning, Planning

- No Matter How Successful You Have Been
- Bad Things Happen!
- So You Need To Be Prepared

# New York Times Article

September 18, 2016

**“Catastrophe is the mother of invention, a lesson few other states have had to learn quite as harshly as Louisiana. With an ever-sinking coast and a front-line position for the fiercer hurricanes and other weather threats related to climate change, the state has begun to advertise itself as a disaster laboratory, a place to figure out how to combat storm surge or how to resettle imperiled communities — or how to keep track of the dead.”**

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# Plagiarism is the Greatest Form of Flattery



# Do Not Recommend

- However Good It Sounds

# **I Do NOT Recommend Adopting the “Disaster Laboratory” Model for Economic Development**

# 11 Months Prior to Katrina

- Hurricane Ivan – September 16, 2004



# 11 Months Prior to Katrina

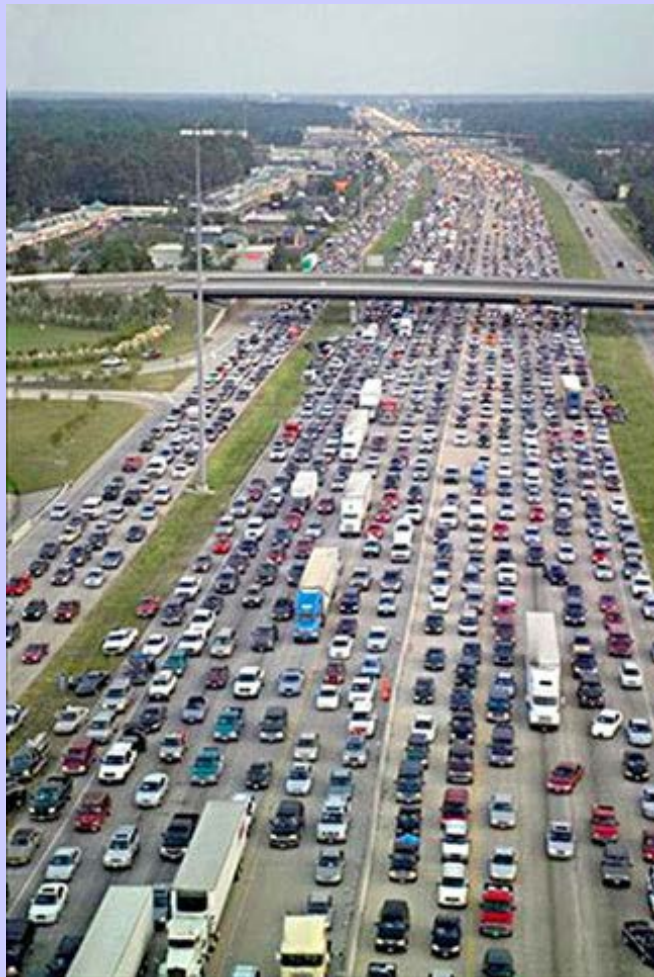
- Hurricane Ivan – Sept. 16, 2004
- More than one-third of the population of Greater New Orleans evacuated voluntarily, including more than half of the residents of New Orleans itself.
- At the height of the evacuation, intense traffic congestion on local highways caused *delays of up to 12 hours*.
- Almost Impossible to Get to Work in Baton Rouge

# Then, 3 Weeks After Katrina Hurricane Rita – September 24, 2005



# Then, 3 Weeks After Katrina

## Hurricane Rita – September 24, 2005



# Then, 3 Weeks Later

## Hurricane Rita – September 24, 2005

- In the Houston area, the muddled flight from the city killed almost as many people as Rita did
- some of the most insane gridlock in U.S. history
- More than 100 evacuees died in the exodus.
- Drivers waited in traffic for 20-plus hours
- heat stroke impaired or killed dozens
- Fights broke out on the highway
- A bus carrying nursing home evacuees caught fire and 24 people were killed

# Hurricane Ivan Lessons

- The Governors of Louisiana and Mississippi came together to develop a detailed regional hurricane evacuation traffic flow plan
- For Hurricane Katrina, it took 38 hours, starting Saturday at 8 a.m., to get roughly one million people out of harm's way
- "a major portion of the exodus took place during the 12 hours before the storm arrived"
- 38 hours is "approximately half the time previously estimated by the United State Army Corps of Engineers"

# Hurricane Katrina Evacuation

- At least three academic papers have been written praising the evacuation
- “Based on this, the Hurricane Katrina evacuation should be regarded as **the most effective highway-based evacuation in the history of the Gulf Coast and, more than likely, the entire United States**”



# Bridge Loan Programs – Cash is King

- Everything in Southeast Louisiana is Shut Down or Destroyed
- No Cash Flow for Businesses or Governments
- Small Businesses and Governments Need Cash to Survive

# Bridge Loan Programs – Phase I

- Louisiana Department of Economic Development
- Louisiana Governor's Office
- LPFA
- Louisiana Banker's Association
- Collaboration to Design the Best Program for Small Businesses

# Bridge Loan Programs – Phase I

- \$10 million in State Funds Available
- Use Funds to Guarantee Loans to Small Businesses
- Also Use Funds to Pay Interest to Banks
- Interest Free Loan to Small Business Borrowers

# Bridge Loan Programs – Phase I

- \$8,820,765 In Loans Made
- 370 Loans (\$23,840 Ave. Loan)
- 25 Loans Defaulted
- \$615,000 Defaults Paid (7%)
- 41 Days and a Second Hurricane to:
- Develop the Program
- Have the Program Approved
- Draft All of the Documents

# Our Friends at FEMA

- FEMA Assistance is a Reimbursement Program
- Again, FEMA Assistance is a Reimbursement Program

# Our Friends at FEMA

- Submit Repair Plans to FEMA for Approval
- *No Improvements Allowed*
- Once Approved, Start Repairs
- After Repairs are Finished and Paid For, Apply to FEMA for Reimbursement
- Pray that FEMA Has Not Changed its Mind and You May Get Reimbursed

# Once Again, Cash is King

- Need Help from Public Finance Capital Markets to Raise Cash
- Communities Must Pay for Repairs – Then Ask for Reimbursement
- No Cash Flows for Governments or Businesses
- Discussed Various Pool Programs to Raise Cash for Local Governments

# Hurricane Recovery Bond Issue

- City of New Orleans and Sewerage and Water Board of New Orleans
- Revolving Fund for Repair Costs
- State Pays the Debt Service

**\$283,465,000**

**LOUISIANA PUBLIC FACILITIES AUTHORITY  
Revenue Bonds  
(Hurricane Recovery Program)  
Series 2007**

**Dated:** Date of Delivery

**Due:** June 1, as shown on inside front cover

The Louisiana Public Facilities Authority (the "Authority") is offering \$283,465,000 of its Revenue Bonds (Hurricane Recovery Program) Series 2007 (the "Bonds"), pursuant to a Trust Indenture dated as of October 1, 2007 (the "Indenture"), by and between the Authority and Hancock Bank of Louisiana, Baton Rouge, Louisiana, as trustee (the "Trustee"). Pursuant to the Cooperative Endeavor Agreement dated as of June 29, 2007, as subsequently amended by the Amendment No 1 to Cooperative Endeavor Agreement and, if approved by the parties thereto, the Amendment No. 2 to Cooperative Endeavor Agreement (collectively, the "Project CEA"), each by and among the Authority, the State of Louisiana (the "State"), the City of New Orleans, Louisiana (the "City") and the Sewerage and Water Board of New Orleans (the "Sewerage and Water Board"), the Authority will use the proceeds of the Bonds to (i) provide the Cash Capital Investment (defined herein) to the City and the Sewerage and Water Board to finance the City Improvements (defined herein) and the Sewerage and Water Board Improvements (defined herein) and (ii) pay the costs of issuance of the Bonds. Pursuant to a Cooperative Endeavor Agreement dated as of October 1, 2007 (the "Bond CEA") between the Authority and the State, the State will, subject to appropriation of amounts not to exceed \$23,000,000 each Fiscal Year, commencing Fiscal Year 2007-2008 through and including Fiscal Year 2026-2027, make payments to the Authority in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds and other amounts owing under the Indenture. In addition, the State Legislature has previously made a Fiscal Year 2006-2007 State General Fund appropriation (contained in Act 203 of the 2007 Regular Session of the Louisiana Legislature) in the amount of \$23,000,000 for the purpose of paying a portion of the State Investment (defined herein). The amount of \$21,632,624 will be used to pay debt service on the Bonds pursuant to the Bond CEA through and including June 1, 2008. See "INTRODUCTION," "THE PROJECT AND PLAN OF FINANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein for a more complete discussion of the obligations of the various parties under the Project CEA and the Bond CEA. See also "ESTIMATED SOURCES AND USES OF FUNDS."



# Program Highlights

- the strained financial situations of the city and board have delayed the start of many post-hurricane rebuilding and recovery projects
- provide upfront funding to undertake projects that have been approved for full or partial FEMA reimbursement
- Bond proceeds will be used for a wide range of such projects, with about two-thirds going to the city and about one-third to the board.

# Program Highlights

- All subsequent FEMA reimbursement monies will go to a trustee-held fund to pay for additional projects of the city and the board;
- these monies are not pledged to bondholders and are not expected to be used for bond repayment.
- The bonds are scheduled to mature through fiscal-year (FY) 2027.

# Think Outside the Box – Utility Repair Bond Issues



## **LPSC, LURC and LPFA Close Two Bond Issues Totaling \$966.1 Million**

In two landmark transactions led and championed by the Louisiana Public Service Commission (LPSC) and representing the first financial transactions of their kind, the LPSC, the Louisiana Utilities Restoration Corporation (LURC), and the Louisiana Public Facilities Authority (LPFA) authorized and issued \$966.1 million of bonds. The bond proceeds were used to ultimately finance non-shareholder capital contributions to Entergy Louisiana, LLC (ELL) and Entergy Gulf States Louisiana, L.L.C. (EGSL) related to ELL's and EGSL's storm costs in Louisiana from Hurricanes Katrina and Rita and the funding of storm reserves. The savings to LPSC-jurisdictional ratepayers from this financing structure, which will avoid or mitigate rate impact as compared to conventional methods of financing the storm costs, is estimated to be approximately \$185 million in the aggregate. ELL and EGSL are both utility subsidiaries of Entergy Corporation, which is headquartered in New Orleans, Louisiana.

# Bond Issue Highlights

- First Ratepayer Backed Securitizations Issued as Municipal Securities
- Taxable Bonds
- Saved Ratepayers Over \$185 Million
- \$239 Million Used to Set Up a Storm Reserve Fund

# Utility Repair Bond Issues



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## 2008 WINNER LPFA System Restoration Bond



### Americas Securitisation

13 December, 2008

**Louisiana energised: For its unique financing structure that uses a novel combination of securitisation technology and municipal financing, for its significant cost saving to the US taxpayer and for its placement to a wide range of real-money investors at a time of considerable market stress, the Louisiana Utilities Restoration Corporation Project/ELL is IFR's US Securitisation of the Year.**

In a week that saw the US authorities throw a US\$300bn lifeline to their ailing housing agencies, and a devastating blow from the rating agencies to the two remaining Triple A rated bond insurers, Citi and JP Morgan priced and publicly placed the first of two bonds for the Louisiana Utilities Restoration Corp (LURC).

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# 2020 Small Business Loan Program

- For Covid 19 and recent Hurricanes Relief
- A partnership of Louisiana Economic Development (LED), the Louisiana Bankers Association (LBA), and the Louisiana Public Facilities Authority (LPFA)
- LPGP will supply capital to create a loan guaranty fund of up to \$50 million
- LED will guarantee 20 percent of the pool allocated to each participating bank
- Loans of up to \$100,000 to small businesses employing under 100 workers

# 2020 Small Business Loan Program

- Term at least 1 year and up to 5 years
- Rate would be fixed up to 3.5 percent
- First six months would bear no interest
- Lending bank gets a 2% payment from LED for interest and expenses
- No payment from the Borrower would be due for the first 6 months of the loan

# August 2016 Flooding

- Office Closed for 6 Days Over a 10 Day Period
- About 2/3 of EBR Parish With Water
- Worse Flooding to the East of BR
- Denham Springs 95% Flooded
- AT&T Cell Phone Service Out for Days
- Over 50% of Flooded Area Not in a “Flood Zone”



# August 2016 Flooding

- “If it rains on your house, it can flood”
- Blasts From the Past –
- School Board Advance Funding Bond Issue
- Bridge Loan Programs
- Plus Interesting Stories

## *'We Built an App': Keeping Track of Louisiana's Flood-Tossed Tombs*

By CAMPBELL ROBERTSON SEPT. 18, 2016



A number of coffins had either been moved or washed away by floods this year in Denham Springs, La.  
William Widmer for The New York Times

DENHAM SPRINGS, La. — On a steamy hot afternoon, Arbie Goings was out looking for the itinerant dead.

Mr. Goings, a veteran of disaster mortuary work, has been acting for the past few weeks as a “cemetery recovery consultant” here in the part of Louisiana that [saw the worst](#) of recent flooding. The cemetery here was certainly in need of recovery: coffins were strewn about, floodwater-filled graves sat empty and there was no way to tell which coffin went where.

“cemetery  
recovery  
consultant”

# August 2016 Flooding

- In recent years, anthropologists have been mapping graveyards all over southern Louisiana
- “When I decided to map the cemeteries in Denham Springs, I got a little pushback because Denham Springs is not coastal,”
- She replied that the threat was a matter of when, not if.
- “Now in 2016,” she added, “here’s the ‘when’ moment.”

# Conclusion - Be Prepared

- Think About What Could Be Your “When” Moments?
- Have Ideas or Programs in Place
- Plan for Logistics Nightmare
- Start Communications With All Groups Now!
- Identify State and Local Funding Sources
- Federal Assistance is Great – But Understand How it Works and its Limitations



Thank You For Your Attention!  
Please Contact me if You Have  
Any Questions

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# **Manufacturing Bonds for Disaster Response**

**October 20, 2020**



# MassDevelopment Overview



- Massachusetts' finance and development agency, working with businesses, nonprofits, banks, and communities to stimulate economic growth.
- FY2020 Results
  - Financed or managed 341 projects
  - Invested more than \$2.6 billion in the Massachusetts economy
  - Created or supported 10,871 jobs and built or preserved 1,787 housing units



# Protective Glass Systems Manufacturer

- Bulletproof, bullet resistant, security, and tempered glass
- Growing rapidly to respond to safety needs in buildings
- Customers include statehouses, embassies, schools, and courthouses
- 2018 IDB financed purchase of building the company was leasing and a 7,500 sq. ft. addition to the building
- IDB was purchased directly by the Company's bank
- Company and bank chose IDB over SBA financing
- Draw-down bond structure avoided interest carry cost while waiting to begin building addition project



# Bio-Pharmaceutical Manufacturer

- Start-up company in 2014
- IDB financed manufacturing space including clean room in multi-tenanted building and new equipment
- IDB chosen by bank over SBA using MassDevelopment guaranty
- SBA limitations on majority tenant occupied space in building
- Rapid growth has resulted in taking tenant space as leases expire
- April 2020 began manufacturing medications to fight symptoms such as lung inflammation in response to the Covid-19 virus
- Second IDB request in 2020 to finance expansion build-out was ineligible due to \$20 million capital expenditure limit



# Air Duct Manufacturer

- 70-year-old company has outgrown its facility
- IDB in process to finance purchase, renovation, and equipping of a larger facility to allow the company to grow
- An essential business that remained operating during Covid-19 pandemic to manufacture galvanized steel air ducts that are in demand to improve air quality in hospitals and doctors' offices
- Tax Increment Financing also being accessed





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**Reframe, Build, Plan: Restoring  
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2:00 PM

**CDFA-PFM Capital Markets Webinar  
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November 19, 2020  
2:00 PM Eastern

**CDFA // BNY Mellon Webcast Series:  
Financing Resilient Infrastructure**

November 17, 2020  
1:00 PM

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