Tax Increment Finance
Best Practices Reference Guide

International Council of Shopping Centers

cdfa
Council of Development Finance Agencies

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Photographs for case studies were submitted by case study authors.

EXECUTIVE SUMMARY

The Council of Development Finance Agencies (CDFA) and the International Council of Shopping Centers (ICSC) have collaborated with teams of Tax Increment Finance (TIF) experts from across the country to develop this reference guide. The *Reference Guide* addresses what TIF is, why it should be used and how best to apply the TIF tool. The *Reference Guide* also highlights TIF projects from across the country and discusses how they can be applied to address many common economic development issues.

The *Reference Guide* should be a reference manual for novice and experienced public officials, financers and real estate developers wishing to learn more about TIF.

Today, 49 states and the District of Columbia have TIF enabling legislation. Arizona is the only state without TIF enabling legislation. California, which initiated tax increment financing in 1952, maintains hundreds of TIF districts, many to promote urban redevelopment in cities like San Diego, Oakland and Los Angeles. Chicago is another landmark municipality for tax increment financing. The city operates more than 130 districts with tax receipts totaling in the hundreds of millions, or about one-third of the city's total property tax revenue.

As TIF continues to evolve, many states have recently made changes to their enabling laws to best reflect the needs of the states and communities within their jurisdiction. These changes have been spurred by efforts to make TIF use accountable and transparent. CDFA and ICSC applaud these efforts and encourage communities to consider public policy, goals and community vision as critical elements in the use of this important financing tool.

While TIF is a popular development finance tool, it is often debated in the public arena. Sometimes it is criticized as unnecessary public support for development projects, but, if used judiciously and appropriately, TIF can result in dynamic economic changes. TIF can be seen as a transformational tool that resurrects blighted and abandoned communities and encourages new investment from the private sector.

The following *Reference Guide* will help you understand the TIF tool and how it can be applied to achieve successful results. The case study examples illustrate how TIF has been used across the country to transform communities and stimulate economic growth. However, it is important to keep in mind that because TIF is a local tool and each state's statute is different, the *Reference Guide* cannot address – and does not attempt to address – every possible situation one might encounter when considering the use of TIF.

The information contained within is intended to provide accurate and authoritative information in regard to tax increment finance. The authors, CDFA and ICSC are not herein engaged in rendering legal, accounting or other professional services, nor do they intend that the material included herein be relied upon to the exclusion of outside counsel. CDFA and ICSC are not responsible for the accuracy of the information provided in the *Reference Guide*. The information provided has been collected from a variety of sources. Those seeking to conduct complex financial deals using the tools mentioned in this document are encouraged to seek the advice of a skilled legal or consulting professional.

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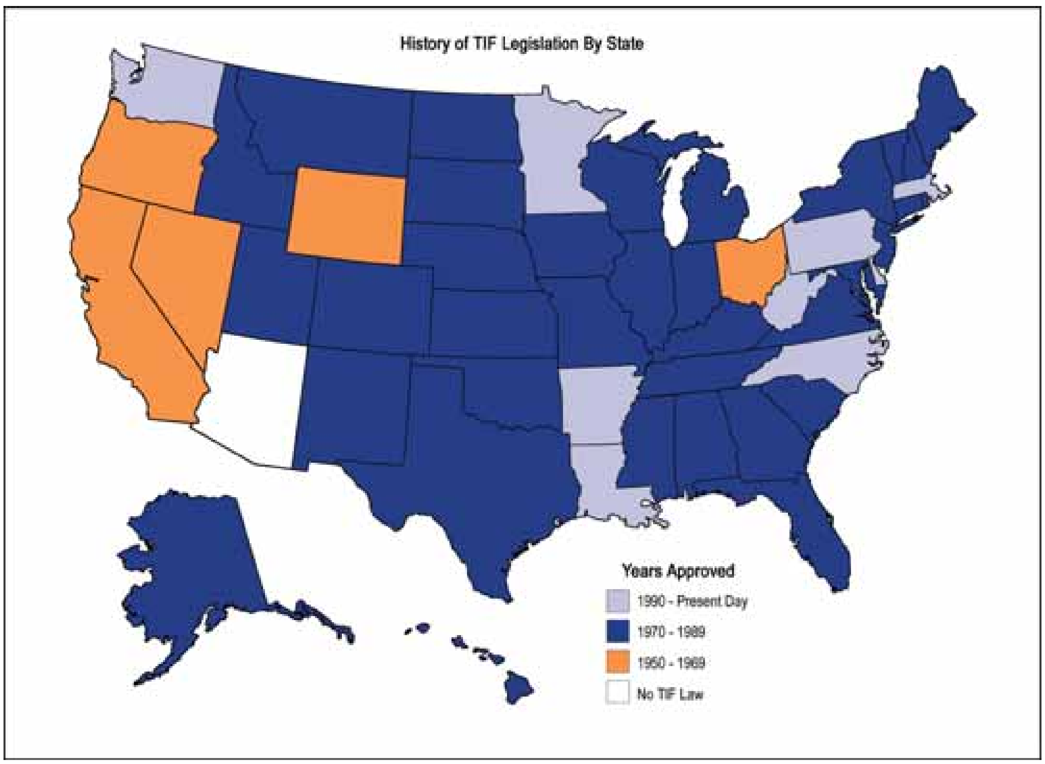
Setting The Stage

Tax Increment Finance (TIF) is the most popular form of public finance today for economic development projects. Throughout the country, TIF is delivering with success in a wide variety of development projects.

What is Tax Increment Finance?

Tax Increment Finance (TIF) began in 1952 California and has spread throughout the country. Today, 49 states and the District of Columbia have TIF enabling legislation. California and Illinois have used the TIF tool for several decades while New Jersey, Delaware, Massachusetts, Louisiana and North Carolina, among others, have recently adopted TIF enabling legislation. Arizona is the only state that does not have locally-controlled TIF enabling legislation. This popular financing tool allows local governments to invest in infrastructure and other improvements and pay for them by capturing the increase in property tax revenues (and in some states, other types of incremental taxes) generated by the enhancements. While TIF has become an economic development staple in cities like Chicago and San Diego, it has grown in popularity as a prevalent financing tool in smaller and mid-sized cities such as Gahanna, Ohio and Kenosha, Wisconsin.



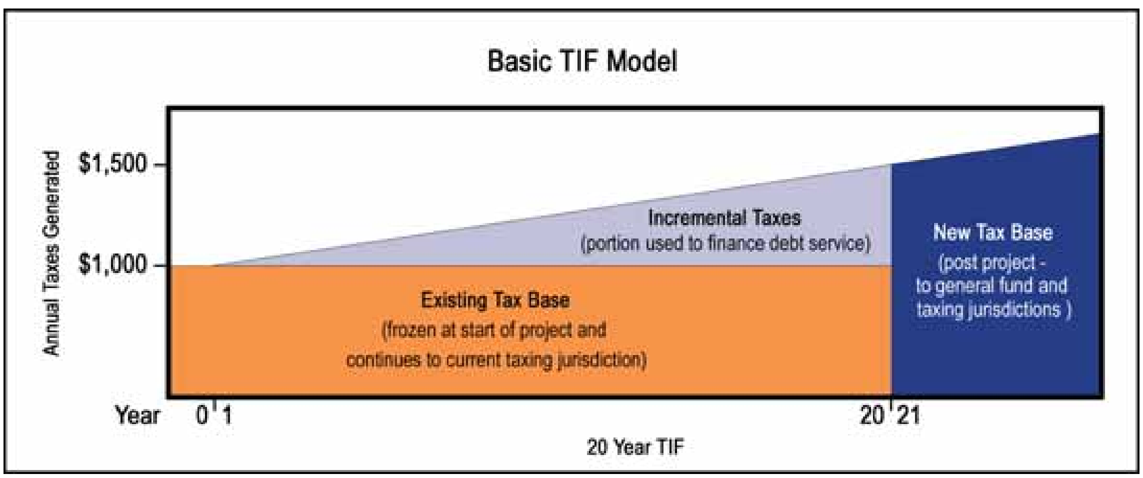
TIF can be used to finance a variety of costs and improvements pertaining to public infrastructure, land acquisition, demolition, utilities and planning costs, and other improvements, such as:

- Sewer expansion and repair
- Storm drainage
- Street construction and expansion
- Water supply

- Park improvements
- Curbs and sidewalks
- Traffic control
- Street lighting
- Landscaping
- Environmental remediation
- Bridge construction and repair
- Parking structures
- Libraries
- Emergency service facilities
- Schools

On the surface, the TIF process is relatively straightforward. Typically, the first step is to set the TIF district's geographic boundaries. The second step is to establish the initial assessed value of all the land within the district. Furthermore, an analysis of current tax revenue from property tax, sales tax and other taxes should be conducted to benchmark the current level of tax. TIF generates money for a local government by capturing the tax revenue, or increment, above the initial assessed value during the life of the district. The tax increment from a TIF district is created without raising taxes and without dipping into the tax value present at the time of adoption.

The increment becomes a repayment stream for debt used to finance some aspects of what is driving the increase, such as, retail, commercial, residential or mixed-use development. Capturing the tax increment enables municipalities to pay for improvements without relying on other government funding or issuing other forms of debt that could put the local government's general fund at risk. TIF is attractive because TIF-generated funds must be spent to improve elements within the TIF district. Some states allow TIF funds to cross the district's boundaries, but typically only for use in contiguous TIF districts or for activities and improvements directly benefiting the TIF district. For example, in California, TIF funds may be allocated outside the district to help create affordable housing.



Creating a TIF district can be a significant commitment for a local government. The use of TIF earmarks a substantial amount of revenue, and it can be complex. The following questions highlight a number of factors that a local government should consider when deciding to use TIF. The *Reference Guide* will help to address many of them.

- Public Policy Goals
  - Does the use of TIF encourage the community's goals and objectives for development?
  - Will this project, if funded by TIF, result in net positive economic gain for the community and the marketplace?

  - Is the use of TIF funds in the best interest of the community?
  - Will the benefit to the local government be sufficient to pay incremental costs the local government may experience as a result of the project?

- Statutory Issues
  - Is the area in question eligible as defined by the state statute?
  - "But for" TIF assistance, would the area not be privately developed or developed to the same level? This will require a comparison of net benefits.
  - What is the local government allowed to spend TIF funds on?

- Possibility of Success
  - Will TIF-funded development help improve the area in ways consistent with the municipality's vision for the area?
  - Will the redevelopment or new development endure?

- Finance
  - Does the developer need the TIF funds at the beginning of the project, or can it be reimbursed as the development proceeds?
  - Does the local government need to issue TIF bonds?

- Developer
  - Is a developer already in place, or does the local government need to take initiative to find one?
  - How much of the project can the developer fund?
  - Does the developer have the experience and financial backing to complete the project as promised?

- Municipal Power
  - Will the local government need to acquire land, and will those acquisitions displace residents?
  - What control does the local government have over the redevelopment projects prior to beginning, during construction and after they are completed?

Why Use Tax Increment Finance?

Tax increment finance (TIF) has grown in popularity since the 1970s, when state and local governments experienced a decrease in federal funding for redevelopment-related activities. Spending reductions, increased restrictions on tax-exempt bonds and a major shift of urban policy to the local governments forced many communities to find more creative solutions to address redevelopment.

TIF is a popular development finance tool that is generally used to address blight, promote neighborhood stability and inspire district-oriented development. While each state's TIF statute is different, common policy goals and objectives exist. These intentions include blight elimination—which is discussed in nearly every state's statute—as well as infrastructure additions and improvements.

Often TIF is used to advance economic development priorities, such as:

- Guiding the use of precious public finance dollars for targeted investment and development
- Developing industry niches and opening new markets for non-existent services
- Supporting the development of a specific geographic area
- Recycling infrastructure and cleaning up brownfields
- Creating or retaining jobs and supporting industrial development

While TIF is a powerful tool that can address many needs with in a community, it is most often used to encourage development, eliminate blight, address environmental issues and for adaptive reuse purposes.

Encourage Development

The underlying and overarching goal of TIF is to help support and guide the sometimes limited public finance dollars available for assisting with or encouraging redevelopment. TIF should be used to promote public policy goals and should spur development where it otherwise may not occur. Often, TIF is used as the final piece of a much larger financing package as the gap financing mechanism that allows a project to come to fruition. Successful communities use TIF as a public policy tool rather than a financing source. This means that the resources are viewed as a community leveraging opportunity to encourage the direction and flow of development rather than as a source for private sector financing. Communities such as Madison and Milwaukee, Wisconsin, San Francisco, California and Allegheny County, Pennsylvania are widely known as municipalities that adhere to strong public policy guidelines when using TIF.

In the end, the use of TIF should be considered a public policy and planning tool that helps direct a community's vision and mission. Adherence to this model can ensure a greater rate of success and less community concern over improper use or abuse.

Eliminate Blight

TIF was created as a tool to help remediate blight in American cities. Most state TIF statutes continue to highlight this important aspect of TIF. In fact, creating a TIF district or TIF project in most states' municipalities requires a finding of existing blight. Each state has its own way of defining blight, and, even though they differ somewhat, each is designed to address the same issues.

An examination of several states' TIF statutes indicates common conditions legislatures are trying to eliminate or address. For example, in Illinois, various factors can support a finding of blight and a certain number must be met for TIF-based redevelopment to go forward. Some of the targeted conditions are identified and defined as follows:

- *Dilapidation* is an advanced state of disrepair or neglect of the primary structural components of buildings or improvements requiring major repair or removal of the condition.

- *Obsolescence* is found where the land or structures of a given property are no longer used or cannot possibly be used for their intended purpose.

- *Deterioration* exists if there are major defects in building components such as doors, windows and porches. It also refers to the conditions of roadways, alleys, curbs and sidewalks.

- *Failure to Meet Code* occurs when structures do not meet the minimum standards of the various codes that apply to the property. This includes zoning, building and fire codes.

- *Inadequate Utilities* exist when the utilities serving the property, like the sewer system, water lines and gas service, are inadequate for a variety of reasons and are not able to properly service the property.

- *Environmental Cleanup* is needed when hazardous substances or waste exist on the property.

- *Deleterious Land Use* is when different parcels in close proximity to each other are being used in incompatible ways. Usually this happens where one or more uses is noxious, offensive or unsuitable to the surrounding area.

This list does not contain all 14 potential blight attributes contained in the Illinois statute. Although each state statute differs, this list is indicative of a typical blight statute in many states.

Environmental Issues

Any discussion of blight includes properties with widespread environmental problems, also known as brownfields. The New York statute provides a simple, clear definition of brownfields: "any real property, the redevelopment or reuse of which may be complicated by the presence or potential presence of a contaminant." ECL §27-1405. Brownfields present complicated obstacles for municipalities and developers. Parties need to spend a lot of money to plan and eventually redevelop an area, and must first spend a considerable amount of money making the site development ready. Soils remediation and the elimination of contaminants is a costly endeavor—but TIF can help.

Dearborn, MI: Recovering Economic Value

Michigan commonly uses TIF to finance brownfields projects. For example, the city of Dearborn used TIF to finance the cleanup and renovation of an abandoned 150,000 square-foot building. Sharon Steel had been operating in the city since 1922, occupying three buildings which were showing their age. In 1989, the Sharon Steel annealing and pickling facility went bankrupt and abandoned Dearborn. The property deteriorated further when trucking and storage entities used the property.

In 1996, the city of Dearborn took action to redevelop this large, abandoned parcel. First, the city formed a commission to perform several site tests. Test results revealed significant environmental problems with the property including flooring and transformers left behind containing PCBs (polychlorinated biphenyl–toxic chemical compounds linked to cancer and birth defects) and heavy metals. Asbestos roofing and pipe wrap were also found, along with underground storage tanks containing petroleum compounds.

Before this property could be productive again, it would need extensive cleaning. To finance the cleanup, and the subsequent improvements, Dearborn implemented a TIF program. TIF funds were used to reimburse those who were able to make the property a safe location. Once the site was clean, the city took steps to make it a family-oriented area. As part of the redevelopment plan, the city re-zoned the property and built a school where the Sharon Steel facility once stood.

Palatine, IL: Dry Cleaner Cleanup

The Village of Palatine, Illinois also used TIF to transform an environmentally challenged area. A parcel of land in the village's downtown area had been used for several purposes including a gasoline and automobile service station, single-family home and dry cleaner. The property was vacated in 1999, leaving behind decades of environmental impacts.

After being uninhabited for two years, an environmental assessment company declared that the property had chlorinated solvents and various other contaminants in the soil. They determined that the primary cause of this condition was the dry cleaner's leaking underground storage tanks. The land's condition greatly hindered Palatine's redevelopment plans, as the city sought to use part of the existing foundation. To clean the soil and keep part of the foundation intact, engineers used a hydrogen-releasing compound within the soil to help eliminate the contaminant's harmful effects instead of removing the soil altogether. Further, they put safeguards in place so groundwater that may have been contaminated would be unable to leak into and affect other areas. The detection of the contaminants and subsequent remedial measures were financed, in part, by TIF. This once-contaminated property is currently home to 43 condominium units.

Adaptive Reuse

Some sites do not have environmental problems rising to the level of a brownfield, but they still may have problems with the land and infrastructure that require comprehensive redevelopment.

Monterey, CA: Base Redevelopment

The Fort Ord Army Base, located on Monterey Bay Peninsula in California, occupied about 28,000-acres of land used to house and train troops for almost 80 years. The base was closed in 1994 as part of Base Realignment and Closure rounds.

The redevelopment plan called FCR new residential and commerical facilities. The remaining structures were in substandard condition. The building did not meet building code standards and needed to be removed or substantially rehabilitated. Also adding to the complications, the infrastructure was not able to support new residential and commercial facilities. Further, some of the base's structures had historic status, limiting the ability to work with them.

To assist the Fort Ord redevelopment project, a TIF district was created on the site, adding to other financing applications. The Fort Ord Redevelopment Authority is using the TIF funds in a variety of ways including funding for low-income apartments, a fire station, renovation of the historic buildings and perhaps a library.

Sterling, IL: Steel Company Reuse
Sometimes property just needs an owner. One party, often the local government or the developer, needs to get a project started. Many times the developer approaches the local government with an idea. The developer is invariably looking for profit-maximizing situations, but developer initiation is not the only way. Often, the local government will identify land and solicit developers for the project.

One such example took place recently in Illinois. In the city of Sterling, approximately 100 miles west of Chicago, a large facility once operated by the Northwestern Steel and Wire Company became vacant after the company closed in 2001. The city of Sterling realized that the property could be better utilized and spur economic development in the area. City officials conducted a comprehensive search for tenants who could adaptively reuse the steel mill in a manner advantageous to the city.

The city identified its own leverage points, assessed the stakeholders and analyzed points of collaboration and conflict with potential tenants. Financial considerations existed as well, such as paying for land cleanup and issuing bonds. In the end, Sterling identified Leggett & Platt as a potential productive user of the site, mainly because it was one of Northwestern's principal wire customers. The city and Leggett & Platt reached an agreement that, through the use of TIF bonds and other incentives, Leggett & Platt would take over the facility and found a subsidiary called Sterling Steel, Inc. Once Sterling Steel located at the site, other businesses followed, and currently at least 10 entities are using a portion of the steel mill site.

Today, 75 percent of the site's 700-acres have returned to productive use. This investment would not exist if the city of Sterling had not initiated the project and used TIF to make it work.

<u>TIF for Economic Development</u>
TIF is frequently used as an economic development driver. If the economic performance of an area is poor, it becomes difficult to not only attract residents and business to the area, but also to maintain them. When people and businesses move out, so does their spending power. However, areas that are appealing and have a supply of jobs encourage current residents to stay and attract new growth.

Since economic development is an important objective of TIF, several communities have implemented TIF as a cornerstone of their redevelopment efforts. The following are a few examples that demonstrate TIF's ability to stimulate economic development.

Denver, CO: Reinventing Stapleton
Denver, Colorado used TIF to encourage development of the Stapleton project. The Stapleton TIF district, spanning 4,700-acres, was home to the Denver Municipal Airport from 1929 until 1995. Once the airport was relocated, the property languished.

Municipal authorities created the Stapleton Redevelopment Project, with the goal of bringing new residences, business facilities and public parks to the site. The city relied on TIF funds, in part, to help achieve these goals.

The Denver City Council estimated that $93 million in TIF funds would be collected and spent within the district during the 25-year life of the project. TIF funds are being used to support the infrastructure for 12,000 new homes, ranging from high-end homes to affordable rental homes for seniors. Additionally, 17 million square-feet of commercial development is being created, enough space for 34,000 workers. Furthermore, the plan adds 1,700-acres of parkland for residents to enjoy. The FBI is moving its Denver offices to the Stapleton area, enticed by the TIF-assisted resurgence.

Overall, the diversity of development projects in a large area, such as Stapleton, exemplifies how TIF can help transform a neighborhood and create a diverse economy.

Chicago, IL: Resurgence in Uptown

While the Stapleton area became a vacant property overnight due to the closure of the Denver Municipal Airport, a certain part of Chicago—Uptown—took many years to go from a residential and commercial hot spot to a run-down part of the city. Much like in Stapleton, TIF was adopted and used to help redevelop the area.

Uptown was a popular location prior to World War II because of its proximity to Lake Michigan, theatres and nightclubs. For a variety of reasons, the area declined in population and activity after World War II. In 2001, a redevelopment plan was created for Uptown that included the adoption of TIF. The plan targeted a 73-acre area consisting of 121 buildings, almost 90 percent of which were over 35 years old.

The city of Chicago used the TIF funds to preserve the neighborhood's historic pre-war structures and used them as the cornerstones of a mixed-use district to include residential, commercial and entertainment uses. Among the buildings within the district were the legendary Aragon Ballroom and the Uptown Theater. Over the 23-year life of the TIF district, the city will rehabilitate buildings in poor condition, improve the design and appearance of storefronts to complement the area's historic architecture and update the infrastructure.

Kansas City, MO: Headquarters for the Internal Revenue Service (IRS)

Kansas City, Missouri used TIF to help spur a $364.5 million economic development project—construction of the Internal Revenue Service (IRS) headquarters. In 2003, the IRS decided to consolidate its paper income tax return processing to three locations: Fresno, California; Austin, Texas; and Kansas City, Missouri. The new 1.14 million square-foot Kansas City campus will consist of three office annexes, utilizing the former main building of the Kansas City Post Office. The $364.5 million project is financed by a private developer who arranged $316.5 million ($30.5 million in developer equity, $214 million in private debt and $72 million worth of other local and state financing). An additional $48 million was needed to finance the project. Kansas City adopted TIF and used it to fill the financing gap, allowing the project to proceed. The headquarters will open in 2007.

This project used TIF as gap financing. Gap financing is when a developer has exhausted all financial resources, public and private, but still lacks the money to pay for all of the project costs. Often times in these situations, the local government and the developer agree that the developer gets either a percentage of the tax increment collected, or tax increment up to a certain amount—the amount needed to completely finance the project.

Lewiston, ME: Wal-Mart Comes to Town

Wal-Mart has frequently used TIF to expand and upgrade its operations, and as a result, served as an economic driver for the communities it serves. The company has been the focal point of TIF districts all over the United States, using TIF funds to help create jobs in its distribution centers and stores.

The distribution center in Lewiston, Maine, was designed to benefit both Wal-Mart and the state of Maine. In 2002, Wal-Mart, the city of Lewiston and the state of Maine put together a deal that would bring a distribution center to Lewiston to serve all of the Wal-Mart SuperCenters in New England. The 485,000 square-foot facility cost $45 million. The facility was competitively bid amongst several states, but the city and state put together a strong package to secure the deal.

Lewiston agreed to return 50 percent of the real property taxes paid by property owners within the TIF district to Wal-Mart for 20 years. Maine also agreed to reimburse Wal-Mart for personal property taxes paid on its machinery and equipment. Furthermore, Lewiston agreed to transfer 60 acres of city-owned land to Wal-Mart to house the distribution center. In return, Wal-Mart agreed to invest $45 million into the facility: $20.5 million in real property and another $25 million in personal property. Wal-Mart also agreed to hire 350 employees within three years of the center's opening, with an ultimate goal of employing 450 workers, including truck drivers, administrative staff and managers.

Lewiston estimates that the TIF will create up to $600,000 in general net revenue during the TIF's life and no less than $900,000 per year after the district's expiration. This does not include increased revenue from income tax. The projected benefits for Wal-Mart, Lewiston and Maine are considerable and could not have been accomplished without TIF.

Wal-Mart and the city of St. Louis, Missouri are hoping for similar economic development benefits from a TIF-assisted distribution center. The 72-acre Wal-Mart distribution center will cost $44 million and will benefit from St. Louis's ability to use TIF funds to improve the site and the surrounding area. Much like in Lewiston, the St. Louis Wal-Mart project will create jobs in and around the store. The area is projected to create 800 new positions, 450 of them full-time.

When Should a Municipality Use TIF?

Each state's TIF statute will determine which elements must be met to use TIF. There are several considerations a local government should use to make the determination to use TIF as a financing tool, including the existence of blight, project financial feasibility and the role a proposed development plays in meeting overall community needs.

Determining Factors

One of the most common determinants for the use of TIF is when blight needs to be eradicated or when an area's economy needs to be rejuvenated. But numerous considerations are at play.

In a TIF initiated by a developer, the company must typically prepare a detailed development plan and feasibility study for the local government. Since TIF is rarely the only financing source, it is important to know in advance how remaining costs will be covered. If a local government initiates the TIF, it must find partners interested in developing the land and dedicating capital.

Almost every TIF statute requires that a threshold be met before a TIF can be created. That threshold is often called the "but for" test. It requires that "but for" the TIF assistance, growth or development at the proposed level would not occur. When a lack of private development is pervasive in the area, a strategy like TIF may be needed to jumpstart the economy, environmental cleanup or other redevelopment activity.

Common factors in deciding whether to use TIF include:

- *Length of time an area has gone undeveloped.* Many communities go through periods of decline and decay where private investment is not imminent. Often, many properties remain for sale and/or unsold.

- *Curbing sprawl and using resources effectively.* TIF is often used to drive development to areas that encourage redevelopment and limit sprawl. This provides a great source of growth control and financial assistance for new investment in the existing infrastructure.

- *Previous failed redevelopment efforts.* When a previous private investment has failed, other developers may be reluctant to try without a public partner.

- *Developer's ability to finance entire project.* If a developer is able to profitably develop and finance the entire project, TIF should not be applied.

Where private investment is noticeably lacking, the TIF decision is easy. But in other areas, it is more difficult to determine. In a redevelopment plan for the Clark/Montrose project area, the city of Chicago used statistics to demonstrate the need for TIF. The city looked at the growth in equalized assessed value (EAV) over a 5-year period, comparing the entire city with the property in the proposed development area. The EAV citywide had grown an average 6.31 percent per year, while the Clark/Montrose area property was just 2.83 percent per year. These statistics showed that economic growth in the proposed project area was not keeping pace with the city, which led to the application of TIF.

Financial Need and Feasibility
A critical consideration for both municipalities and developers is the determination of whether the project will be successful and if TIF is the appropriate tool. With some projects costing hundreds of millions of dollars, it is possible for the cost of development to exceed aggregate future benefits. As the need for TIF assistance is determined, the developer and the local government can assess which financing variations will best achieve the desired outcome.

New business enterprises within the project area may not succeed for a variety of reasons. When a business moves out, it takes employees, customers and residents away as well, hurting the overall performance of the TIF district. With these risks in mind, municipalities must decide carefully where and when to apply TIF.

Detailed analysis and planning provide local governments with a better predictor of the future benefit of improvements and additions and, therefore, the likely success of the TIF. TIF district decisions are largely based on the type, volume and likelihood of benefits. In Chicago, redevelopment plans forecast the assessed value of the land within a TIF district's boundaries. The predictions are based on a multitude of assumptions. For example, it is very important for the development to stay on schedule. Additionally, it is assumed that existing and future amenities will increase in value as the project nears completion. For a project to move forward, area-wide assessment growth should be steady and continuous. Market analysis conducted by a team of professionals helps evaluate the probability of a projects success.

Besides completion dates and market factors, other indicators can help decide if TIF is the right tool. "Site location fundamentals" refers to the infrastructure capabilities of the proposed redevelopment area, including existing utilities and the capacity for improvement; educational facilities for a residential area; and telecommunications amenities, which can entice businesses, and to a certain extent residents, into the area.

Community Need
TIF should be used to help advance a community's redevelopment priorities. TIF is a powerful tool that can direct targeted financing to help develop or stimulate housing, commercial and industrial development.

<u>TIF's Ideal Usage</u>
TIF is most effective and least controversial when the goals are to:

- Remove severe blight
- Direct public finance resources pursuant to a community plan/policy
- Address environmental remediation
- Finance infrastructure

Many times property cannot be redeveloped without sweeping changes. Polluting property owners, such as those in Dearborn and in Palatine, create land that is prohibitively expensive to rehabilitate, making it prime for TIF assistance. Some of this property would never be redeveloped if not for TIF.

Infrastructure additions and improvements are also common, well-accepted ways to spend TIF-generated funds. Infrastructure refers to an area's necessary utilities and services, like water, sewer, roads, schools and post offices. In fact, most TIF statutes list public infrastructure improvements as an eligible TIF cost. This type of TIF cost is rarelycriticized because it falls squarely within the intent of the "but for" test and is typically considered an appropriate role for government. Adequate infrastructure is a prerequisite for private development, and TIF is commonly used to finance the necessary additions that will entice business to follow. In a deal between Wal-Mart and Whiteside County, Illinois, the county invested in the changes Wal-Mart needed to locate its facility there. The parties' agreement was supported by inter-governmental agreements relating to services such as water and roads. Transit-oriented services, such as improvements to roads and to public transportation, are also commonly the focal point of TIF districts. The BeltLine project, in Atlanta, Georgia, is using TIF funds to finance a 22-mile transit system that will provide unprecedented access to the city's under-invested neighborhoods.

Common TIF Developments

TIF is used for a variety of projects including: mixed-use, residential, commercial, industrial, amenity creation and retail development projects. While TIF can be used for a multitude of development undertakings, it generates different reactions from the public, including the possibility of strong emotions when used to finance projects that include affordable housing components or concentrated retail development.

One of TIF's objectives is to increase the value of the land within and around a particular project. It is essential for property values to rise to make TIF work. However this can sometimes cause concern when property value growth and market prices rise more quickly than real incomes, and local residents are displaced from the housing market. As a result, some communities have built-in components to their TIF guidelines that require affordable housing options for projects with a housing component or, alternatively, a blanket requirement that a certain portion of annual tax increment is used for increasing or improving the community's supply of affordable housing. Often times, this can build tension with a developer, as higher returns on investment are seen with market prices. Further, there can also be backlash from existing residents who have a fundamental opposition to low and moderate income housing "in their backyard."

Likewise, TIF has been used to help spur retail development and resulted in strong emotional reactions along the way. These emotional discussions date back to some of the earliest TIF projects completed across the country. As the tool has matured and spread over the past several years, the sophistication of its use has also grown. In some markets, using TIF for retail remains a controversial and significant public policy decision. Retail TIFs are considered more volatile and infer greater risk because sales tax revenues can be difficult to predict. However, very little proof exists that retail TIFs are less successful over traditional office, housing or industrial use developments. When properly managed and adequately secured by developers and the private sector, a retail TIF can provide a significant economic benefit to the community.

When evaluating TIF for a retail project, a community should consider the market conditions and reliance on the public funding. If a deal seems too good to be true, then it might just be. Communities should work to incorporate all of the detailed financials provided by the developer and third party analysts into the decision making process to ensure proper due diligence is achieved. Separate policies and guidelines can be established as they relate to the level of retail involved in a project with more scrutiny and less public financing in heavy retail projects.

Ultimately, the community must weigh the economic benefits of the retail project with the needs and policy goals for that community. One significant option when considering a retail TIF project is to incorporate other elements and users into the project, such as housing, office or industrial components. Creating diverse, mixed-use projects can pacify the concerns over a large, exclusively retail TIF project. Examples exist throughout the country including the Stapleton project in Denver, Colorado and the Easton Town Center in Columbus, Ohio. These mixed-use projects have proven economic results and have filled a significant industry niche for both communities. They contain large retail elements as well as a significant amount of office, residential and other uses.

Neither the development community nor the economic development industry debates the need for greater scrutiny of retail TIFs. By working collaboratively and in partnership with developers, communities can see benefits from mixed-use retail TIF projects.

Typical Improvements

Each state's TIF legislation differs, but many require that TIF funds be spent for infrastructure improvements that serve a public purpose. The public purpose test, quite simply is this: will the improvement(s) in question ultimately be owned by a governmental entity, and/or will it be available for use by the general public? If the answer to either question is "yes," then the likelihood is greater that the infrastructure or improvement in question is eligible for TIF. TIF typically focuses on three uses: infrastructure improvements, site preparation and facility construction.

Infrastructure

TIF is commonly used to finance the necessary infrastructure improvements that allow a deal to move forward. While each state's TIF statute establishes eligibility, some common infrastructure improvements that typically qualify include:

- Publicly owned and maintained utilities
- Sanitary sewers
- Wastewater treatment facilities
- Lift stations
- Force mains
- Transmission lines
- Sewer pump stations and related equipment
- Drainage facilities including storm sewer systems, collection and detention facilities, pumps, inlets, canals and related channel equipment

TIF can be used to finance a number of expenses related to infrastructure. While what is eligible varies by state, some examples of common TIF eligible expenses include:

- Public roads
- Streets
- Bridges
- Lighting
- Traffic signals and related equipment
- Decorative pavers
- Medians
- Turn lanes
- Property used for right of way
- Compensable utility relocations that occur due to the placement or construction of a roadway
- Beautification components and related hardware

TIF may finance improvements beyond typical infrastructure needs to include pedestrian-friendly amenities such as:

- Hiking and biking trails
- Pathways that facilitate intermodal transportation
- Sidewalks
- Bike lanes in street right of way
- Pedestrian bridge systems that link commercial centers to transit systems
- Sky bridges that link public buildings
- Public tunnel systems for private buildings
- Pedestrian platforms for rail or light rail transit systems and similar facilities

Site Preparation

Most state statutes afford TIF to finance costs associated with site preparation, as it can be an expensive impediment to development. While it varies from state to state, for sites that are contaminated, including brownfields, the cost of environmental remediation is often considered an eligible activity. Some states also allow the use of incremental revenues to reimburse costs associated with the remediation of asbestos contamination in private buildings that will not be developed for public use.

Property acquisition costs are allowed in several states, depending on whether the property to be developed meets the traditional public purpose test. In these instances, the public purpose test is broader and more expansive, with the essential premise being that the public benefit derived from assisting a private developer with land acquisition rests with the overall removal of blight.

Facility/Amenity Construction

TIF also can be used to finance the construction of a myriad of facility and amenity types. Such facilities include: public buildings, including those for general city/county administration, or more specialized facilities like police stations or sub-stations, fire stations or sub-stations; park or green spaces; public golf courses and buildings; public swimming pools; libraries; health clinics; public housing; dog parks; hiking and biking trail systems; water treatment facilities; jails; court houses; storage facilities; garages; public parking facilities; convention centers; municipally-owned public utility infrastructure; lakes; dams; international bridges; causeways; parkways; and highways and all related roadway infrastructure.

Some states' enabling statutes also allow for the use of incremental revenues to make both loans and grants to projects to facilitate and assist deal financing. In most of these instances, other economic development goals need to be met, such as meeting minimum job creation levels, tax base expansion requirements or specified timeframes for capital investment. These typically include recapture or claw back provisions if goals are not met.

Most state statutes allow TIF to be used to finance the construction of educational facilities including K-12 facilities and, in some instances, community college or state college facilities. TIF financing for educational facilities has allowed many educational taxing jurisdictions to contribute all or a portion of their revenues to develop their educational facilities, as well as spur further development in the area. Using TIF to finance educational facilities is often complicated and has many limitations. More often than not, most educational jurisdictions are not allowed to direct the use of their TIF revenue for anything other than educational activities, including the construction of educational facilities.

Local governments often face similar restrictions when using increment funds. Often, state constitutions or local charters restrict what increment revenues can finance. However, many jurisdictions have developed special collaborations through the design and development of mixed-use public facilities, or shared-use facilities. For example, a shared-use facility would be a building that operates as a high school during the day but is used as a community college at night or as a public facility for meetings, exercise or training purposes. This allows for multiple taxing entities to use all or a portion of their revenue to finance the construction of a facility.

Many local governments use TIF as a means to leverage or negotiate with a developer to finance projects. A jurisdiction may pursue this approach if it cannot finance a project on its own, or if timelines make capital improvements a long-term development. Local governments can broker deals with a developer to finance certain critical public improvements by recapturing some of the development costs through a TIF district or project area for shared-used facilities. While this might not be necessary to make a developer's project feasible, the infusion of private capital allows the taxing jurisdiction to use its limited resources for other, more pressing priority projects. Many green spaces and park facilities have been financed in this manner. Furthermore, a jurisdiction might also negotiate for higher quality amenities in a residential development to make the neighborhood more attractive. This approach may result in wider streets with landscaped medians, instead of a basic two-lane, 60-foot right-of-way road.

Project-Specific TIFs vs. TIF Districts

TIF application is either project-specific or district-wide, depending on the scope of the effort. Both approaches can produce the rehabilitation, redevelopment and revitalization of a particular geographic area, whether it is one site or an entire neighborhood.

However, both methods also have limitations and varying levels of risk. The importance of choosing the right approach should not be understated. Failure to consider which approach is most beneficial for the given situation can result in programmatic and legal difficulties and will most likely hinder the successful implementation of public policy objectives.

Project-Specific TIFs

Project-specific TIFs work much like the name implies. A project-specific TIF is used when a single project or single piece of property is targeted for a fundable project. The project-specific approach is typically applied when there is a specific user for the TIF. Project-specific TIFs tend to be less complicated transactions and result in a cleaner process since fewer parties are involved.

Funds derived from project-specific TIFs typically go towards the public improvements necessary to help make the project feasible such as parking garages, infrastructure and sewer/water improvements. The funds are also used to help buy down land, and, in some cases, a jurisdiction will purchase the land and lease it back to the developer pursuant to a development agreement.

Pros of Project-Specific Approach

These transactions involve fewer participants and can be achieved faster than district-wide applications. Often, the land in the deal is under control of a single owner who is interested in maximizing its development potential. Using the project-specific approach rarely involves eminent domain or other such legal challenges, and it allows a community to allocate resources on a project-by-project basis. This alleviates a certain amount of risk and commits fewer financial resources from the community.

Project-specific TIFs can also be very effective in providing gap financing for a particular improvement. A single project can be the catalyst for private investment that turns an entire neighborhood around. Given the right project, this approach can be a cost-effective means to improve a larger area.

Cons of Project-Specific Approach

Using this approach can also have drawbacks. While the single user model confers some advantages, it also carries more risk. Since the success of the project relies on one user, it is critical to have a reliable feasibility study and related due diligence. Additionally, since these projects are smaller in scale, they do not necessarily account for the long-term visioning required for broader redevelopment to occur. From a debt issuance standpoint, project-specific TIFs pose difficult credit hurdles for bond investors, because the sole security for the bonds is the payment of taxes by (typically) one property owner.

Sometimes a project-specific deal is considered an unfair development advantage in the eyes of other property owners, developers and businesses in the surrounding area. The community buy-in process and the fair distribution of scarce TIF resources should be used judiciously and consistently with guidelines or development plans. The project-specific approach may also fail to address underlying blight and deterioration issues and can lead to single element improvements that don't benefit the entire community. As a practice, the project-specific approach should be used as a complement to other finance mechanisms addressing the greater community.

District-Wide TIFs

District-wide TIFs cover multiple users and potentially many property owners. These transactions are much more complex and require a significant amount of due diligence to complete. The district-wide approach is traditionally applied when a large area of land or entire neighborhood is targeted for redevelopment. The district can encompass a mix of land uses and may include property that is not part of the redevelopment plan.

Communities use the district-wide approach to help eliminate blight and deterioration in larger areas, usually with the intent of changing the character or nature of the community by reversing or arresting the factors that contribute to its continued downward slide. Funds typically support major infrastructure projects such as roads, traffic lights, landscaping of public areas, parks, parking garages and other public benefit aspects.

Sometimes a district-wide TIF is applied speculatively, using the "if you TIF it they will come" methodology. However, this is not recommended without positive feedback from the development community. More commonly the district-wide approach supports infrastructure and preparation of "ready to go" sites as part of an industrial, medical or research park. This approach can be very beneficial in markets where there is a strong concentration in a particular industry field but can also be very risky if users do not materialize or new development is not quickly achieved to begin the flow of revenues.

Pros of District-Wide Approach

District-wide TIFs can have lasting and transformational benefits. When a community commits to redeveloping an entire neighborhood, businesses can locate and expand in that area with confidence that their investments have the backing of a public partner. TIF is commonly used this way, from revitalization projects such as streetscape and neighborhood amenity developments to major improvements such as transit infrastructure, landmark green spaces and environmental mitigation work. Such investments need a dedicated revenue stream, especially in under-developed and overlooked areas likely to qualify for district-wide TIF.

The district-wide approach also lends itself to land assembly, allowing a community to piece together properties large enough to attract a business or institution capable of driving economic development and neighborhood revitalization. Drawing an economic anchor of this magnitude can encourage new businesses and residents to locate and encourage existing ones to reinvest. Many districts gain initial momentum through the incorporation of a large, stable business or institution. Such is the case in the East Baltimore Revitalization Initiative, where a 2 million square-foot life science and technology research facility is the anchor of a TIF district overlaying one of the city's most distressed areas.

Cons of District-Wide Approach

Large-scale TIFs can raise community suspicions of gentrification and a feeling that the local government wants to drive longtime property owners out of a certain area. When not used in a judicious, consistent, community-oriented manner, a district-wide approach to TIF can cause the community to stand against reinvestment plans they might otherwise support.

Sometimes the district-wide approach is frustrating for property owners and developers outside the TIF area, leading them to wonder why the same type of assistance is not available for their projects. In these instances, the community should be explicit about the rationale for targeting a specific project area, such as a former industrial district or struggling downtown. TIF guidelines and sound policy also help make the case. Surrounding property values and the elimination of slum and blight are additional justification, as is the access to services that a district-wide TIF may achieve.

Developing Policies for TIF Use

As TIF use grows in popularity and plays an increasingly more important role in financing development projects across the country, several communities have taken steps to develop policies and procedures for administering and determining TIF use. While these policies vary, they inherently spell out which projects qualify for tax increment finance and help the public and developers understand TIF application. Policies show that TIF is selectively applied, and that its purpose is to generate new economic value and community benefits.

Guidelines should serve as the foundation for the sound application of TIF. Furthermore, TIF policies should clearly explain to a developer the need to demonstrate how a proposal may contribute to meeting community goals. The policies should clearly define the step-by-step TIF process.

TIF, perhaps more than any other public finance/economic development tool, can often elicit an emotional and personal response by the community. Therefore, the creation and adherence to well-crafted policies and guidelines is strongly encouraged. Communities that employ TIF in a transparent and deliberate manner tend to experience greater success with fewer obstacles in the way of development. The use of these policies and guidelines provide a foundation of support for local elected leaders and economic developers to use when justifying and evaluating potential projects.

Some policies, like San Antonio, Texas', include an application process that gathers detailed information about proposed projects and clearly define the guidelines for TIF eligibility. The application is available at: http://www.sanantonio.gov/nad/devdiv/tif/pdf/Guidelines%202004.pdf.

Allegheny County, which encompasses Pittsburgh, Pennsylvania, also spells out TIF program guidelines, application and process. The application gathers information such as the project's description, location, number of new jobs, current level of property tax, projected level of property tax, detailed finance summary and much more. More information is available at: http://economic.alleghenycounty.us/economic_dev/special_projects.aspx#tif.

The city of Madison, Wisconsin has put together a manual that outlines its TIF program. The manual gives readers an overview and outlines the objectives of the Madison TIF program and talks about the TIF process and its players as well as eligibility requirements. http://www.ci.madison.wi.us/planning/tidmaps/TIFPOLICY.pdf

The city of Portland, Maine has developed a set of guidelines and policies to use when implementing TIF. The guidelines describe what criteria must be met to be eligible to receive TIF assistance and at what level, as well as outline the necessary steps needed to receive funding. www.ci.portland.me.us/planning/wectifpol.pdf.

Chicago's Experience

The city of Chicago uses a TIF district application process. Chicago has over 140 active TIF districts, with recent initiatives supporting downtown improvements and the reinvestment of industrial properties. Applying for TIF assistance in Chicago requires completion of a 45-page application. Applicants must submit a detailed project narrative, which describes the site's current condition, provides a historical overview, and details proposed uses. The narrative must also include construction information, including the types and sizes of any buildings to be demolished, as well as the nature and type of new construction. The city also requires that site maps be submitted.

Applicants must supply a detailed list of financial information related to the proposed project's budget, and describe any source of funds already spent on their project. In Chicago, TIF assistance is generally available as reimbursement once projects have been completed. Therefore, a developer needs to document the up-front funding that is available to them. The budget should be detailed, accurate and include the entire anticipated development costs, plus a list of expenditures that are eligible for TIF funds. The application requires the submittal of two different analyses of financial need: one on the project's financial standing with TIF assistance, and the other if no TIF assistance was provided. This helps the city decide if the project truly needs tax increment financing.

The application also asks the developer to describe the public benefits of the project. This section helps the developer address topics such as the project's impact on blight elimination, job creation and tax revenue. The application lists several other possible public benefits, although the list is not exhaustive. Among them are the creation of affordable housing, new retail options, rehabilitation of historic buildings, re-occupancy of vacant structures and the incorporation of environmentally-friendly features.

A prime example of Chicago's TIF process is the ongoing redevelopment of the city's fabled stockyards. At the beginning of the twentieth century, Chicago was at the center of America's meatpacking industry. As such, Chicago provided employment opportunities to the growing number of immigrants. Numerous railroad lines were utilized daily to transport products in and out of the city. The meatpacking industry flourished in Chicago until western states realized some, and eventually most, of the market. This shift happened in the 1950s and 1960s. With the Chicago stockyards now obsolete and experiencing an economic downfall, the area needed redevelopment assistance.

Since 1988, Chicago has used TIF and created redevelopment plans for three specific parts of the stockyards area. The first project sought to transform the area into an industrial and commercial center that would respond to consumers' needs, rather than focused around the meatpacking industry. This project plan included a 240,000 square-foot retail shopping center to be built, plus complementary infrastructure. The initial project also included provisions for new street construction, the designations of 60 acres of land specifically for industrial development and the removal of obsolete railroad tracks.

The second stockyard redevelopment plan focused on the southeast section of the area, with similar objectives as the first. Development was planned for one million square-feet of new industrial facilities and approximately 500 new jobs. The site preparation included demolition of several structures that were built in the early 1900s. The buildings were outdated and lacked working utilities and even windows and doors, and therefore the structures could not be saved. The city used TIF funds to finance the demolition.

The third project, the Stockyards Annex, is noteworthy because of its extensive redevelopment plan. The developer submitted a 200-page plan outlining the area's redevelopment, taking special care to follow the criteria listed in Chicago's TIF application. The Stockyards Annex plan includes an eligibility study to prove that the proposed redevelopment meets criteria in the Illinois TIF statute. The study contains a description of the area's current conditions and how the area meets blight conditions described in the law.

The stockyards redevelopment plans are classic examples of how TIF can work and how a formal TIF application process can be carried out.

Approach Selection

Selecting a TIF approach is a matter of public policy and project necessity. Both the project-specific and district-wide approaches are widely accepted and strongly supported by a long line of case studies. In selecting the approach for a given project, long-term goals should be considered: What area would benefit most from the investment? What is the most efficient use of the tax dollars expected from this designation? What is the community's vision for this property or set of properties? These determinations can be a very beneficial community-building tool and, accompanied by a redevelopment plan, can be a roadmap for the community's use of valuable financing resources.

Building Community Buy-In

This chapter addresses the most often overlooked element of TIF–building and establishing community buy-in. As the use of TIF spreads and becomes increasingly more popular, it is imperative for local governments to be pro-active and lead the charge for their respective redevelopment projects. The chapter will identify how to build support for redevelopment as well as how to assemble support from stakeholders.

Public Policy and Community Buy-in

When developing and implementing a TIF program it is important to adhere to two important elements. First, identify key stakeholders and their specific interests. Second, develop and follow clearly explained public policies regarding TIF application. Adopting these two key principles will lead to greater success.

Due diligence is critical as well as understanding the basics of TIF in the community. Identify possible hot-button issues and other public concerns. Understand the legislation in the state and investigate the rules that both support and constrain TIF-related activities.

Each state's redevelopment powers law specifies how TIF districts are created and approved. The statute also defines each jurisdiction's rights regarding such approval. For example, in some instances a local government, once it approves a TIF district or project, can compel participation from the local county or school district's tax increment. However, more frequently, the county and the school district may independently decide whether to participate in a TIF and dictate the terms of their involvement.

Identifying Stakeholders and Partners

Political support for the creation and successful implementation of TIF districts is mandatory. It is rare to get full support from the beginning. In most cases, generating political buy-in requires an ongoing process of relationship and trust building, coupled with education and periodic reinforcement. Given the breadth of political stakeholders and jurisdictions involved, the challenge is ultimately to determine common ground between project goals and political goals. Once a shared interest has been established, the plan needs to address key deliverables for political stakeholders and their respective jurisdictions. This task is complicated and not all interests can be met. But with persistence, persuasion and luck, a compromise can be made.

Ideally, a local government has a well-conceived, up-to-date economic development plan supported by the political leadership. It should contain clearly defined priorities for the immediate future as well as long-term objectives. Within that context, TIF is an effective tool for going from plan to action—and ultimately, generating tangible results.

A critical component of any district creation is gaining support from various community stakeholders. Generally, these stakeholders fall into three categories:

- Governmental jurisdictions, including elected officials
- Neighborhood groups
- Business leaders, either active in the area or participating in the project

If district utilization is to be deemed a necessary and acceptable tool, the strategy must generate support from these three constituencies. Their "buy-in" will enable TIF enactment and advancement of the development.

Within each of the stakeholder groups, usually several parties are essential to the buy-in strategy. One of the first steps in building support should be assessing who the "players" are and determining the best way to engage them. A "best person" usually leads each group. Identifying and reaching out to that person is critical to the community buy-in process. Said most simply, this is a political process.

Almost every state's statute requires public notice of the district's creation. Most of the community buy-in activities should be undertaken during that period. Gaining support from the most important stakeholders should happen prior to the release of a public notice. Ignoring this simple rule can create problems for anyone trying to build community support. In some instances, it can stop the project entirely.

<u>Political and Government Stakeholders</u>

Building a team of supporters is critical to project success. Early on, it is common to begin with a handful of "visionaries," who will help to build support, first at the local level, and then to additional groups over time.

Recommended initial sponsorship might include:

1) **City hall** – Mayor's office, key department leadership and key staff members and tacit support from the local government's chief executive.

2) **Council district's elected representative(s)** – Elected officials who represent blighted, no-growth or slow growth districts may be the first to see the potential benefit of TIF. A council member's endorsement is invaluable. An elected official's ability to identify and build support from formal and informal community and civic leadership is also important. If the tool is properly positioned to address their concerns and priorities, they may be top supporters.

3) **Redevelopment administration** – It is important to identify the entity responsible for long-term TIF implementation. It may be a local government department, i.e. an economic development, housing or planning department, or a quasi-independent development authority operating on behalf of the local government. The latter may provide greater operational efficiency than a local government department.

4) **Local redevelopment authority leadership** – A TIF program housed in a quasi-independent redevelopment entity requires board support. This board is ideally comprised of elected officials and influential private citizens. While not hands-on managers, members contribute a range of experience and expertise, coupled with access to key relationships and constituent groups. Representation from all affected TIF jurisdictions is highly recommended; these individuals can help uncover mutual interests and communicate their respective concerns and priorities.

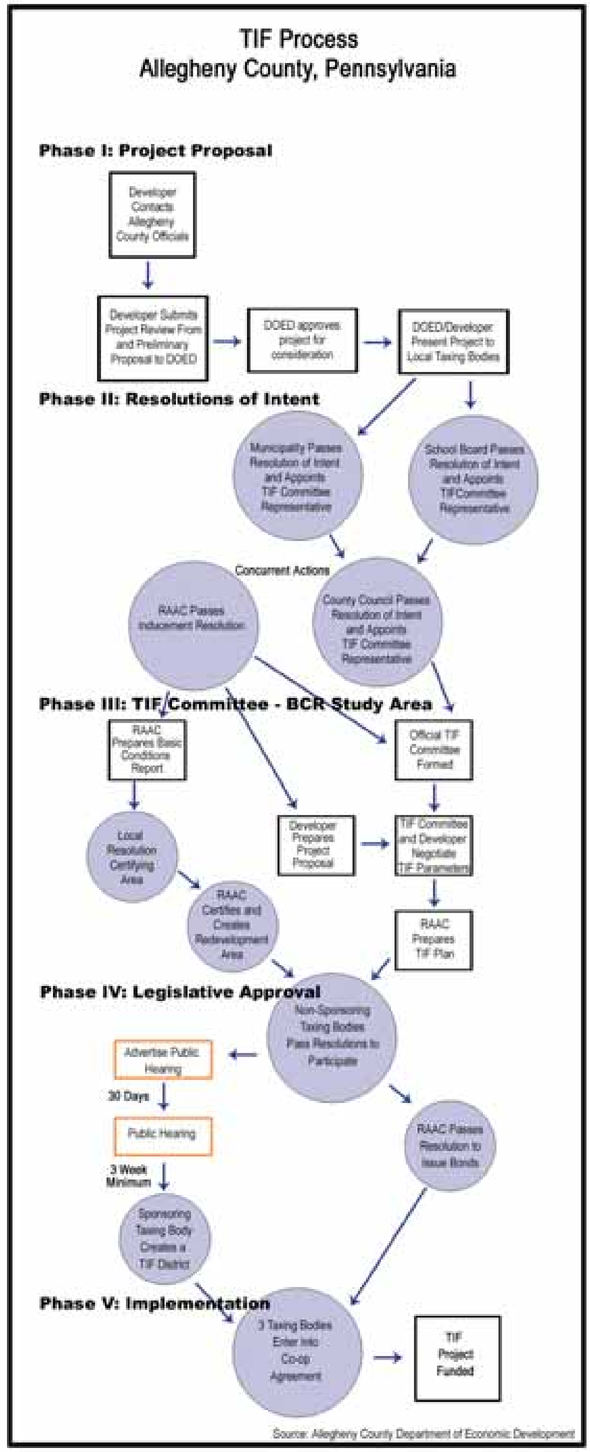
Once the project has sponsorship from the local government, the following stakeholders become critical to the process:

1) County government:
    - Elected officials – board of commissioners, etc.
    - Tax commissioner and other key staff
    - Tax assessor and key staff

2) School district:
    - Elected officials – school board members, etc.
    - School superintendent, CFO and other key staff

3) Other stakeholders:

- Chamber of commerce
- Housing authority
- Civic association
- Business community
- Transit system
- Economic development organizations
- Influential community leadership



<u>Buy-in: Neighborhoods Affected by Development</u>
Almost always, TIF projects require addressing community concerns about what the development will bring by way of change. Concerns are often related to traffic impacts—increased volume, construction-based delays, parking, accidents and safety. For example, construction noise, such as heavy trucks, machinery, drilling and digging equipment, work done in the evenings to avoid peak traffic hours and the lights used to work at night, are potential obstacles that put neighborhoods on guard. Communities may also fear that new development will overtake existing businesses or bring potential undesirable uses such as nightclubs or adult entertainment outlets.

If a residential component is proposed, the surrounding community usually wants to know what demographic is being targeted. Many times, neighbors are fearful of low-income residential development. On the other hand, gentrification concerns are equally inflammatory in some communities who will want to be assured of significant provisions for new affordable or workforce housing.

Other elements likely to trigger neighborhood concerns include historic preservation, environmental issues and re-zonings. For example, if a project is perceived to change the historic nature of a community, it is likely to be opposed by area property-owners. Likewise, development in environmentally sensitive areas is commonly opposed. In one instance, opposition over the expansion of a Texas seaport facility reached federal levels in a matter of days. Another project sought annexation into a local jurisdiction to attain basic municipal services for a mixed-use project. The project, so strongly opposed, ultimately led to more restrictive annexation standards statewide.

Working through these scenarios requires a detailed strategy. Furthermore, appropriate channels of communication must be identified, such as community or neighborhood associations. Messages should be developed in advance and kept consistent. Tapping an ally from within the community, such as the civic association president, is always a good idea. Speaking at association meetings and forums can help generate positive communication about a project. Religious leaders may also be good spokespeople. Faith-based organizations, sometimes the most active neighborhood groups, can advance community buy-in.

Commercial projects also generate specific challenges. In one example, a property owner proposed pad site commercial projects (banks, eateries, specialty shops) along two adjacent commercial corridors, including a much-desired supermarket and a nightclub that catered to Latin music aficionados. The proposed placement was in the heart of a neighborhood in transition. Residents who lived in the area the longest were outspoken in their opposition to the project. Despite assurances from the developer that the project would accommodate community concerns, the community resisted implementation. The community and even the City Council member representing the area filed lawsuits.

That effort might have gone better if the developer had: 1) been forthcoming with the community about all elements of the deal prior to announcing the project, 2) met with community representatives and area elected officials about the development before announcing it, and 3) made some concessions to the community.

The third point in the preceding paragraph merits further discussion. Almost all projects have a negative side. Dealing with that side openly yields a better chance of getting community support. Communicating a willingness to listen goes a long way in dealing with concern and distrust.

A successful community buy-in strategy must rest upon a consistent message that speaks to all of the community-based concerns. It must illustrate how the project improves the broader community and generates benefit to the taxing jurisdictions in new infrastructure and new revenues.

<u>Business Community Buy-in</u>

Another critical component of the buy-in process is support from the business community, which can be broken down into four groups: redevelopment authority, finance agencies, chambers of commerce and private agencies.

Development Authorities

Many communities use local government corporations to direct redevelopment efforts within special districts. Under this model, they finance development projects through the approval of development agreements and the issuance of bonds. These entities have become increasingly influential in how development projects unfold. In many instances, they determine development priorities, the type of incentive assistance available, and the funding schedule and serve as the clearinghouses for any agreements between investors and the public sector. They also control incremental tax revenues generated by development projects and use them to either fund pay-as-you-go agreements or finance bonds whose proceeds are used to finance development projects, directly or on a reimbursement basis.

Receiving the support of development authorities can be critical to a project's success. Consequently, it is important to understand what each entity's priorities are, where their resources are invested and the process for receiving consideration for their support. A good general rule is to make contact early in the planning process for any project in order to understand what their approval timeline is for seeking and receiving assistance. Providing a detailed budget of planned public improvements, a build-out schedule for the project, sources of finances, proposed rate-of-return for the project, amount of developer equity and the level of public assistance needed to make the project work are essential elements of a good proposal.

Finance Agencies

Cash fuels all projects, so having buy-in from the finance sector is critical. It is imperative to develop a good relationship with local banks. Frequently, developers overlook determining project eligibility for tax-exempt financing.

Often, a successful arrangement can be reached if done in concert with a local government's corporation. This type of financing entails significantly lower interest rates. Recently negotiated bank facilities through the Uptown Development Authority in Uptown Houston, Texas; the Mission Redevelopment Authority in Mission, Texas; and the Southwest Houston Redevelopment Authority received very favorable terms, with effective interest rates below five percent—comparable to tax-exempt bond financing rates. Through such local government corporations, low cost revenues can be used to take developer debt and directly finance the project.

If a development project is in a designated redevelopment area, it can receive favorable bank rates on loans through a bank's Community Reinvestment Act lending program. It is important to raise these possibilities with lending institutions to determine what low-cost debt options might be available.

Furthermore, if funding for a project is sought through a development authority, it is also important to request meetings with the authority's financial advisors and staff to gain insight into the short- and long-term plans for the issuance of debt by that entity. Some local government corporations have application processes with detailed submission requirements and timelines that must be adhered to in order to be considered for funding. Communication early on increases a developer's ability to utilize the financing opportunities. Being successful at receiving support from these entities is also dependent on good working relationships with the staff and boards of directors.

Chambers of Commerce

Most chambers of commerce embrace the opportunity to participate in good public-private partnerships, especially if the project is in an area defined as one of the chamber's target markets. Understanding the chamber's development priorities is essential. Almost all chambers' boards of directors are comprised of real estate, banking, legal and government professionals. Their networks can be fruitful in building support for a project. Chambers can act as brokers for development deals and deliver incentives to make them financially viable. Some have direct funding agreements with local governments to serve as the community's economic development agency. Consequently, it is important to engage these groups.

Larger metropolitan areas often have chamber groups take a different form. Known as community "partnerships," these entities operate in much the same way but may have other community development components, such as economic development, physical development, international business development or world trade departments. Each of these groups can be of vital assistance if the development project scope overlaps with their area of focus.

Private Agencies

Private, for-profit companies can also be part of a successful community buy-in program. For example, many energy companies have economic development arms active in manufacturing, industrial development or logistical operations projects. They pursue energy-consuming firms and projects, thus growing the energy market. Support from energy companies can help a developer connect with elected officials and economic development professionals and generate development community support for a project.

Philanthropic organizations are also a potential ally in building community buy-in. Many communities have strong philanthropic organizations that are deeply rooted and engaged in the economic development activities of their communities. These organizations often provide public support and in some instances financial support to economic development activities. Philanthropic organizations may provide direct project support or utilize relationships with key community decision-makers to help build community support for a proposed project.

Some states have economic development funds and programs that can provide support for a project. The Texas Opportunity Fund, which is administered by the Governor's office, has provided significant resources to projects that create high-wage jobs. Receiving support from the fund legitimizes the project at the local level and helps a project with direct financial support.

Federal government economic development grants may also be available. Receiving a grant from the U.S. Economic Development Administration, for example, provides legitimacy and softens the local expense. With more streams of revenue, more parties are likely to buy-in.

Lastly, securing a Letter of No Prejudice (LNP) assures the community that the project is maximizing the use of federal funding. A LNP is essentially a document one files that protects options or rights when seeking government funding. For example, a developer may seek a LNP when seeking public funding as part of a financing package, to provide the right to back out, alter or re-submit as circumstances change. It is most often used when applying for a Grant.

Marketing TIF to Constituencies

A communications plan is necessary to educate the public, explain project benefits and help in the negotiation process. These principles will ultimately lead to better success.

Educate, Educate, Educate

TIF is a relatively simple concept that can be complex in application. The task is to ensure that key stakeholders have a baseline understanding of the tool and how it is best used. Be prepared to proactively and continually educate. Lack of understanding and misinformation about TIF is common. Citing best practice examples from peer cities can be important in building support.

Identify Benefits to Each Jurisdiction

Different governmental bodies have different priorities. Finding common interest is the best opportunity for agreement.

This example is illustrative: The city of Atlanta approved the creation of the Eastside Tax Allocation District (a TIF district) in 2003. The school board and the county granted the inclusion of their real property tax increment. In establishing the district, City Council specified that any residential projects receiving funding would be required to provide a minimum of 20 percent affordable units. Since affordable housing is a high priority for the county, the county granted participation without additional requirements. The school board, lacking a compelling interest, asked for payments-in-lieu-of-taxes (PILOT) from each bond issue, housing opportunities targeted toward educators and partnerships with the participating developers to provide enhanced educational and employment opportunities for students.

Negotiations

Once the priorities of the jurisdictions and stakeholders are understood, it is easier to identify what measures will satisfy mutual goals.

It may be advantageous to program significant future capital expenditures for schools, public safety, libraries, health centers, senior centers, community development projects and even PILOT payments out of TIF bond issues. However, if the first priority of a TIF program is to encourage private development, it is critically important to minimize such expenditures, especially in the early years of a TIF district. It is also essential to provide the best opportunity for the project to succeed so that it is in a position to repay the TIF. Above all, avoid breaking commitments between jurisdictions.

In pursuing each jurisdiction’s participation:

- Identify points of mutual interest
- Don’t over-promise
- Minimize the overall cost (and the risk of under-performance)
- Provide something for everyone

- Look into educational benefits (this may be financial, e.g. PILOTs)
- Use practical timelines when establishing any required by dates
- Adhere to what is financially feasible and realistically deliverable

Formulating a Communications Plan
The goal of the communications plan is to achieve operational and financial transparency.

- Operational Transparency: Open, proactive communication about the TIF program is highly recommended. This can come in the form of routine board reports or dissemination of regular updates to all affected elected officials and their staffs. In addition, it is important to utilize technology. Web sites can be used as a repository for reporting. Similarly, an electronic newsletter can be used to announce new projects and success stories.

- Financial Transparency: TIF projects generate significant public money. As such, TIF programs require solid financial management practices. Create credible and transparent tracking and reporting mechanisms pertaining to cash management, project-related disbursements, and the performance of underlying bond issues. Thorough accounting, routine reporting and annual audits are hallmarks of the financial integrity that can help provide comfort to the participating jurisdictions, with the additional benefit of ready access to information.

Message Preparation
Community buy-in should be viewed as a marketing process and a sales pitch. Take time to assess how the project affects the community. Each project has its own character and consequences, positive and negative. A message has to highlight the positive elements of a project, while also addressing the negative elements.

A list of reasons for supporting a project might include the following:

- Expansion of the area tax base
- Increase in one or more tax revenue streams
- Creation of new jobs
- Diversification of the economy
- Attraction of collateral businesses

The list might also include repositioning of a community in decline, adaptive reuse of a blighted property, preservation of a historic element of the community, or possibly conversion of a former military base.

Economic impact analysis can also assist the buy-in process. Articulating positive economic implications is very important in proving a project's worth. Some groups disagree with the use of any economic incentives. Often the best response to these groups is the demonstration of a win-win economic outcome. If the project generates more tax revenues than it needs to get going, it is more likely to win support. In other words, taxing jurisdictions should end up with more tax revenues than they give up.

In preparing a financial impact analysis, it is important to include the following:

- Current ad valorem taxes generated by the proposed site
- Estimate of new ad valorem taxes generated by the project once the improvements are done (If the improvements activate over a long period, cash flow phasing should be identified.)

- Amount of new sales tax generated for commercial projects
- Number of new jobs created
- Estimates of payroll and increased sales and use taxes
- Impact/permit/other development fees generated
- New infrastructure required for the project, including the cost
  (include all elements of a project whether reimbursements are being sought or not)
- Measure of alcoholic beverage taxes, hotel occupancy taxes or special venue taxes
  (tickets/sports facilities)
- Cost analyses need to include costs of additional services required by development such as additional police and fire services.

Every financial impact should be measured to show the taxing jurisdictions' gain from implementation of the project. Preparing this analysis is essential. Clarifying the financial picture can make selling it much easier in the long run.

Tool Mechanics and Financing Variations

This chapter provides a general overview of the various types of TIF revenues that can be pledged to a project and/or tax increment-backed bonds. This section also discusses basic structures and reviews credit concerns relating to those structures.

Typical Sources: Property Tax, Sales Tax and Special Assessments

In tax increment finance, incremental revenue is the new tax revenue generated as the result of new development, or redevelopment, within a project area or TIF district. Most state statutes permit the capture of incremental property tax revenue as a means to finance certain project costs. The capture of other incremental revenues, such as sales tax increment, utility tax increment and earnings tax increment is permitted by the statutes of several states.

The amount of increment is determined by setting a "base" on a prescribed date prior to the development or redevelopment. In the case of property tax, the base assessed valuation is determined once the TIF plan is approved. As new development occurs within the TIF project area, the assessed value grows. Incremental property tax revenue is the difference between the base assessed valuation and the post-development valuation. For example, if a project's base assessed value was $90,000, and one year after the approval of the TIF plan becomes $1,000,000, the difference, or $910,000, is the incremental valuation. Increment is derived by the application of property tax rates or mill levies to that incremental valuation. For example, a property tax rate of $7.00 per $100 of assessed valuation yields $63,700 in incremental property tax revenue on an incremental valuation of $910,000.

When estimating property tax increment, a number of caveats exist:

1) It is important to be aware of which portions of the property tax rate, or mill levy, may be included in the TIF revenue calculation. For example, several states do not include school or fire district levies in the calculation of TIF revenue.

2) Likewise, if there is a redevelopment agreement or inter-governmental agreement between the redevelopment authority and an affected taxing entity for the TIF district setting up a "pass-through" arrangement whereby a portion of annual tax increment generated is remitted back to that affected taxing entity, incremental revenues will be net of those pass-through amounts. (As an aside, redevelopment authorities who negotiate these types of agreements with affected taxing entities should attempt to make payments required under those agreements subordinate to debt service on bonds issued in the TIF district.)

3) Be aware of how growth affects the calculation. Certain states restrict the property tax rate/mill levy to the rate in place at the time the TIF plan was approved. In such cases, even if voters increase property tax rates, the increase may not be captured for purposes of TIF financing.

4) Likewise, be aware of how reductions in levies affect the calculation. For example, certain states include debt service levies in the calculation of incremental revenue. If a local government has a $0.40 levy for general obligation bonds, for example, and those bonds are paid off five years after the TIF plan is approved, incremental revenue in year six will be calculated using a property tax levy which is $0.40 cents lower than in the prior year.

5) Be aware of the timing of assessments and collections. Once construction is completed, is a project immediately and fully reassessed? Or, is there a certain date on which reassessment will occur? Once reassessment occurs, when are new property tax bills mailed? When are property taxes paid? And, how long does it take from the time a property tax bill is paid until the incremental revenue is set aside in a special allocation fund? Fully understand

the tax collection body's methodology, process and shortcomings, if any. Is the tax collection body able to identify all sources of collected tax revenue with a specific parcel and/or TIF district?

6) Be aware of the assessor's assessment methodology. Will construction cost be the basis for an assessment? Will the income method be used? Will another methodology apply? And, is there a 1:1 relationship between market value and the assessor's value, or is some discount applied?

7) Be aware of collection rates and fees. In many communities, it is not uncommon for property tax collection rates to be 90 percent or less. If this is true within a TIF district, collections will be 10 percent less than estimated.

8) Be aware of the property tax appeals process. What happens if a property owner within a TIF district appeals his/her valuation? Do they pay the portion of the taxes they agree with? Do they pay their property taxes into escrow? If so, is there access to the TIF increment during the appeals process?

9) Be aware of any early-payment discounts that may result in lower than expected tax payments.

Other Sources of Incremental Revenue

Certain states permit the capture of revenues other than incremental property tax. These include sales taxes, utility taxes and earnings taxes. The base in each of these cases is typically the amount of revenue generated in the year prior to the adoption of the TIF plan. So, if the redevelopment of a TIF district includes a significant amount of retail development, whereas none existed within the district prior to the redevelopment, the base would be $0, and sales tax revenues in excess of those amounts would be collected. Again, certain caveats apply:

1) It is important to be aware of which portions of the tax rate in question may be included in the TIF revenue calculation. For example, certain states restrict sales taxes to those imposed at the local level and do not permit the capture of state-level sales taxes. Other states permit the capture of no more than 50 percent of sales taxes.

2) Be aware of how the approval of new tax rates by the voters affects the calculation. Can these new taxes be included in the TIF revenue calculation?

3) Be aware of the timing of collections. Some retailers pay monthly, others quarterly. Once the retailer pays its taxes, how long does it take for the incremental revenues to be placed in a TIF special allocation fund?

4) What is the process for applying these incremental revenues to the TIF special allocation fund? Whereas most property tax increment is automatically sent to the special allocation fund, many other revenues are subject to appropriation; the local governing body, which collects those taxes, must take action every year to send those monies to the TIF fund. If the governing body fails to take such action, those revenues would not be available to the TIF project.

5) Be aware of collection discounts and fees. In many communities, there is an early payment discount for sales taxes. Likewise, there is often a collection fee deducted from amounts collected.

Tax Sharing Agreements

TIF statutes permit the capture of certain revenues. Other revenues generated within a TIF district are not subject to capture under most statutes. However, in many states, these may be made available to a TIF project by governmental agreement.

For example, in Illinois, the TIF statute no longer permit the capture of state sales taxes for TIF financing. However, local governments may allow their municipal sales taxes to be applied to a TIF project. Typically, these municipalities restrict such sharing agreements to the incremental municipal sales taxes generated within the TIF project area. The permitted use of municipal sales taxes is often limited to public uses, such as streets, sidewalks and much more.

Complementary Special District Revenue

Oftentimes, special districts may be formed to finance certain project costs. Such districts include special assessment districts, transportation districts, community improvement districts, business improvement districts among others. While special districts are not TIF, they offer additional financing options and can be overlaid with TIF to enhance a financing package.

Most special districts can impose, by a vote of the residents or property owners within the district's boundaries, one of the following types of taxes: sales tax, property tax or special assessment. When new sales taxes and property taxes are imposed within a special district, 100 percent of those taxes, net of collection fees, can be contributed to paying the costs of project improvements. No "base" is excluded from the revenue stream, as happens with TIF.

Special assessments cover the costs of certain improvements within a district, and are typically billed along with property taxes. The cost of the improvements is distributed among all of the properties within the district, depending on each property's share of project costs. Special assessments can be paid in a lump sum or in installments over time. The property owner's liability for paying special assessments creates a lien, which typically has priority over all other liens on the property except for the property tax. If special assessments are not paid, the property could be sold at a tax sale.

While a property tax is determined by multiplying a tax rate, or mill levy, by the assessed valuation, special assessments reflect a property's share of a project's costs. The amount of special assessment installment payments due each year is predetermined and is not a function of assessed value. In tax increment finance, the generation of incremental revenue requires that there be incremental assessed value growth. If a TIF project is not constructed, or its construction is delayed, TIF increment may not be available within the timeframe originally anticipated when the project was undertaken. As a result, when TIF revenues are used to support a bond issue, bondholders are subject to "construction risk," i.e., the risk that they will not receive a timely bond payment if construction is delayed.

It is becoming increasingly common for special assessments to be used as a means to mitigate such construction risk, since special assessments do not rely on assessed value growth. In some cases, TIF revenues are attached to some costs and special assessments are attached to others. However, if state statutes permit the financing of the same types of improvements using TIF or special assessments, the special assessment can cover all of the project costs. Then, to the extent that construction occurs and TIF revenues materialize, the TIF revenues can be used to reduce the amount of special assessment a property owner pays that year. Each state has different methodologies for reducing, or abating, the special assessment payment.

The following is an example:

> A TIF district and a special assessment district are created with coterminous boundaries to support the development of a new mixed-use project. TIF improvements in the amount of $10,000,000 are to be financed via bonds. It is anticipated that the project will begin generating incremental property tax of $1,250,000 per year beginning in 2010, and that a bond payment of $1,000,000 per year will be made using those revenues. A special assessment district is imposed which sets up special assessments for the same improvements in the amount of $1,000,000 per year, divided among the property owners within the district.
>
> Construction delays result in TIF increment in 2010 of $625,000, not $1,250,000. In this year, the special assessment contributes $375,000 and the TIF contributes $625,000 towards the bond payment. In 2011, when the project is complete and the full $1,250,000 in increment is generated, no contribution of special assessment payment is needed to pay bondholders.

In the example above, the special assessment is used to effectively guarantee the payment of principal and interest to bondholders.

Revenue and General Obligation Bonds

In municipal finance, there are two primary forms of bonded debt: revenue bonds and general obligation bonds. Tax increment-backed bonds fall into the revenue bond category, and typically the sole source of security for the bonds is the tax increment revenue generated within the boundaries of the TIF district. Unlike general obligation bonds where the full faith and credit (as well as taxing authority) of the local government is pledged as security for the bonds, TIF bonds may not have a source of security beyond the incremental taxes collected in the TIF district. Similarly, TIF districts by themselves do not have independent taxing authority (absent some special tax or special assessment overlay), which further constrains their security.

In some instances, a local government may issue general obligation bonds that attempt to mimic tax increment bonds. For example, in 2005, the city of Wilmington, Delaware elected to issue general obligation bonds rather than TIF bonds to finance the construction of public improvements associated with new development at Christina Landing. The city's rationale was (1) that the difference in the cost of funds between an insured general obligation bond and a non-rated TIF bond was close to 250 basis points and (2) since the city would have been the only participant in the TIF district (as it was believed that neither the county nor the schools, the other affected taxing jurisdictions in the area, would participate in the TIF) it was in their financial interest to issue general obligation bonds rather than TIF bonds. In determining the amount of bonds to issue, the city retained a feasibility consultant to estimate future property tax dollars from the Christina Landing project and then sized bonds based on a static millage rate over 25 years. In this regard, the city attempted to determine what the incremental taxes generated by Christina Landing would be and in doing so subsidized the project in an amount equal to the present value of taxes to be generated over the 25-year life of the bonds.

This method worked for the city, but it does have implications beyond the Christina Landing project. By issuing general obligation bonds in place of TIF bonds, the city used a portion of its limited general obligation bond authorization for a private development (albeit one with important public good). But more importantly, the city transferred the risk of the project from the developer/TIF district to the voters (because had the project failed, the city's full faith and credit was still pledged).

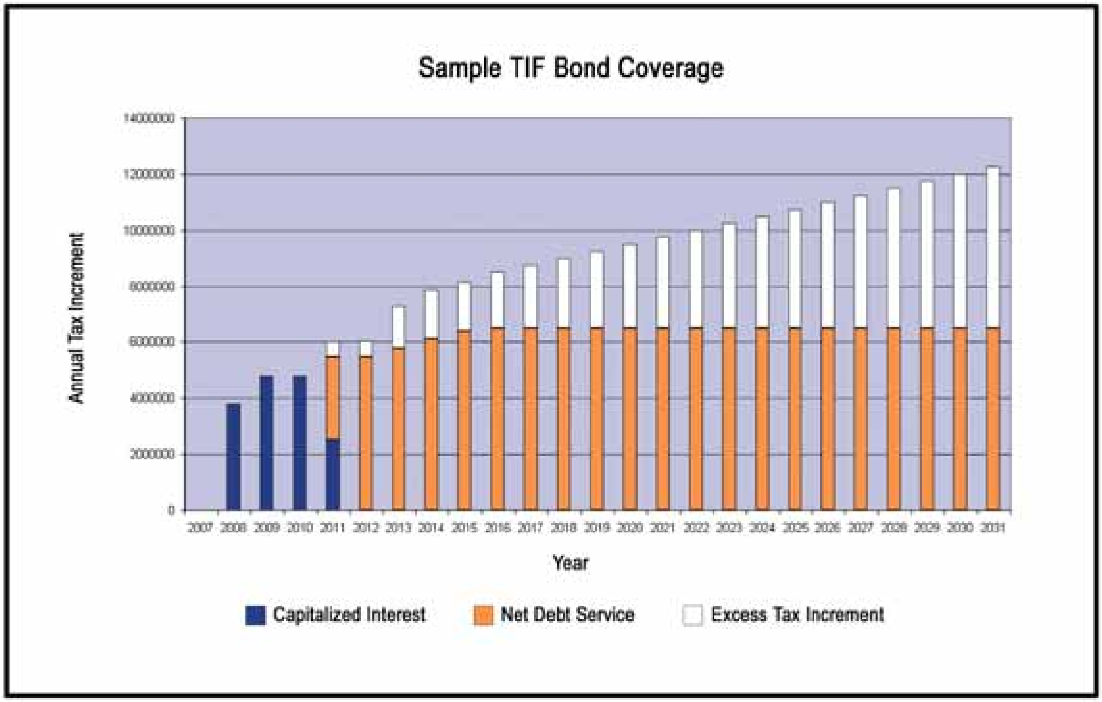
An alternative approach to the city's general obligation bond financing might have been to issue TIF bonds with a general obligation-backing that fades away when certain credit milestones are met; for example, when annual tax increment revenue is equal to some predetermined coverage requirement above debt service. In this regard, the city would have enjoyed the benefits of the improved interest rate on the bonds with the possibility of eliminating the general obligation backing in the future.

Basic Characteristics of a TIF Bond

TIF bonds are revenue bonds secured by the tax increment revenue generated within the boundaries of a TIF district. With start-up TIF districts, bonds are sized based on a coverage factor over projected debt service from one or more specific development projects expected to occur in the near term. The required minimum coverage can vary from project-to-project based on a number of factors although the primary considerations are the size, scope and type of development as well as the expected diversification of the tax base upon stabilization. Most financings have a minimum coverage requirement of 1.25x revenues to debt service at stabilization.

Because proceeds from the financing are typically required prior to the completion of the improvements that will generate the incremental taxes to support the bonds, most start-up TIF bond financings will include capitalized interest for up to three years. At some point within that three-year period (although larger developments often require phasing), the development reaches stabilization and incremental property taxes solely support debt service on the bonds. When this occurs, debt service typically levels off and remains level through the life of the bonds. Sometimes, slight annual percentage growth in debt service will occur to mimic anticipated annual growth in tax increment.

Like most revenue bonds, TIF bonds have a debt service reserve fund. The size of the fund is based on the three-pronged Federal Tax Code test of the least of (1) 100 percent of maximum annual; (2) 125 percent of average annual debt



service; or (3) 10 percent of the par amount of the bonds. In many instances, investors may also require a supplemental debt service reserve fund that is supported by captured "excess" tax increment during the capitalized interest period and/or the early years of the project. The size of the supplemental debt service reserve fund varies but an amount equal to annual debt service is often targeted. Further, in instances where a supplemental debt service reserve fund is required, it is important to also have in place a mechanism to release those dollars when some predetermined benchmarks, such as 2.0x coverage or diversification of the tax base is less than 50 percent in the top ten taxpayers, have been met.

Some communities will also require proceeds from the bonds to be escrowed until certain milestones are met and hence developers receive bond proceeds over time as the tax increment generated to support the bonds comes online. This approach, sometimes referred to as "earn out provisions" not only protects the local government or TIF district and bondholders from default risk, but it also places an added incentive on project developers to complete their projects in a timely manner because bond proceeds held in the escrow fund are used to redeem a pro rata amount of outstanding bonds at the end of the escrow period.

Basic TIF Bonds in a Start-Up TIF District

The discussion that follows addresses TIF bond transactions in stand-alone, start-up TIF districts, or those projects which are seeking assistance in an area where TIF does not currently exist. First, let's begin with a description of the participants in a typical TIF bond financing. The following is a typical list of the primary participants in a TIF bond transaction.

1) **Municipality** – The local government or redevelopment authority where the TIF district and development occurs.

2) **The Bond Issuer** – The local government or agency that authorizes and executes all documents relating to the district and its bonds. Issuers are also responsible for continuing disclosure. The issuer is often the sponsoring local government or the redevelopment authority.

3) **Developer** – The developer submits a project for the local government's consideration and typically demonstrates the need for public participation (i.e., the use of tax increment) in the project.

4) **Bond Counsel** – Bond counsel drafts the Trust Indenture (defined later), the Continuing Disclosure Agreement (as defined later) any resolutions passed by the issuer associated with the bonds, the Tax Certificate (in tax-exempt transactions) and a host of other documents associated with issuing public securities. Counsel represents the issuer's interests and to a certain degree investors' interest through their due diligence. Bond counsel is paid from the proceeds of the bonds.

5) **Underwriter** – The underwriter's primary job is to structure and market the bonds. The underwriter typically leads the financing team, determines the schedule and manages the process. The underwriter purchases the bonds from the issuer (local government) and sells them to investors. The underwriter is paid from the proceeds of the bonds in the form of an underwriter's discount. Sometimes, because of the higher risk associated with start-up TIF bonds, the initial financing may be privately placed directly to one or two institutional investors wherein the underwriter acts a "placement agent".

6) **Feasibility Consultant** – The feasibility consultant can take several different forms, including as the independent consultant who estimates the tax increment to be generated by the district over the life of the bonds. The consultant may also (or it could be a different consultant) perform a market study or an absorption study to determine the likely market demand of the project being proposed. The feasibility consultant can be paid from bond proceeds although some will require separate up-front payment not contingent upon the successful sale of the bonds.

7) **Underwriter's Counsel** – Underwriter's Counsel protect the underwriter's interests. This counsel also typically drafts the offering document, the Bond Purchase Agreement and various other documents as well as perform due diligence. They are paid either from the proceeds of the bonds or as part of the underwriter's expense component in a transaction.

8) **Trustee** – The trustee receives the revenues pledged as security for the bonds, holds all the accounts and funds associated with the bonds, pays bondholders the principal and interest due and enforces all covenants enumerated in the indenture. The trustee also has certain public notice responsibilities relating to events of default, redemption or any other matters affecting the bonds.

Other participants, such as developer's counsel, municipal general counsel, purchaser's counsel, independent financial advisors, rating agencies and bond insurers can be involved.

Flow of Funds in a Typical TIF Transaction

The following summarizes the typical flow of funds in a TIF transaction. It should be noted that several of the terms and processes mentioned here will be discussed in greater detail later in this Chapter.

In its simplest form, the internal flow of funds of a TIF bond is very similar to other types of revenue bonds. However, the most important distinguishing characteristic of TIF bonds is the credit factors and their relative risk to other forms of municipal debt.

It should be noted that the TIF plan or redevelopment document specifies the use of tax increment. The plan may provide for a "diversion rate" of less than 100 percent of the increment to the TIF district and/or what may be done with any tax increment left over after bond debt service.

Credit Factors

Most of the credit factors affecting TIF bonds are real estate-related. The following summarizes key credit factors:

1) Construction risk – Will the project be completed on time ensuring the timely flow of tax increment revenue? What is the developer's track record with similar projects? How much equity does the developer have in the deal?

2) Real estate market risk – Is there demand for the product being built? Is there significant competition coming out of the ground or planned in the near term?

3) Diversity of property tax base – Will the bonds be supported by multiple owners or will a single entity be responsible for all the taxes?

4) Projected coverage on the bonds – What will be the coverage ratio (i.e., tax increment to debt service) on the bonds? What could affect that ratio?

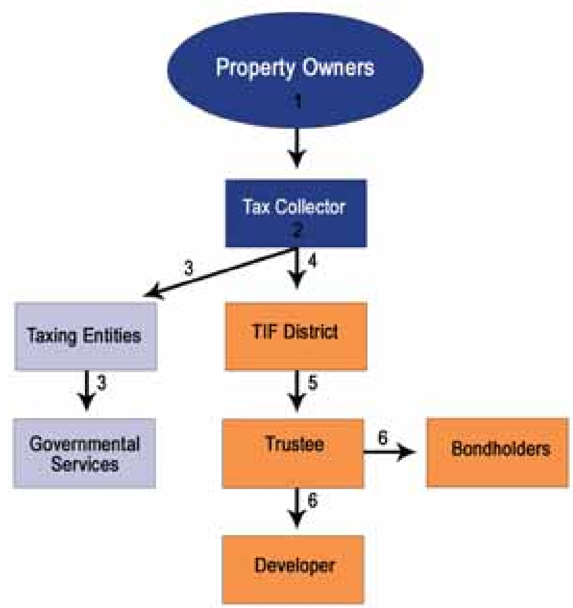
5) Recourse in the event of default – What avenues can the investor pursue in the event of default?

6) Level of reserves – Do the bonds have a debt service reserve fund (DSRF)? Does it have a supplemental DSRF?

7) Flow of funds – The flow of property taxes to tax increment, and on to the trustee and eventually bondholders.

The credit factors noted above are general in nature and broad in scope. No two TIF districts are exactly alike and a variety factors, both internal and external, can shape the credit quality of a proposed TIF bond. Similarly, not all credit factors can be mitigated through the structure of the bonds or covenants in the bond indenture. Nonetheless, it is important to be mindful of all the various credit concerns and know how to best address them at the beginning of the financing process.

Flow of Funds in a Typical TIF Transaction



1. A TIF district is formed and development occurs in the district.
2. Property taxes are levied and collected in the same manner as "non-TIF" property taxes.
3. The base year taxes (i.e., the taxes that were generated at the time the TIF district was adopted) accrue to the benefit of the taxing jurisdictions.
4. The increase in taxes above the base amount (i.e., incremental taxes) accrues to the benefit of the TIF district for any permissible use.
5. Once bonds are issued, the incremental property taxes in an amount equal to debt service flow to the trustee for payment to bondholders.
6. Annual tax increment not needed for debt service flows to either the redevelopment authority or the developer per the provisions of the development agreement.

Pay-As-You-Go Financing

Sometimes it is not feasible to issue bonds at the beginning of construction or after stabilization. Various factors, like the par amount of the proposed financing being below market acceptable size or an unwillingness by project participants to enter the capital markets, may cause the TIF district to proceed on a pay-as-you-go basis. This can take a number of forms but is typically accomplished as a note taken back by a project developer with site-specific TIFs or through various programs designed and administered by the TIF district or redevelopment authority.

Sometimes TIF bonds cannot be issued until construction is completed and tax increment is flowing. Here, the tax increment generated through construction is used to offset costs during construction. Once stabilization has occurred, TIF bonds are issued and the full cost of improvements is reimbursed. An attractive side effect of this approach is that most, if not all, of the significant construction risks have been addressed because bonds are not issued until the project is completed. Of course, improvements necessary for the completion of the project have to be financed somehow and this approach usually works best with a well-financed or deep-pocketed developer.

Pay-as-you-go TIFs are also applied after TIF bonds have been issued and are designed to invest back into the project tax increment available above debt service. Typical uses for this excess tax increment include streetscapes, green spaces, parks and maintenance and similar programs requiring annual funding. In larger urban areas, business façade programs, city wayfinding programs and the like use excess tax increment as a further means of public investment in the TIF district.

Developer Financing

Developer financing is an alternative to the traditional issuance of TIF-backed bonds, however in many instances the developer has turned to TIF because there is a gap in their pro forma and hence a need for upfront public funding in order for the project to move forward. Still, in certain cases the developer is willing to take a note from the local government or TIF district and as such is reimbursed for project costs over the life of the note.

From the local government's perspective, this approach is safer than issuing bonds because payment on the note is typically (and always should be) tied to the amount of tax increment generated on an annual basis. The amount of the note and the repayment thereof (with interest) should be measured against the actual costs of the improvements installed by the developer.

For example, the town of Hooksett, New Hampshire established the Exit 11 TIF District for the development of a 35-acre mixed-use development. The town and the developer opted to finance the public improvements through a TIF note. Creating the corresponding "paper trail" was a bit cumbersome, but essentially followed the following process:

1) To determine eligible costs, invoices from contractors associated with the improvements were submitted to the town. The eligible costs (a defined term in the development agreement) became the loan amount as evidenced by the note between the town and the developer. The note bears interest at the developer's cost of funds.

2) On an annual basis, the developer submits copies of their annual tax bill by parcel as well as copies of the cancelled checks (or some other such evidence) for each parcel subject to the development agreement. This determines the total taxes paid and the town deducts the base value (which was also defined in the development agreement) from that amount to determine the incremental taxes subject to the note.

3) Each year, the tax increment (as is calculated above) is used to make debt service payments on the note (both principal and interest) and the principal amount of the loan is reduced (assuming there is sufficient tax increment to do so) until such time as the note is retired or 20 years, whichever comes first.

There are a number of ways in which the arrangement detailed above can be structured, but it is important to remember that developer financing is a preferable alternative when available simply because it substantially eliminates the local government's risk and can save time and effort when compared to a traditional bond financing.

Taxable vs. Tax-Exempt Use of Bond Proceeds

The following section provides general information only. Please consult with a qualified bond attorney regarding tax issues before embarking on a TIF program.

Most municipal bonds issuances enjoy tax-exempt status because the debt is sold to finance public improvements or public facilities. However, TIF bonds are often issued to support private development activity and the proceeds from TIF bonds are not always applied directly to public improvements associated with development. Hence, TIF bonds pose a unique challenge to tax lawyers in determining the tax-exempt status of the bonds.

Generally, the IRS code permits tax-exempt financing of public improvements or tax-exempt financing supported by public revenue sources, or both. The Code provides a two—pronged test and the use of bond proceeds must violate both prongs in order to be deemed taxable. These two prongs—private payment and private use—are of pressing concern with TIF bonds because the very nature of the financing form is the involvement of private developers in private real estate transactions.

If public improvements, such as roads and other public infrastructure, are being financed using TIF bonds, the bonds may be issued as tax-exempt obligations even if the revenue source is a non-tax revenue source. For example, a parking garage within a TIF district may be operated as a private facility, with revenues collected by a private owner/operator. Parking revenues, along with TIF revenues generated within the district, may be pledged to repay tax-exempt bonds if the bond proceeds are spent on public infrastructure within that district.

As a rule, arrangements that guarantee the payment of debt service by the developer for bond proceeds used to finance private improvements will cause the bonds to be taxable because this would violate both the private payment (i.e., the guaranteed payment) and private use (i.e., the use of proceeds to construct the improvements).

As a matter of practice, municipalities should engage qualified bond counsel and/or tax counsel at the beginning of the TIF process and certainly before a development agreement is signed to ensure to the greatest extent the ability to issue tax-exempt bonds. This is important not only because the cost of capital between taxable and tax-exempt bonds is widely different, but also because the market for non-rated, taxable municipal bonds is limited and highly inefficient when compared to the tax-exempt market. By carefully vetting sources and uses of funds associated with a TIF bond at the beginning of the process, municipalities can maximize tax-exempt eligibility.

Key Decisions and Processes

As has been discussed throughout the *Reference Guide*, there are multiple applications for TIF and many different ways this powerful tool can be brought to bear. However, because each local government is unique and each potential development project different, no single answer is best for every situation. Rather the use, application and design of a TIF program needs to be considered in light of the policy objectives set by the community. This section discusses in general terms the decision making process and key considerations municipalities should keep in mind when embarking on a TIF financing program.

Knowing When to Use TIF and Issue Bonds

The decision to use TIF is an important policy consideration and should be considered as a single tool available to a local government among the variety of redevelopment and economic development options. The *Reference Guide* has touched upon the many ways TIF can assist a community in implementing change. Furthermore, the Reference Guide has also touched upon legal issues that may drive not only what a TIF can be used for, but when and how it can be used.

However, simply because TIF is an option does not mean it is the best option for achieving and implementing a community's goals. Many important questions need to be answered as discussed in Chapter 1: Setting the Stage. These questions cover a broad spectrum of public policy issues in land-use, municipal finance, public/private partnerships, legal and regulatory limitations, finance and, at times, the proper role of government in economic development.

At its most basic level, TIF can be a tremendous tool for local government in addressing a number of important challenges facing a community. But realizing all the benefits that can accrue to a local government from TIF requires careful planning, critical analyses of the challenges faced and a realistic assessment of how TIF can address those challenges. From there, developing a plan that takes into account all the variables—from the obstacles preventing and the drivers encouraging successful implementation—that will guide the local government in the decision making process can occur.

TIF Bonds

No preliminary TIF plan would be complete without acknowledging financing options. Earlier, this chapter discussed several of the most common financing mechanisms, although clearly, the issuance of tax increment bonds is the most common. If a decision has been made during the planning process for implementing TIF to eventually issue TIF bonds, then a key consideration of this discussion is *when* to issue TIF bonds.

Because tax increment-backed bonds are revenue bonds, they are secured only by the specific revenues promised to investors in the bond documents. While this can take a number of forms—ad valorem property taxes and sales taxes being the most common—recognizing the limitations and potential risks of the revenues pledged will in part drive the timing of debt issuance.

More often than not, TIF bonds are issued in association with a specific development project or development plan, and the proceeds from the financing will be used as the public sector investment in bringing that development to fruition. This typically means proceeds from the financing will be needed at the beginning of project implementation. However, because the bonds will depend on the revenues generated from the project as security, there's an obvious timing issue: the development cannot be built without the infusion of public capital and the public can't inject that capital until the project is built. This simple fact is recognized and understood in the TIF process along with the associated risks: development, economic and construction. These are three of the primary drivers in determining when to issue TIF bonds.

As a rule of thumb, TIF bonds can be issued three years prior to estimated project stabilization (the point in time when the project is built and occupied, and taxes are flowing at their initial levels). This is often referred to as the construction period and projects with longer estimated build out will need to be phased, and the issuance of bonds phased to fully capture the value of the project.

It is important to note, however, that TIF bond issuance three years prior to estimated project completion does not come without a price. Because of the risks noted above, among others, the bonds (if issued without some other backing or credit enhancement) will most likely not be investment grade and will therefore carry a higher interest rate compared to most other types of municipal bonds a community might issue. Furthermore, because there are no revenues to support the bonds while the project is being built, a portion of the proceeds from the bonds will need to be applied toward capitalized interest (financing the interest cost during construction) and this can be a substantial amount of money. For example, if a local government issued $10 million in bonds with an interest rate of 6 percent, then an annual interest only payment would be $600,000. Three years of capitalized interest would total $1.8 million and while this can be net funded (i.e. money in the capitalized interest fund is invested and the interest earnings are used to offset the initial required deposit to the fund from bond proceeds), it still represents a considerable portion of bond proceeds.

Issuing bonds closer to project completion or stabilization is advantageous, because it eliminates all or a substantial portion of capitalized interest, lessens many of the risks associated with earlier issuance and, therefore, most likely lowers the cost of borrowing, all of which mean more real dollars are available to implement the TIF plan.

<u>Establishing a TIF District or Project Area</u>

The first concrete step in applying TIF is the establishment of a TIF district. Chapter 1 discussed the key considerations in determining which type of TIF district is best given the goal (i.e. project-specific or area-wide TIF districts).

Regardless of TIF type, once the type of district has been determined, establishing the TIF generally follows the same process. While state statute determines the necessary steps required to establish a TIF district, usually the following, at a minimum, are required:

1) Establish the boundaries of the district and list the parcels in the district

2) Identify the blighting influences the district hopes to address

3) Determine that private enterprise acting alone could not ameliorate the blighting influences

4) List the public improvements to be constructed using TIF dollars

5) Discuss how the adoption of TIF will affect land uses within the district

6) Establish an effective date (or base year) for the district and the duration of the district

7) Estimate the amount of tax increment to be generated over the life of the TIF

8) Demonstrate how that tax increment will be spent

9) Address any statutory requirements, such as affordable housing

10) Consult with affected taxing entities, such as the county and school district

In every state there are legal processes involved with the establishment of a TIF district requiring public notice, public hearings and the enactment of various ordinances that make the TIF effective. It is critically important to follow these steps exactly as outlined in the statute. Failure to follow the statute will often invite legal challenges from interested parties opposed to TIF, the issuance of debt or in many instances the project for which the TIF is being adopted.

Good, well thought out public policy objectives and community buy-in are essential components in establishing a successful TIF district. Similarly, detailed and thoughtful analysis of what the TIF can accomplish will increase the likelihood of success and establish expectations at attainable levels, such that future TIF implementation is easier because past experience has proven TIF can work.

The TIF Plan, MOU, Development Agreement and Non-Bond Documents

As can be surmised from the *Reference Guide*, TIF comes with substantial documentation. Each document in the process is its own guiding document. However, one cannot exist without the other and this makes process and planning all the more important.

The TIF Plan

The TIF Plan, also referred to as the redevelopment or development plan in some states, is the primary guiding document and establishes the goals and objectives of the TIF. Furthermore, the TIF Plan sets forth in general terms (though sometimes very specific terms) the public policy agenda for the district. It is in this document that the local government states what the challenges of the area are and how TIF is going to help overcome those hurdles.

The TIF Plan will layout the basic financial framework, establish the beginning and end dates for the TIF, how much tax increment can be collected and how much debt can be issued. The plan will often address land-use and land control issues, as well the public improvements to be installed during the course of the TIF. Once the objectives of the TIF Plan are clearly articulated, the local government can move into other documents that implement the plan.

Memorandum of Understanding
Different states will use the Memorandum of Understanding (MOU) in different ways. In addition, sometimes a local government will have an MOU for a certain project and not for others. Essentially, the MOU details the joint goals, objectives, responsibilities and commitments of the local government and the developer. The MOU provides the framework and guiding principles for the public/private partnership to be embarked upon through the TIF process.

The MOU typically will not have recourse provisions or covenants. Rather, the primary purpose is to simply identify common ground and set an agenda for working toward the completion of the project. It will list the intentions and expectations of both parties and how they will be fulfilled.

Development Agreement
The development agreement serves as the binding document between the redevelopment authority and the developer in the TIF process. As noted earlier in this chapter, the development agreement specifically states the roles and responsibilities of the parties. It will detail the terms and conditions under which the local government and developer each participate in the process. It will also set forth the financial provisions of the deal, detailing what the developer will build and when it will be built, as well as the contributions the redevelopment authority will make to the project. The development agreement may contain site plans, zoning, reimbursement, default, remedy, recourse and severability provisions, among a myriad of others.

Other Non-Bond Related Documents
There can be numerous other documents associated with the redevelopment and TIF process, each specific and unique to the situation at hand. Loan agreements or notes between the parties are often involved, as can be mortgage agreements, lease agreements, reimbursement agreements, management agreements and other documents that serve a particular aspect of the deal.

Basic Documents Required in a TIF Financing

Because each state statute is different, the names of the documents or simply the types of documents required will vary. The following is a basic guideline.

1) **TIF Plan or Redevelopment Plan** – The redevelopment or development plan sets the boundaries for the TIF district, the purpose for the creation of the district, the timeframe for implementation of the plan, the type(s) of development that can occur and other information as required by local law. It is also the vehicle by which the public or community may gauge support early on.

2) **Development Agreement** – An agreement or contract between the local government (and/or redevelopment authority) and the developer. The contract typically sets forth what will be built, the timeframe for development, the responsibilities of both parties, the amount of tax increment committed by the local government and the uses of that tax increment. It may also include requirements for construction guarantees, performance bonds, insurance, Equal Employment Opportunity and other matters associated with a public/private partnership.

3) **Bond Resolution** – The resolution is the document that authorizes the issuance of the bonds, appoints the team and approves all necessary actions associated with the bonds.

4) **Trust Indenture** – The indenture is a legal agreement between a trustee (a bank), the issuer and bondholders. The indenture sets up the accounts and funds for the transaction, the flow of funds, the covenants made to bondholders, events of default, process for redemption of bonds and certain other items that essentially govern the bonds.

5) **Offering Document** – The Offering Document - sometimes referred to as either the Official Statement (OS), Limited Offering Memorandum (LOM), Prospectus or Offering Circular - is the sole document for marketing the bonds. It explains the transaction, describes the development, enumerates the risks and discloses all essential information regarding the transaction. It is completed when the bonds are issued (settled or closed) and prior to that the team works with a Preliminary Offering Document (or POS, PLOM, etc.).

6) **Feasibility Study** – The feasibility study is an analysis by an independent redevelopment consultant that analyzes the revenue stream that will support the bonds. The study is included as an appendix to the Offering Document and debt service on the bonds is sized based on the findings of the study. The study looks at a variety of factors, such as tax rates, assessment practices, payment and collection histories in the area and other factors that can impact the timely receipt of tax increment for the project and payment of debt service on the bonds.

7) **Continuing Disclosure Agreement** – The Continuing Disclosure Agreement (CDA or "Undertaking") is required by the Securities and Exchange Commission (SEC) as part of a municipal bond transaction. The CDA is essentially a report updating the public and investors on the status of the security for the bonds. It lists certain events that must be disclosed (i.e., missed debt service payment) and usually includes a list of additional information required to be reported on an annual basis. It can be avoided under certain circumstances by law, but most underwriters require it as a matter of practice.

Pricing and Sale of the Bonds

Once the TIF Plan has been adopted, the development agreement executed and the bond financing put together, the redevelopment authority is ready to actually sell bonds. The pricing and sale of the bonds is similar to other types of bond sales although most TIF bonds are sold on a negotiated basis (meaning the local government engages an underwriter to structure, market, price and sell the bonds) as opposed to a competitive basis (where a local government engages a financial advisor to structure and accept bids on the bonds from underwriters).

Every TIF district is unique and every development unique. Further, many (and increasingly, most) TIF deals are brought to market without an investment grade rating and therefore are highly credit sensitive, requiring in-depth analysis from bond investors. Because of these factors, TIF bonds require substantial pre-marketing efforts for a successful sale. The pre-marketing effort usually begins six-weeks to a month before the local government anticipates selling the bonds. As part of these efforts, investor tours, meetings with the redevelopment authority and the developers, and substantial due diligence from investors will occur as part of the process.

In addition, the universe of investors for Not Rated TIF bonds is substantially smaller than for most other types of municipal bonds. Where a AAA-insured general obligation bond may see numerous investors placing orders for the bonds, a Not Rated TIF bond may only see a few simply because the perceived risk involved, lack of liquidity caused by a smaller market, greater price sensitivity and substantial internal analysis to determine credit quality limits the number of institutional investors willing to purchase the bonds. Because of the limited universe of buyers and the perceived risk associated with the bonds, TIF bonds are often sold on a "best efforts" basis, meaning the underwriter will make their best effort to sell the bonds but will not be underwriting bonds or taking them into inventory as might be the case with more typical municipal bond transactions.

TIF bonds sometimes also come with self-imposed restrictions. Some municipalities as well as some investment banks do not want riskier bonds sold to unsophisticated investors, such as retail accounts owned by your average citizen, and will place limits on either the denomination of the bonds (i.e. minimum denominations of $100,000 as compared to the typical $5,000 denomination) or to whom the bonds can be sold (i.e. only accredited or sophisticated investors and institutions). This too adds to the substantial pre-marketing efforts and is another reason why nearly all Not Rated TIF bonds are sold through negotiated sale by an underwriter. TIF bonds can also be privately placed with institutional investors and through this process the terms of the financing are often negotiated directly with the investors.

It is important to note here that TIF and the success of a TIF bond finance a complicated process, because there are aspects and nuances to TIF wholly unique when compared to other types of municipal finance. Municipalities are encouraged to retain investment banks experienced and expert in the issuance of TIF debt.

On-Going Monitoring and Continuing Disclosure

The process for the issuance of TIF debt does not end with the pricing and sale of the bonds. More so than most other forms of municipal debt, ongoing monitoring and continuing disclosure are critical parts of the process. This can take a number of different forms besides the regulatory requirement of the undertaking required by Rule 15c2–12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934 (typically known as "Continuing Disclosure"). Redevelopment authorities should be prepared to report to investors on a quarterly basis through development construction and semi-annually or annually thereafter the following:

1) The status of development in the TIF district including leases signed for commercial projects and houses sold or under contract for residential projects

2) Update on the installation of public improvements

3) Substantial land transfers in the district

4) The growth in property values in the district since the last report

5) The amount of tax increment generated in the immediately prior year and expected to be received in the current or coming year

6) Any changes (positive or negative) in the concentration of major taxpayers

7) Any changes in the tax rate or mill levy

8) Percentage collections/delinquency rates in the district

9) Any other factor that could impact the security for the bonds

As a matter of practice, redevelopment authorities should be tracking the progress of TIF districts on a regular basis. Knowing the property owners in the district and having a general familiarity with parcels for sale or development occurring allows the redevelopment authority to better adjust (if necessary) its public policy objectives and better plan for the future of the district and community. Further, municipalities who take continuing disclosure and the timely dissemination of information to investors seriously are rewarded the next time they come to the bond market with TIF debt. Buyers who are better informed and thus are better able to gauge risk will ultimately lead to better prices (lower interest rates) for the local government.

Case Studies in Core Applications

Dozens of high quality TIF case studies exist to demonstrate the effectiveness and diversity of TIF. This Reference Guide includes just a sampling of the myriad of examples throughout the country.

Retail Development

Center City Revenue Allocation District/Union Lakes Crossing Shopping Center – Millville, New Jersey
Easton Town Center – Columbus, Ohio
Peninsula Town Center – Hampton, Virginia
The Shops at White Oak Village – Henrico County, Virginia

Mixed-use Development

Buzz Westfall Plaza on the Boulevard – Jennings, Missouri
The Collections (City of Burbank Community Facilities District) – Burbank, California
Flats East Bank Redevelopment Project – Cleveland, Ohio
Gallery Place Project – Washington, D.C.
Westwood Station – Westwood, Massachusetts

Housing Projects and Policy

The Farms of New Kent Community Development Authority – New Kent County, Virginia
Lindsay Heights Revitalization – Milwaukee, Wisconsin
St. George Place Redevelopment – Houston, Texas
San Marcos New Development – San Marcos, Texas

Transportation and Transit-Oriented Development

BeltLine (“TAD”) Tax Allocation District – Atlanta, Georgia
Mission New Development – Mission, Texas
Sharpstown – Houston, Texas

Brownfields Cleanup and Redevelopment

Atlantic Station – Atlanta, Georgia
Redford Township Medical Building, LLC – Redford Township, Michigan
Universal Mall – Warren, Michigan

Schools, Recreation, Sports Complexes and Other Community Amenities

City of Palms Spring Training Facility for the Boston Red Sox – Palm Springs, Florida
International Spy Museum – Washington, D.C.
Long Branch Millennium Pier – Long Branch, New Jersey

Economic Development TIFs

Creekside TIF District – Gahanna, Ohio
NorthPark – St. Louis, Missouri
Railport Industrial Park – Midlothian, Texas
The Rice Hotel – Houston, Texas

Center City Revenue Allocation District/ Union Lakes Crossing Shopping Center

Submitted By: Patrick Henry, The Atlantic Group
Location: Millville, New Jersey
Development Type: Greyfield redevelopment
Financing: Revenue Allocation District
Project Specifications: Two tax increment projects were completed within the Revenue Allocation District (RAD):

- Goodmill Shopping Center, a 500,000 square-foot regional destination, encompassing approximately 60-acres near the Route 55 interchange. Major national tenants include ShopRite, Kohls, Dick's Sporting Goods, Circuit City, Lane Bryant and Starbucks. An estimated 1,000 full- and part-time jobs are to be created. The estimated project cost is $55,000,000.
- Target Retail Center, connected with the Goodmill Shopping Center but under separate ownership, occupies an estimated 12-acres, with 125,000 square-feet of retail space. Full- and part-time employees are estimated to number between 200 and 300. Development cost is over $13,000,000.

Project Overview:

The 60-acre property now occupied by the Union Lake Crossing Shopping Center previously consisted of under-utilized, small frontage businesses, including a vacant gas station, an auto parts store, a billboard and a Goodwill store. The rear parcels were vacant. The property had been the focus of failed development efforts on three different occasions in the previous ten years. One problem preventing redevelopment was the difficulty in assembling the parcels into a coherent development site. Furthermore, the projects were abandoned because of extraordinary infrastructure costs.

In 2003, the city of Millville designated an 821-acre area of its center city as a redevelopment area and began the process to create the Center City Revenue Allocation District. The shopping center site was included within the proposed RAD.

At about the same time, Goodman Properties, an experienced developer, approached the city with an interest in the parcel. An involved negotiation took place between the city, Goodman and Target Corporation, the project's proposed anchor tenant. The project moved forward under the terms negotiated with Goodman and Target once formalized in separate municipal development agreements.

Financing Package:

The New Jersey Economic Development Authority (NJEDA) supported the Millville RADs and provided critical financing to the Goodmill shopping center project. NJEDA, as a New Markets Tax Credit (NMTC) allocate, committed $22.5 million in NMTC funding that made the project feasible, thus ensuring the shopping center's construction and the ability to deliver the neighborhood revitalization components of the RAD program to local residents, in addition to 1,000 new job opportunities.

<u>Two Revenue Generating Projects</u>

In order to provide a financial incentive to Goodmill, without which it would not locate its regional shopping center within the city of Millville, the city agreed to provide $1,500,000 to Goodmill toward the costs incurred by it for infrastructure improvements necessary for site and facilities construction. As part of the agreement, Goodmill would incur the costs and then be reimbursed by the city. The city will rely upon RAD Bond financing as the source of funding for this obligation. The city provided an additional financial incentive, a five-year tax abatement, with payments in lieu of taxes increasing by 20 percent annually.

Similarly, with Target, the city agreed to provide $1,000,000 toward the cost of infrastructure improvements. Target incurred the costs, and the city reimbursed the $1,000,000. Millville will rely upon RAD Bond financing as the source for this obligation. Additionally, the city agreed to a 15-year tax abatement, with payments in lieu of taxes being paid on the basis of two percent of project cost.

<u>Neighborhood Improvement Projects</u>

From the beginning of the RAD planning process, Millville decided that its key objective would be to use tax increment revenue to finance neighborhood improvements. These include:

- Code enforcement
- Housing rehabilitation, 140 units
- Nonprofit infill housing

- Neighborhood acquisition and demolition
- Neighborhood infrastructure

The city, county and school board percentages are based on 50 percent of the tax increment being shared according to the normal tax distribution formula, i.e., 35 percent to City, 34 percent to the county and 31 percent for the school board. To the extent that this allocation changes by the time distribution occurs, the actual distribution will be based on the actual year's tax percentages in effect at the time of distribution.

At present, the interpretation of the New Jersey Revenue Allocation District Legislation is in question. Both the Division of Taxation and the Division of Local Government Services of the Department of Community Affairs have interpreted the legislation to require that the new assessed value be added to the total assessed valuation for the municipality for purposes of county equalization and thus, county taxes. This issue is currently being analyzed and may require legislative action. The City anticipates two revenue-generating projects to provide the Initial RAD Revenue, described in the chart below.

TIF Process:

Soon after New Jersey's RAD statute was enacted in January 2002, Millville decided to expand its existing "Center City Redevelopment Area" to include neighborhoods adjacent to

25 year Tax Increment & RAD Revenue Projection

Development Project:	Goodmill Shopping Center	Target Retail Center
Estimated Total Cost	$55,000,000	$13,250,000
Est. Assessed Value (85 percent of Total Cost)	46,750,000	11,262,500
Annual Taxes after PILOT Period ($2.50 per $100 AV - (average annual payment)	1,641,561	281,563
Year 1: 0 percent of Taxes	0	
Year 2 : 20 percent of Taxes	233,750	
Year 3: 40 percent of Taxes	486,200	
Year 4 : 60 percent of Taxes	758,472	
Year 5 : 80 percent of Taxes	1,051,748	
Total 5 Year Graduated Tax Payments	2 530 170	
Total Taxes, Years 6-15	16,415,616	
Total Taxes Years 16-25	24,299,122	
Total Tax Increment Years 1-25	**43,244,909**	
Annual PILOT, Years 1-15 (2 percent of Cost)		265,000
Total 15 Year PILOT		3,975,000
Total Taxes Years 16-25		3,380,476
Total PILOT & Tax Increment Years 1-25	**43,244,909**	**7,355,476**
Total, both projects, PILOT and Tax Increment Years 1-25	**50,600,385**	

**Table assumes increase in tax rate of 4.00 percent per year, which increase is less than the seven (7) year historical average increase of 5.00 percent

25 year Tax Increment & RAD Revenue Projection

To Revenue Allocation Fund:	$25,200,817
To City:	10,869,872
To County:	7,694,937
To School Board:	6,834,758
Total:	**$50,600,384**

the Central Business District. The result was an enlarged redevelopment area totaling 821-acres. The new RAD law permitted an existing redevelopment area to be approved by the state as a "Revenue Allocation District". In Millville's case, the enlarged Center City Redevelopment Area and the Revenue Allocation District (RAD) are mostly the same.

Negotiations with Goodmill and Target were then pursued within the larger strategy of developing a sustainable, multi-year financing tool aimed at neighborhood improvement. City staff held working meetings with several neighborhood organizations, developing a set of agreed-upon program priorities for neighborhood improvements that could be financed through the newly-enacted RAD statute.

Millville was the first New Jersey city to submit Preliminary and Final Revenue Allocation Plans to the state's review and approval body, the Local Finance Board, which is staffed by the Department of Community Affairs, Division of Local Government Services (DLGS).

Timeline:

January 3, 2002	Revenue Allocation District Law approved
December 18, 2003	Millville RAD team presents and discusses its Preliminary Revenue Allocation Plan with state agencies convened by DLGS. These include the Economic Development Authority, Office of Smart Growth,Department of Environmental Protection, Department of Agriculture, Board of Public Utilities, Department of Commerce and Department of Transportation
October 18, 2004	NJ Local Finance Board (LFB) issues Draft Regulations for comment
January 12, 2005	NJ Department of Community Affairs issues LFB's revised RAD Regulations
October 24, 2005	Millville files initial application with LFB. Application seeks approval of an ordinance creating the RAD and approval of Preliminary Revenue Allocation Plan. Application seeks consideration at December 14, 2005 LFB hearing
October 28, 2005	Meeting with NJ Department of Local Governernment Services (DLGS) to review application
November 7, 2005	DLGS letter summarizing October 28, 2005 meeting distributed
November 11, 2005	Millville's response letter regarding October 28 meeting with DLGS and its November 7 letter
November 29, 2005	Millville letter forwarding certain re-development area information filed with DLGS
December 23, 2005	Millville letter filed with DLGS regarding "but for" criteria
December 28, 2005	Supplemental information filed with DLGS regarding DLGS staff-generated issues: 1. Detailed explanation of rational for Millville RAD 2. Detailed explanation of decision to pledge 50 percent of eligible revenues to Revenue Allocation Fund and 50 percent to city, county and school district for normal percentage distribution 3. Detailed explanation of 15 year amortization schedule for RAD bonds 4. City statement on city credit issues
January 5, 2006	DLGS letter seeking additional information to deem application complete
January 24, 2006	Supplemental information filed with DLGS in response to January 5, 2006 letter. Submission included public hearing transcript and revised pro forma showing impact of reducing bond amortization from 25 to 15 years
February 16, 2006	Local Finance Board approves Preliminary Revenue Allocation Plan, conditioned on filing of additional information to allow for LFB's proper drafting of an approving resolution

March 1, 2006	Supplemental information filed with LFB consisting of: 1. Revised ordinance to create the RAD 2. Determination of revenue allocation among the RAD and County, School District and City 3. Legal opinion that less than 100 percent of RAD revenues may be pledged to the City as District Agent 4. Revised project descriptions and project cost estimates 5. Consultants' fees 6. Request for resolution to address RAD area that exceeds 15 percent of taxable property and sufficiency of pledged revenues
March 25, 2006	DLGS letter acknowledging receipt of additional information and clarifying certainearlier requests for information
June 16, 2006	Supplemental information filed by City in response to May 25 DLGS letter
July 12, 2006	LFB approves City's RAD ordinance and Preliminary Revenue Allocation Plan
October 17, 2006	City submits Final Revenue Allocation Plan to LFB
December 13, 2006	LFB approves Final Revenue Allocation Plan

Results:

The city of Millville RAD initiative has paid dividends already. The 500,000 square-foot center is financing neighborhood projects and the $2.5 million in Goodman and Target infrastructure cost reimbursements through bond anticipation notes.

The neighborhood aspects of the RAD have formed the basis of a new Neighborhood Renaissance Initiative (NRI), a comprehensive, long-term, program that includes homeownership, housing rehabilitation, code enforcement, community policing, infrastructure replacement, nonprofit partnerships, youth leadership, workforce readiness, job and life skills, transportation and linkages to employment opportunities components.

The NRI has leveraged RAD funds with over $3 million in New Jersey homeownership program funding, federal Weed and Seed dollars and the commitment of millions of dollars in below-market housing loans from eight participating banks.

Finally, many of the 1,000 new jobs being created by the shopping center project are being filled by Millville residents, thus creating more opportunity in the community.

Lessons Learned:

It took almost 14 months between Millville's October 24, 2005 filing of its initial application with LFB and LFB's December 13, 2006 approval of the Final Revenue Allocation Plan. Since this was LFB's and DLGS' first experience in reviewing a municipality's Revenue Allocation Plan, the slowness of the process may be understandable. However, more of New Jersey's municipalities are expected to submit RAD applications. We encourage the NJ Department of Community Affairs to consider how its RAD review process, under the DLGS, can be expedited in the future.

Easton Town Center

Submitted By: Price Finely, Argus Growth Consultants, Ltd. and Laura Radcliff, Wachovia Securities
Location: Columbus, Ohio
Development Type: New development
Project Specifications:

- 1,200-acres of mixed-use development including: office, retail and residential space in the north-eastern corridor of Columbus, Ohio, near the I-270 and Morse Road crossing.

Project Web site: www.eastontowncenter.com

Easton is located on the I-270 corridor on the Northeast side of Columbus

Project Overview:

The Easton Town Center project was developed by The Limited, Inc. through a wholly-owned subsidiary. This center is the home to office, retail and residential space. The tax increment financing district was established for development of Easton, a major multi-purpose development in the heart of Columbus' northeast growth corridor. It is a 1,200-acre planned community that integrates 8,000,000 square-feet of office and distribution space, 4,000,000 square-feet of diverse retail, over 1,000,000 square-feet of lodging and conference facilities, restaurants and entertain-ment venues and more than 700 residential units. Proceeds of the bond issue were used primarily to reimburse the developer (The Limited, Inc.) for road improvements and rights-of-way that had been dedicated to the city of Columbus.

There are several components to the Easton Town Center project including:

- Market at Easton—a 900,000 square-foot retail space, primarily consisting of big-box retail located at the perimeter of the development
- Fashion District—1,500,000 square-feet of retail space including, movie theaters, clubs, fitness center, restaurants, hotel (Hilton Hotel) and parking structures (3,300 covered parking spaces)
- Commercial Office Development—More than 3,000,000 square-feet of commercial space including 800,000 square-feet for the Victoria's Secret Catalogue and 440,000 square-feet for Huntington Bancshares
- Residential Area—Two major residential areas are available within the project, including Commons District and Greens District that provide apartment housing and outdoor recreational opportunities

Financing Package:

The TIF structure incorporated developer guarantees that are secured by a letter of credit provided by the developer. Based upon the strength of these guarantees, the bonds were sold as a triple-A insured issue (AMBAC). The city of Columbus did not provide any credit support to the transaction, and the Columbus City Schools were not a financial participant.

In 2004, with TIF revenues meeting expectations, the developer wanted to make additional improvements in the Easton TIF district and to be released from its obligation of providing a letter of credit on the Series 1999 Bonds.

Key information about the financing package for Easton Town Center:

- It seeks $26 million in tax increment financing assistance to pay for parking structures and abatement for "non-retail" properties, which hampered revenue flow well into the future. In 1999, with revenues less than $300,000, debt service in 2000 would exceed $1,500,000. The city agreed to use its "best efforts" to finance the $26 million in infra-structure improvements with TIF.

Inside Easton

- It is a 30-year TIF with 100 percent of "non-school" TIF revenues committed to the project.
- In June 1999, the city issued $30,050,000 of TIF Revenue Bonds to finance the needed infrastructure.
- The schools were held "harmless" from the TIF financing plan, meaning 66 percent of the potential TIF revenue was not available for the project, but rather needed to pay taxes to the school district.
- The city of Columbus would not offer any other debt financing beyond TIF revenue for the project, including general obligation bonds.
- The proposed bond issue was not investment grade or marketable to the general public.
- The debt structure was "back loaded," meaning payments are greater as the project ages and allows debt service to grow as revenues grow, as well as allow the city to maximize the benefit on "non-retail" components when the abatement expires.
- It had a Developer Letter of Credit that required principal plus 225 days of interest. The Letter of Credit will remain in place until:
    - TIF revenues equal or exceed 1.5 times the maximum annual debt service for two consecutive years
    - No single taxpayer account for more than 20 percent of annual TIF payments
    - Top 5 taxpayers do not account for more than 45 percent of annual TIF payments
    - If the Letter of Credit terminates prior to meeting these conditions, bonds are immediately redeemed
- The original deal allowed no additional bonds and the excess revenues were used to redeem bonds. In 2004, the city and developer wanted to issue additional bonds and were forced to refinance. The result was $36.4 million in refunding bonds. Furthermore, $15 million of additional Easton improvement and $5 million of "remote" improvements for other locations in the city on subordinate basis were authorized. Additionally, parity bonds could be issued if 1.5 times debt service coverage is demonstrated.

TIMELINE:

Early 1980s	Land assembly began
1986	Columbus designated the areas of Easton as a "community reinvestment area," meaning all "non-retail" businesses eligible for 100 percent, ten-year tax abatement
1996	The city of Columbus created the Easton TIF District
June 1999	The city issued $30,050,000 of TIF Revenue Bonds to finance the needed infrastructure

RESULTS:

Currently the project consists of 3 million square-feet of retail space, 16 office buildings with more than 3.7 million square-feet with less than 100,000 square-feet vacant, 750 apartments; three hotels with a combined 560 rooms and more than 25,000 employees, with an anticipated 40,000 employees at full build out.

Today, Easton Town Center is one of the state's most active lifestyle shopping centers, and a popular travel destination. Easton attracts over 20 million visitors each year. Furthermore, Easton was honored with an Innovative Design Award by the International Council of Shopping Centers in 2000.

Peninsula Town Center

Submitted By: Ken Powell, Stone & Youngberg LLC
Location: Hampton, Virginia
Development Type: Shopping mall redevelopment
Project Specifications:

- Macy*s Department Store (174,000 square-feet)
- JC Penney Department Store (103,833 square-feet)
- Target Department Store (proposed) (142,900 square-feet)
- In-line retail stores (335,900 square-feet)
- In-line restaurant (85,000 square-feet)
- Restaurant on outparcels (18,500 square-feet)
- Cinema/entertainment space (47,500 square-feet)
- Office space (105,000 square-feet)
- Residential units (146,800 square-feet or 166 units)

Project Web site: www.peninsulatowncenter.com

Coliseum Mall footprint

Project Overview:

Opened in 1973, the previous Coliseum Mall (the "Mall") was a cornerstone of the city's prosperity. While the Mall had been renovated a number of times, it had experienced a significant decline in recent years. The Mall needed fundamental change to incorporate a sustainable mix of uses through redevelopment. Prior to commencement of demolition in late 2006, the Mall had approximately 60 percent occupancy of the retail space and vacancies were expected to increase. Many of the remaining tenant leases were scheduled to expire, and a number of tenants had negotiated buyouts in order to terminate their leases early and vacate the Mall. The few inquiries for potential new tenancies within the Mall were generally interested only if they could negotiate for distressed rental rates. As national and local tenants continued to leave the Mall resulting in falling occupancy and rental rates, the overall deterioration of the Mall was accelerating. The owner of the Mall was working to maintain an aging and inefficient physical plant to forestall further deterioration for an enclosed Mall that was obsolete in design and layout. The city and the owner of the Mall were at a critical juncture with respect to a property that was the largest generator of property taxes in the city and a major generator of sales taxes.

In part through the use of tax increment financing, the city and the owner of the Mall site, Peninsula Town Center, LLC, an affiliate of New York City-based Mall Properties, Inc. (the "Developer") worked together to put a financing package in place as outlined below for the redevelopment of the site into Peninsula Town Center (the "Project").

The Developer has demolished nearly the entire previous structure of the Mall (with the exception of an existing department store and three outparcel restaurant buildings) and plans to construct the Project. The Project is planned for commercial and residential uses as outlined above designed with a network of connected public streets, open space and pedestrian connectivity, far different from the obsolete design of the previous Mall.

Peninsula Town Center layout

Financing Package:

The city created the Peninsula Town Center Community Development Authority (the "CDA") to assist in the development of public improvements for the benefit of the projects follows: (i) construction of a parking structure with approximately 750 parking spaces located within the Project, and (ii) construction of on-site utilities and infrastructure associated with the Project, including new public streets and rights of way, paved sidewalks, public parks and landscaping, water, sewer, storm drainage, electricity and other utilities.

The Developer and the city negotiated a financing structure that included the use of (all as outlined below)

1) Incremental Tax Revenues expected to be generated within the Project;

2) Special Real Property Tax;

3) a Special Assessment in the form of a retail sales charge; and

4) a Back-up Special Assessment.

Incremental Tax Revenues - The city will pay the CDA certain incremental tax revenues, as set forth below, each year as long as any of the bonds are outstanding. The Incremental Tax Revenues will be equal to the sum of 100 percent of Real Property Incremental Tax Incremental Revenues, 50 percent of Sales Tax Incremental Revenues, 25 percent of Meals Tax Incremental Revenues and 50 percent of Amusement Tax Incremental Revenues.

Special Real Property Tax - The City Council will levy and collect a special tax on each taxable parcel of real property within the CDA. The Special Tax will be levied in the amount of $0.25 per $100 of the assessed fair market value of any taxable real property or the assessed value of taxable leasehold property within the CDA.

Retail Portion of Special Assessment - A portion of the Special Assessment (described below) will be collected in the form of a charge on all retail sales in the CDA in an amount equal to 1/2 of 1 percent of each $1.00 of retail sales.

Back-up Special Assessment - The city will levy an assessment on taxable real estate in the CDA in an amount equal to debt service on the bonds, administrative expenses of the city and the CDA in connection with the levy and collection of the special assessment and an annual payment of $50,000 to a repair and replacement fund (the "Special Assessment").

To the extent Incremental Tax Revenues, revenues from levy and collection of the Special Real Property Tax and the Retail Portion of the Special Assessment are insufficient to repay debt service with respect to the Bonds, the CDA will levy the Back-up Special Assessment on the owners of taxable estate in the CDA.

TIF Process:

The City Council created the Peninsula Town Center Community Development Authority District to process the incremental revenues.

Timeline:

In approximately 2003, the city and the Developer began devising a plan to redevelop the Mall site. Once the planning and political processes were complete in approximately early 2006, the tax increment financing commenced. Bonds were sold and placed in September 2007.

Results:

Tax increment financing helped the city keep its largest payer of real property taxes and major source of sales taxes.

The Shops at White Oak Village

Submitted By: Ken Powell, Stone & Youngberg LLC
Location: Henrico County, Virginia
Development Type: New development
Project Specifications:

- 136.5-acres open-air regional retail center and outparcel development totaling 870,000 square-feet
- Approximately 930,000 square-foot regional lifestyle center anchored by Lowe's, Sam's Club, Target and likely J.C. Penney
- 150-room Hyatt Place hotel

Project Web site:
www.theshopsatwhiteoakvillage.com

Arial view of proposed development

Project Overview:

The site of The Shops at White Oak Village will comprise Eastern Henrico County's first major shopping center and should create approximately 1,500 part-time and full-time jobs and generate around $80 million in revenue for Henrico County during its first 15 years in existence. Forest City Enterprises, Inc., of Cleveland and Pruitt Associates of Henrico will spend about $90 million to build the project, which will fill a void in an area with few options for sit-down dining and big-box shopping.

The Shops at White Oak Village will offer a pedestrian-friendly lifestyle village with clothing, grocery and home improvement retailers, a hotel as well as restaurants and eateries. Once the site of the Viasystems building, approximately 77,000 tons of concrete were crushed on site and re-used for foundations, sidewalks, and structure support for the Project. Roughly 7,500 tons of aluminum, steel, iron, copper, and other ferrous and non-ferrous metals were also recycled and re-used. The Shops at White Oak Village is also being designed for sustainability in accordance with Leadership in Energy and Environmental Design (LEED) standards.

The Shops at White Oak Village Community Development Authority (the "Authority") issued $23,870,000 of bonds to fund certain transportation improvements, mass earthwork, sanitary sewer, storm sewer, water lines, a portion of facilities for parking, landscaping and dry utilities associated with the Project.

Financing Package:

The primary securities for the bonds are:

Incremental Tax Revenues – Incremental Tax Revenues will consist of payments received by the Authority from the Economic Development Authority of the County (the "EDA") derived from incremental revenues within the Development from (1) real property taxes; (2) personal property taxes; (3) Business Professional Occupational License taxes; and (4) the local portion of sales taxes.

Special Assessment - The County will levy a special assessment on taxable real property in the District in an amount equal to debt service on the Bonds and administrative expenses of the District in connection with the levy and collection of the special assessment (the "Special Assessment"). The Special Assessment will be levied to the extent payments from the Economic Development Authority to the CDA from Incremental Tax Revenues are insufficient to pay debt service and administrative expenses with respect to the Bonds.

TIF Process:

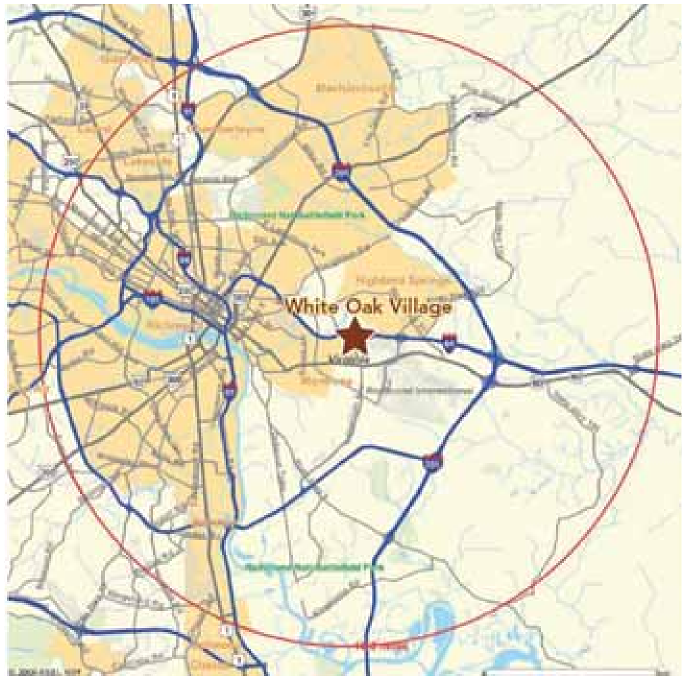
After successfully funding infrastructure through a CDA for Short Pump Town Center in Western Henrico County, the County Board of Supervisors created The Shops at White Oak Village CDA to provide Eastern Henrico with its first major shopping center in an efficient, environmentally-friendly manner.

Timeline:

Demolition and site work commenced in the fall of 2006. Construction began in the spring of 2007. A grand opening of the center is currently planned for the fall of 2008.

Results:

The use of tax increment financing was a catalyst in the development of a site that was previously underutilized in a strategic location in the county.



View of regional location of development

Buzz Westfall Plaza on the Boulevard

Submitted By: Mark Brady, St. Louis County Economic Council
Location: Jennings, Missouri
Development Type: Greyfield and brownfield redevelopment
Project Specifications:

- 67-acres, largely abandoned former regional shopping mall suffering from outmoded layout and design, deterioration of physical structures and environmental contamination.
- 500,000 square-foot mixed-use office/retail development anchored by a 124,000 square-foot Target Store, a 63,000 square-foot full-service grocery store and a new State of Missouri office building.
- Approximately $60,000,000 in development cost
- TIF Assistance of $17,000,000 (including a portion of a 0.5 percent Community Improvement District sale tax)
- 600 construction jobs and 1,000 permanent jobs created
- 98 percent occupancy

Project Web site:
www.sansonegroup.com/properties/retail.html

Project Overview:

The project is named for Buzz Westfall, a late county executive who provided critical leadership in bringing the project to fruition.

History

Jennings is an older, inner-ring suburban community in North St. Louis County. Its history is typical of many inner-ring communities located in St. Louis County and across the country. Fifty years ago, Jennings was one of the "places to go" in the St. Louis region. Two large shopping malls thrived in the city due to the abundance of residents in the area and its central location in North St. Louis County. Over the ensuing years, however, consumer preferences changed and new residential and retail development migrated west. As a result, Jennings experienced economic decline. Deteriorated properties and infrastructure became prevalent which further impaired the potential for new economic growth. The two large malls fell into disrepair and large anchor retailers left for other locations. Environmental concerns arising from the time when the malls were constructed emerged as one of the challenges to redevelop and return these properties to productive use. In addition, each mall site was subject to multiple ownerships, which further complicated redevelopment efforts.

In order to reverse this decline, St. Louis County's inner-ring cities have been the focus of intense redevelopment efforts through the St. Louis County Economic Council (SLCEC) acting through the St. Louis County Land Clearance for Redevelopment Authority ("LCRA"). The LCRA collaborates with the inner-ring communities in the redevelopment process, in part by acquiring properties and taking necessary steps to prepare them for redevelopment. LCRA has done this by focusing on rehabilitating larger Brownfields sites, consolidating them with additional parcels to create sites that are suitable for modern development. At the request of the city of Jennings, LCRA began exploring potential reuse of the large malls.

Comprehensive Planning

The city initiated a comprehensive planning effort to determine the most appropriate and effective manner to redevelop the community. The intensive planning effort revealed that the city could no longer support two large retail centers. Accordingly, the former Northland Mall was slated for retail/commercial redevelopment while the other mall was designated for residential, neighborhood, commercial and institutional uses.

Redevelopment Plan

Working together, the SLCEC, the County LCRA and the city developed a general plan for the redevelopment of the Northland Mall and began the process of identifying and selecting a developer to implement the plan. The Sansone Group was selected as the developer, and the city approved a TIF plan to assist with the financing of certain extraordinary development costs. The LCRA acquired a substantial portion of the Mall and, working with the state of Missouri, was awarded brownfield remediation tax credits to pay the costs of environmental cleanup of the property. For its part, Sansone was able to attract large national retailers as tenants for the project.

Redevelopment Success

The project, known as the Buzz Westfall Plaza on the Boulevard, is 98 percent leased and includes national and local retailers such as Target Stores, Schnucks Supermarket, Blockbuster, Sonic, Starbucks and US Bank. The new State office building is also fully leased.

Financing Package:

TIF	$17,000,000
Brownfield Tax Credits	$ 1,200,000
Private and other sources	$41,800,000
Total	$60,000,000

TIF Process:

1) TIF Commission – The Missouri statutes set forth certain mandatory procedural requirements to which cities must strictly adhere. Included among those requirements are establishing a TIF Commission, providing notice of public hearings, conducting hearings, and reserving in elected officials the right to approve certain aspects of TIF projects. Consisted of representatives from the city of Jennings, St. Louis County, and the local school district and other local taxing districts.

2) Notice and Public Hearings – The TIF Commission mailed notice to local taxing districts and property owners within the proposed TIF District and published notice in the paper. The TIF Commission then conducted a public hearing that included the following:

   a. A planning firm presented the details of the proposed TIF Plan;

   b. The developer presented its plan for implementing the TIF Plan;

   c. Bond counsel discussed financing for the plan and the development;

   d. The public commented on the plan and the development;

3) At the conclusion of the public hearing the TIF Commission voted to recommend that the City Council approve the TIF Plan.

4) City Council – The Council heard presentations concerning the TIF Plan, the development proposal, and the TIF Commission hearing and voted to approve the TIF Plan and the developer to implement the plan.

5) Amended Redevelopment Plan – The city followed the same process above and approved an amended TIF Plan together with a Community Improvement District that assessed a 0.5 percent sales tax to finance certain development and maintenance costs.

6) Urban Redevelopment Corporation Tax Abatement – The city also approved tax abatement for the State office building pursuant to Missouri's Urban Redevelopment Corporations law.

Timeline:

1990s	City undertakes comprehensive planning effort
2000	City and LCRA collaborate to develop redevelopment plan
2000	LCRA acquires May Co. property
2001	TIF plan approved
2001	Brownfield Remediation Tax Credits awarded to LCRA
2002	Environmental remediation completed
2003	Construction of State office building using Chapter 353 tax abatement
2004	Amended TIF Redevelopment Plan approved
2005	Demolition of existing mall, grading and commencement of construction of new retail center
2006	Opening of new Target Store
2007	Opening of remainder of retail center

Results:

The new retail/office center has been a tremendous success with occupancy rates at 98 percent. The success of the project has spurred additional redevelopment activity throughout Jennings including the redevelopment of the other old shopping mall as well as additional new housing in the city.

Lessons Learned:

Given the market dynamics, limited financial resources and lack of technical expertise that can be present in older, inner-ring communities, various levels of government must be willing to collaborate and consider innovative approaches to redevelopment. In this case, St. Louis County and the city of Jennings forged a strong, cooperative partnership to complete the project. In addition, engaging in a comprehensive planning effort that addresses how a particular redevelopment project will fit into larger community goals is a critical step in the sustainability of the project and has the additional benefit of enhancing the likelihood that ancillary redevelopment will result from the project. Further lessons learned from the project include:

1) The value of a committed city leadership cannot be overstated

2) It is critical to identify a developer that understands the market opportunities in older communities and is willing to persevere to bring the project to fruition

The Collections (City of Burbank Community Facilities District)

Submitted By: Ken Powell, Stone & Youngberg LLC
Location: Burbank, California
Development Type: Downtown revitalization
Project Specifications: The city of Burbank Community Facilities District (the "CFD") is planned to entail:

- 118 condominiums
- 41,700 square-feet of commercial (retail and restaurant)
- 7,600 square-feet of storage space
- 723-space parking structure

Project Web site:
www.theburbankcollection.com/index.php
http://championdevelop.com/proj_burbank.php

Project Overview:

In January 2006, about seven years in the making, the city of Burbank CFD 2005-1 issued $6.155 million in bonds to finance public parking associated with Phase Two of a small commercial site in downtown Burbank. Phase One had been completed in 2003 by American Multi-Cinema, Inc. ("AMC") and includes approximately 35,000 square-feet of developed retail space, anchored by a 16-screen AMC cinema and a 250-stall parking structure. Burbank Collection, Ltd., a California L.P. had plans to develop the 1.9-acre Phase Two site that comprised the CFD. Burbank Collection's general partner is Champion Enterprises, Inc. (the "Developer"), an affiliate of Champion Development Company.

In the late 1990s, the prior owner of the Phase Two site—an entity related to AMC—originally entered into an agreement with the Redevelopment Agency of the city of Burbank to construct a parking structure. A portion of structure would be dedicated to the city and primarily utilized for parking at city administrative offices. The transaction was expected to be completed within a couple of years. Essentially, the city agreed to reimburse the developer $5 million from CFD bond proceeds for the cost of the city's portion of the parking structure.

The CFD bonds would be paid from a combination of revenue sources. Primarily, tax increment revenue from the redevelopment project area in an amount equivalent of up to 75 percent of the incremental tax revenue generated from the increase in assessed value from Phase One and Phase Two of the project would be pay debt service on a basis subordinate to the redevelopment area's outstanding bonded indebtedness. To the extent such amount was insufficient, special taxes from the CFD would be levied on Phase Two.

The city was willing to enter the agreement because it needed public parking in that area, and because the vacant property represented blight in the heart of downtown. Unfortunately, changes in ownership and changes in a viable development plan delayed the implementation of the financing program for quite some time.

Ultimately, the Developer presented a development plan for Phase Two that included a mixed-use development of 118 condominium units, approximately 49,300 square-feet of retail, restaurant and storage space as well as approximately 723-space parking facility. Only the commercial component of the development would be subject to the CFD special taxes. The $5 million net proceeds of the CFD bonds would be used by the city to acquire the public parking upon its completion. In addition, before bond proceeds could be released, it would be necessary for CFD to have an "as is" appraised value of at least $18.5 million, meaning the CFD's value to lien ration needed to be 3:1. The financing team estimated that it would require nearly full construction of the project to attain this value.

Map showing the location of the project

Financing Package:

The bonds are secured by both a special tax of up to $19.13/square-foot of floor area on the commercial property and 75 percent of the tax increment revenue generated by the Phase One and Two properties upon completion of the parking. Upon full build-out, tax increment revenue alone is expected to provide sufficient revenue to cover debt service on the bonds, with such amount growing by 2 percent per year over the life of the bonds. This meant that so long as the Developer delivered what was promised in the timeframe promised, the CFD special tax would never actually have to be levied.

Timeline:

The Developer expects to begin construction of the CFD condominiums in the fourth quarter of 2007, with completion expected in mid-2008. The lofts and luxury apartments are expected to range from 630 to 2,240 square-feet, and will be located above The Collection's commercial development. Residential pricing is expected to range from $400,000 to $1.1 million per unit. Construction of the restaurant and retail portion of the CFD is expected to start in the second quarter of 2008 with completion projected in the third quarter. The parking structure construction is expected to be completed before the end of 2007.

Results:

From the city's perspective, this use of tax increment financing and land-secured financing in combination assisted the city in removing the perceived "eyesore" in the core of its downtown and provided 278 spaces of much-needed public parking, while putting the risk of development entirely on the Developer. From the Developer's perspective, trusting that it would deliver as planned, the $5 million acquisition price for a parking structure that served the city and the commercial tenants and residents of The Collections, helped defray the total cost of the project.

Flats East Bank Redevelopment Project

Submitted By: Steve Strnisha, Strnisha Development Advisors and Jessica Dunn, Strnisha Development Advisors
Location: Cleveland, Ohio
Development Type: Urban revitalization
Project Specifications:
- 500 housing units
- 270,000 square-feet of retail
- 350,000-400,000 square-foot Class A office building
- More than 2,000 parking spaces
- New public park

Project Overview:

Cleveland's once burgeoning Flats neighborhood, located along the Cuyahoga River, has become the antithesis of Cleveland's re- vitalization. A district once vibrant with restaurants, night clubs and cultural events now consists of boarded up buildings, empty streets and is a magnet for crime. The approximately 30-acre site has been declared blighted by the city of Cleveland.

Flats East Development LLC (Flats East), a joint venture between The Wolstein Group and Fairmount Properties, has initiated the redevelopment of the Flats East Bank Neighborhood. The $400 million plan underway will create a new mixed-use district complete with commercial, retail, residential and recreational uses.

In order to properly utilize this location, significant public improvements must be made. Roads must be moved and reconstructed, bulkheads must be re-enforced, utility capacity must be enhanced, supportive parking must be created and environmental contamination must be remediated. In total, this need is estimated at $103 million of the total project expense. This will be the most significant private/ public development in Cleveland in more than 20 years.

Financing Package:

Among the sources for financing the public improvements are: *(see chart below)*

Financing Package

Source	Amount
TIF/ Parking Bond Proceeds – (to be repaid from tax increment and public parking revenues)	$50,875,000
Infrastructure Bond Proceeds – to be repaid by the Northeast Ohio Regional Sewer District	$8,850,000
Infrastructure Bond Proceeds – to be repaid by the city of Cleveland	$10,280,000
Cleveland Public Power – upfront funding	$3,400,000
Cleveland Water Department – upfront funding	$740,000
Clean Ohio Revitalization Fund – brownfield grant for portion of site	$3,000,000
Department of Commerce National Oceanic and Atmospheric Administration – grant for acquisition of land to be dedicated as park	$1,450,000
US Department of Transportation – grant for bulkhead repair and boardwalk construction	$4,550,000
Cleveland 2005 G.O. - grant	$1,000,000
State of Ohio 2006 Capital Budget - grant	$1,000,000
Cuyahoga County Brownfield Redevelopment Fund – brownfield remediation loan (45 percent forgivable)	$4,000,000
Cleveland Development Advisors – loan repaid with project revenue	$3,500,000
Cleveland Core City Fund – loan repaid with project revenue	$6,000,000
Other Grant Funds – Federal, State and Local sources in process	$4,000,000

TIF Process:

Flats East owns a significant share of the property in the proposed project area and approached the city with a redevelopment proposal. The Cleveland City Planning Commission conducted a survey of all of the properties located within the project area and determined that the area was blighted. The Flats East Bank Community Development Plan was created and adopted by the city to guide future redevelopment activities aimed at eliminating the blight and preventing its recurrence.

Recognizing the huge expense that would accompany the public improvements, the development team immediately began to identify and secure public sources. The city has utilized tax increment financing (TIF) for a number of large scale development projects: currently 10 TIFs are in place.

The project site has two components. The larger one is the approximately 24-acre portion that has been found blighted by the city and will be developed as a mixed-use neighborhood. Immediately adjacent to the north is the approximately 5-acre site of the future office building. The city has created two separate TIFs for each of these components (the Neighborhood TIF and the Office TIF) utilizing two different sections of the Municipal Tax Increment Financing chapter of the Ohio Revised Code (ORC), 5709.40 and 5709.41.

The latter requires that the municipality had been in the chain of title prior to adoption of the TIF legislation. The Office property is currently owned by the Port. To meet this requirement, the title was transferred to the city and immediately back to the Port. An advantage to this section of the code is that PILOTs can be used to fund private as well as public improvements.

While the authorizing legislation was passed in 2005 (Neighbor-hood TIF) and 2006 (Office TIF), the tax exemption will commence in 2009 to reflect the anticipated project completion date.

According to the ORC, a local government can exempt up to 75 percent of improvements to real property from taxation for a period of 10 years. The terms can be extended to 100 percent of improvements for a period of 30 years with approval from the Board of Education.

The status quo for Cleveland TIFs had been to exclude the school district share of the property tax; they had never participated in a TIF. In the case of the Flats East Bank Redevelopment Project, a compensation agreement was negotiated between the city and the Cleveland Municipal School District. As part of the agreement, the School District will receive 50 percent of the taxes it would have received if not for the TIF. The other 50 percent will be available for debt service.

The School District's willingness to participate reflects its recognition of the importance of the project to Cleveland's redevelopment effort and more importantly, the direct benefit of the project to the schools. Currently, the School District is receiving $200,000 in property taxes annually from the site. This figure will grow to over $1 million upon project completion and total over $50 million for the full term of the TIF.

Another factor affecting the value of the Neighborhood TIF is the project site's eligibility for the city's Community Reinvestment Area (CRA) tax abatement program. This designation provides that all residential units in the project, both for-sale and rental, and all parking improvements utilized for these tenants are 100 percent exempt from the increase in real estate taxes for a period of 15 years. Consequently, the tax increment from the residential component is not available for the TIF during this time, but will be used after the abatement expires.

The Neighborhood TIF and Parking bonds will be combined as one bond series in order to maximize proceeds. This series, currently projected to be $50.875 million, as well as the two infrastructure series, will be issued by the Port. The Port will also serve as the construction manager for the public improvements, exempting this work from sales tax. The PILOTs generated from the project are expected to exceed debt service for the bond issue. This excess revenue will be used to pay off subordinate debt, specifically loans from the Cuyahoga County Brownfield Redevelopment Fund, City of Cleveland Core City Fund and Cleveland Development Partnership. The TIF bonds will be secured by a pledge of a minimum payment by the developer.

Timeline:

May 2005	Announcement of the redevelopment project to create a full-scale neighborhood on Flats East Bank, marking first step toward housing on downtown's waterfront and enhancing regional interest in Downtown Cleveland.
September 2005	Cleveland City Planning Commission initiates the Slum & Blight Study and prepares a Flats East Bank Community Development Plan.
September 2005	Cleveland Municipal School District agrees to creation of a TIF district and compensation agreement which will help finance many of the public improvements at the site.

October 2005	Cleveland City Council accepts the City Planning Commission's blight determination for the Flats area and accepts the redevelopment plan.
October 2005	Cleveland City Council passes the Plan Area TIF legislation.
December 2006	Cleveland City Council passes the Office Site TIF legislation
Fourth Quarter 2007	Anticipated bond issue date
Second Quarter 2008	Anticipated construction start date
2010	Anticipated project completion

Results:

In 2007, the Port engaged in eminent domain proceedings with five remaining property owners. If the Court finds that the Port has the right to take the property, the project will move forward while a jury determines fair market value.

The anticipated timeframe for issuing bonds, construction and project completion for the neighborhood component is reflected above. The office portion of the project will advance once an anchor tenant is secured. Due to the lack of large amounts of contiguous Class A office space in Cleveland, the site is currently being considered by a number of firms.

While the project benefits from a number of public partners, the financing, property acquisition and project construction are being coordinated through a single public entity, the Cleveland-Cuyahoga County Port Authority.

The project is a rare example of TIF participation from the Cleveland Municipal School District, which has entered a compensation agreement.

Gallery Place Project

Submitted By: Sarah Goss, City of Washington, DC
Location: Washington, District of Columbia
Development Type: Urban redevelopment
Project Specifications:
The project is an approximately 950,000 square-foot mixed-use urban retail, entertainment, parking, residential and office complex, including:

- Retail stores, dining, entertainment and health and fitness facilities: 200,000 square-feet
- Multiplex cinema: 63,000 square-feet
- Market-rate housing: 192 residential units
- Office space: 210,000 square-feet
- Below-grade parking garage: 690 parking spaces

The $273.5 million project was financed with approximately:

- $66.4 million in owner equity
- $123.8 million in Enterprise Zone bonds
- $74.3 million in TIF proceeds
- $9.0 million in other District of Columbia contributions

Project Web site: www.galleryplace.com

Project Overview:

The Gallery Place TIF Project was the first TIF project approved by the Council of the District of Columbia. Gallery Place is a mixed-use development consisting of approximately 950,000 square-feet of retail, residential and office space located at 7th and G Streets, NW, adjacent to the Verizon Center arena. The project was initially conceived as an urban retail and entertainment complex that would complement the District's newly constructed sports arena and advance the city's objective of transforming its downtown from a purely commercial center into a lively neighborhood.

In 1995, the District was in the midst of a financial crisis – several years of overspending had led to an accumulated $484 million deficit, it was facing a rapidly shrinking tax base, and its bond rating had been downgraded to B/Ba/BB. In order to stimulate economic development and grow the tax base, the District passed the "Tax Increment Financing Authorization Act of 1998" ("TIF Act"), which approved the use of financial incentives to encourage housing and retail construction. The Gallery Place project appeared to be an ideal candidate for TIF; however, as the case demonstrates, several challenges had to be overcome.

On September 14, 1998, Gallery Place Associates LLC ("GPA") submitted an application for approximately $42.6 million in net TIF subsidy as part of the financing of a $171.8 million mixed-use development. In this case, the subsidy was financed with bonds. Therefore, the net amount required excluded costs of issuance and funding of debt service reserves. Although the "highest and best use" of the land would have been office space, the District was promoting the construction of housing and retail as part of its initiative to create a "livable downtown."

In order to achieve an acceptable return on investment, while constructing a project with both residential and retail uses, the developer proposed using TIF to fill the financing "gap"—the additional equity required to fully fund the project. Review of the initial application and supplemental information indicated that the project generally complied with the District's eligibility criteria. The District issued a pre-certification memo in July 1999, noting that actual certification would be subject to several agreements. This included the completion of negotiations of business and financial terms; review of the Development Agreement between GPA and the District memorializing these terms; timely and complete submission by GPA of all analysis and studies required; and confirmation that the project would generate net tax revenue and satisfy the "but for TIF" test. The "but for TIF" test required an analysis of whether the project could be built in the absence of a TIF subsidy.

Given the District's financial situation at the time and the limited security pledge for the TIF, it was essential that the project be self-supporting. Each fiscal year, a certain percentage of Real Property Tax collections are dedicated to the payment of debt service on the district's outstanding general obligation bonds. In fiscal year 1999, 75 percent of all real property taxes were already pledged. For this reason, repayment of debt service on the TIF bonds is heavily dependent on incremental sales taxes.

For this reason, the District required that a feasibility consultant verify the viability of the project and provide an independent analysis of the amount of net new taxes to be generated by the project. After reviewing the initial application and a revised submission dated November 1, 1999, which included increased project costs and requested additional TIF, the consultant reported favorably on the ability of the project to generate sufficient tax increment to support the proposed debt. Based on the consultant's report and execution of a Development Agreement, the application was certified for tax increment financing on December 5, 1999. Two days later, the Council enacted legislation that authorized the creation of the TIF Area and the issuance of bonds to fund construction. The path now appeared clear to issue the debt. Unfortunately, several key elements of the project kept changing, which delayed the bond sale.

The project was certified based on total costs of approximately $195.0 million to be funded with $30.5 million in equity, $118.5 million in debt and $46.0 million in TIF. As part of the certification, the District required that closing on the TIF bonds coincide with closing on the equity and debt portions of the financing. However, the equity partners and a construction lender were not confirmed until June 2000, at which point additional changes were made to the deal. On June 16, 2000, GPA informed the District that increasing construction costs, unanticipated costs in assembling the land and rising interest rates necessitated an increase in the amount of government assistance. GPA also wanted to re-negotiate fundamental elements of the Development Agreement as they related to the timing of the TIF funding. After months of protracted negotiations, the District had purposely required that the TIF proceeds be "last in" based on order of funding to minimize its construction completion risk. However, the new construction lender was now requesting that the TIF funds become the "first dollars" into the project before both the equity and the construction loan proceeds.

In September 2000, GPA notified the District that the project would now cost $221.3 million to construct and that an $18.5 million gap would exist unless the size of the TIF increased from $46.0 million to $60.0 million. However, the original legislation authorized the sale of bonds in a principal amount to fund $46.0 million in development costs, plus bond reserves, capitalized interest, and costs of issuance, with an overall cap of $75.0 million. Increasing the net TIF proceeds to $60.0 million would require new legislation unless alternate methods to increase the funding could be found. To remedy this issue, the District proposed to remove the net proceeds limit in addition to providing up to $7.0 million in certain tax and fee waivers and $2.0 million in alley improvements. In exchange, the District would receive a percentage of the net proceeds of a sale or refinancing of the project. Thus, on November 8, 2000, modifying legislation was enacted that removed the net proceeds limitation and memorialized the profit sharing of any sale or refinance. The fee waivers were enacted in separate legislation in January 2001. The project again appeared to have progressed to a point where the bonds could be issued and construction could begin. However, changes in the tenants committed to the project would delay the debt issuance by another year.

The decision to certify the project for TIF and provide additional economic assistance was predicated on attaining a specific type of development which would attract a particular quality-level of housing and retail. By late January 2001, the configuration of the project had to be completely redesigned when the project's anchor tenant reduced the size of its movie theater complex by half. Replacing the theater with office space presented a new challenge because repayment of the TIF debt depended heavily on sales taxes (the majority of real property taxes are dedicated to repayment of the district's general obligation bonds). In addition, the retail cluster effect meant that the line-up of tenants kept changing as stores would drop-out and sign-on in a chain-like effect as they constantly re-evaluated their real estate options. Ultimately, another feasibility study was conducted in order to verify that the redesigned project would be viable. As the deal began to approach final form, the attacks of September 11, 2001 occurred, eliminating any market interest in the TIF bonds backed mainly by sales taxes.

By 2002, the District had staged a major financial comeback. Cumulative fund balance had recovered from negative $518 million to positive $500 million through five consecutive years of budget surpluses. Wall Street responded by upgrading the District to BBB+/Baa3/BBB status. The return of confidence in the District's financial position enabled it to create a credit enhancement mechanism to generate investor interest in the TIF Bonds. The District established the "Downtown TIF Area" comprised of a section of the city that generates the majority of its property and sales taxes and pledged the incremental taxes from this area to repayment of the bonds in the event that the incremental project taxes were insufficient. With the added security, the District was able to market the bonds, which finally sold in April 2002.

Financing Package:

In addition to selling $73.65 million in Tax Increment Revenue Bonds, the District provided $7.0 million in tax/fee waivers and $2.0 million in certain capital improvements. The insured TIF Bonds are a special obligation of the District, secured by a lien on:

- Pledged receipts (real property tax and sales tax increment) generated within the Project Area
- Moneys on deposit in a Reserve Account
- Incremental real property and sales taxes generated within the "Downtown TIF Area"

TIF Process:

The District TIF Program is administered jointly by the Office of the Deputy Mayor for Planning and Economic Development ("ODMPED") and the Office of the Chief Financial Officer ("OCFO").

Step 1: Pre-Application
The Applicant meets with the ODMPED to describe the proposed project, outline its benefits to the public and discuss the application requirements and procedures.

Step 2: Application
The DC Government reviews and analyzes the project. They give preliminary approval or rejection of the application based on whether:

- The project is consistent with the District's Comprehensive Plan and all applicable zoning statutes, rules and regulations
- The incremental tax revenue projections provided by the applicant are accurate
- The project is financially feasible
- The project will result in a net increase in taxes payable to the District
- The project's total anticipated benefits to the District, including public as well as financial benefits, exceed the total anticipated costs to the District
- The use of TIF will compete with or supplant benefits from other financing sources that otherwise would be available for the project
- Other forms of government assistance could be utilized in place of TIF that would have lower costs to the District
- The project is one of special merit and there is reasonable probability that the special merit will not be achieved without the TIF allocation

Stage 3: Negotiations
The parties negotiate the Term Sheet setting forth the general business and financial terms of the project and the Development Agreement, which includes the statutory requirements for financing the project.

Stage 4: Approval
The DC City Council approves and passes the necessary legislation. All final regulations and financing documents for project are completed. Project financing is approved.

Timeline:

September 14, 1998	Initial TIF application submitted
March 4, 1999	Updated application submitted
July 19, 1999	Pre-certification memorandum issued
November 1, 1999	Revised TIF application submitted
December 7, 1999	Certification of the project for use of TIF
December 7, 1999	TIF Approval Resolution passed
November 8, 2000	TIF Modification Resolution passed
December 19, 2000	Bond Maturity Modification Resolution passed
January 5, 2001	Gallery Place Economic Development Act passed
November 6, 2001	Downtown TIF Area Resolution passed
February 5, 2002	Downtown TIF Area Base Year Resolution passed
April 24, 2002	TIF Bond sale

Results:

The project was anticipated to open in late 2003 with stabilized occupancy to occur in 2004. However, construction was not completed until fall of 2004, and leasing proceeded more slowly than expected. Given the delay, the TIF bonds did not become self-supporting until 2007. The development has had a tremendous impact on neighborhood and has spurred the development of additional dining, retail and housing in the surrounding area.

Lessons Learned:

Despite the delays associated with finalizing the project costs and the amount of assistance required, the Gallery Place project highlighted several key issues in structuring TIF deals.

1) Require all project participants to take appropriate risk. Since repayment of the TIF bonds is so heavily dependent on sales taxes, timely construction completion and store openings was essential. Recognizing that neither of these events could be guaranteed, the investment community required additional security, which the District provided through the Downtown TIF Area. Although credit enhancing the bonds allowed the sale to proceed, it increased the District's risk disproportionately if the project failed to open on time. As a result of this transaction, in future deals, the District focused on alternative structures that better allocated risk to all parties, as demonstrated by the International Spy Museum TIF in which the development risk is placed solely on the developer.

2) Invest the time to thoroughly delineate expectations. Negotiating the Development Agreement was an extraordinarily time-consuming process because of the level of detail included in the document. Numerous provisions were included to ensure that the District's investment would yield the desired results. Subsequently, each time the deal changed, certain terms required revision to guarantee that the District's position was not weakened. In supporting the Gallery Place project, the District was focused on attracting certain types of retail to the city that would appeal to young, urban professionals who otherwise would travel to the Virginia or Maryland suburbs to make their purchases. While accepting a different mix of retail might have enabled the project to advance more rapidly, securing the approval rights delineated in the Development Agreement allowed the District to enforce attraction the desired tenants.

3) Allow for change. Several key aspects of this project changed from inception to completion. Consequently, multiple modifications to the authorizing legislation were required, which increased the amount of time necessary to issue the debt. If the District had allowed for a greater degree of flexibility within the limitations out-lined in the authorizing legislation, it could have eliminated time spent on subsequent modifications. As a result, instead of specifying interest rate and amortization period terms based on an expected issuance, later TIF authorizations have included specifications allowing for more flexibility.

Westwood Station

Submitted By: Harold Davis, New England Economic Development
Location: Westwood, Massachusetts
Development Type: Transit-oriented redevelopment
Project Specifications:

- New roadways, utilities, stormwater management and other infrastructure to facilitate a mixed-use, transit-oriented "Smart Growth" project
- Approximately 1,348,000 square-feet of retail space
- Approximately 1,490,000 square-feet of office space
- Nearly 230,000 square-feet of hotel space
- Approximately, 1000 residential units at full build

Project Web Site: www.wscommunityonline.com

Project Overview:

The project Developers are limited liability companies owned by Cabot, Cabot & Forbes of New England and CommonFund Realty, Inc. The Certified Project consists of approximately 145-acres that was previously used as an industrial/business park originating in the 1960s. The existing properties had significant vacancies and were in need of revitalization. In 2005, the town rezoned the property to encourage a comprehensive approach to redevelopment. The zoning encourages sustainable, high-density development that is consistent with the Commonwealth's Principles of Sustainable Development and will yield many new jobs and substantial increases in local and State tax revenues. The site is adjacent to a transit station and has immediate access to two highways (Route 128 or I-93, and I-95). An ideal use of the site for Westwood, the region and the Commonwealth is a high density, mixed-use project. The project's master plan allows for convenient access to public and rail transportation.

Westwood Station transforms an aging and underperforming industrial park into an active pedestrian-friendly mixed-use development featuring new office, retail, residential and open space while providing fiscal and community benefits to Westwood. Located adjacent to the Westwood transit/Amtrak station and in close proximity to primary roadways, Westwood Station is primed to be a national model for mixed-use communities.

The project is a joint venture between: Cabot, Cabot & Forbes—a Boston real estate development firm; Commonfund Realty, Inc., the real estate arm of The Commonfund—a college and university endowment fund manager; and New England Development—a regional retail developer.

The location and direct MBTA access facilitates Westwood Station residents commutes to downtown Boston and provides an alternative to car travel, a key feature of transit-oriented developments. Boston's Back Bay and Financial District are 15 minutes away by commuter rail, and the Amtrak trains provide express access to Providence, New York and Washington D.C.

Financing Package:

Westwood Station TIF

Reason for TIF: Provide public support for a portion (roughly 20 percent) of infrastructure burden:

1. Regional Road Improvements	$28,968,000
2. Local Road Improvements Including Utilities (e.g. sewer)	$36,925,000
3. Sound Attenuation and other Neighborhood Improvements	$2,168,000
4. Transit Related Costs	$5,220,000
5. Aquifer Water Management and Recharge	$4,155,000
6. Power and Utility Capacity Upgrades	$11,532,338
7. Municipal and School Facilities and Equipment	$10,400,000
8. Parks, Landscaping & Recreation	$11,000,000
TOTAL:	$110,368,338

The TIF is sufficient to pay debt service on approximately $20 million of infrastructure financing over a 20-year period.

TIF Formula:

- Base TIF amount is $1.95 million/year.
- No TIF distributions occur until gross tax revenues are sufficient to cover municipal costs attributable to the project and minimum guaranteed net new tax benefit to Westwood.
- Base TIF that is not distributed in early years accrues and is distributed once gross tax revenues increase.
- TIF amount distributed over 20 years:
  TOTAL: $39,000,000

Investment Tax Credit (ITC):
Anticipated state income tax credit is much less than foregone property tax, as illustrated below:

Potential Users	Total Investment	Investment Tax Credit
Pad Retailers (three)	$40,000,000	$2,000,000
Tenant Improvements (Retail)	$13,480,000	$674,000
Tenant Improvements (office)	$20,860,000	$1,043,000
Common Areas (office)	$8,195,000	$409,750
	TOTAL:	$4,126,750

TIF Process:

The Massachusetts Economic Development Incentive Program ("EDIP") differs from traditional TIFs in other states in that the tax savings are directed to the developer or business creating jobs. Massachusetts does have a new District Improvement program that is similar to that in other states. In the Westwood Station case, the TIF under EDIP is being used to offset public-type infrastructure costs.

Westwood is termed an Economic Target Area and the project is located in an Economic Opportunity Area. The Westwood Station TIF was approved by the Town's Board of Selectmen and the Town Meeting. The State also approved by action of the Economic Assistance Coordinating Council. Portions of the project will be eligible for a 5 percent state tax credit and the TIF provides a variable, formulaic exemption from local property taxes to offset the infrastructure costs.

Timeline:

The review process began in January 2007 with municipal approvals and state action completed by the end of May 2007. The kickoff for the TIF depends on when all permits and approvals are received and construction commences.

Results:

The TIF is fully approved and enables the project to move ahead by providing a source of payment for a portion of the infrastructure costs.

Lessons Learned:

With careful preparation, a community will support a formulaic TIF to offset infrastructure costs. This type of formulaic TIF is quite unusual in Massachusetts. It ensures that the Town first recovers impact costs and makes a tax "profit" before the developer receives the TIF incentives.

The Farms of New Kent Community Development Authority

Submitted By: Ken Powell, Stone & Youngberg LLC
Location: New Kent County, Virginia
Development Type: New development
Financing: Special Assessment Bonds
Project Specifications:

- 2,113-acre project (New Kent Vineyards)
- Active adult community including:
  - 1,450 age-restricted residential units and associated amenities
  - 300 estate lots
  - 450 single family homes
  - 100 resort cottages
  - 200 mixed single family and multi-family residential units (including 40 affordable units)
  - 877,000 square-feet of commercial and retail space
  - Championship 18-hole golf course and clubhouse
  - Winery, vineyards under cultivation, polo complex, recreational amenities, farmer's market

Project Web site:
http://newkentvineyards.com/main.html

Project Overview:

Straddling Interstate 64 between Richmond and Williamsburg, New Kent County is a rapidly growing area prime for development. Still, the community was unsure how the development would materialize. Would the county grow in a scattered, haphazard manner and strain the municipalities' finances? Or could the development somehow pay for itself? In working with the developer of New Kent Vineyards, the community found a way to make growth pay for itself. The development of a winery, a town center, golf course and upgrades to the county's roads and water-sewer system became possible through the issuance of approximately $86 million in Special Assessment Bonds.

The mix of high-end, age-restricted housing also meant that New Kent Vineyards would be a net tax contributor, and not a drain on the local budget. This financing structure was used as an alternative to Tax Increment Financing as the low population base of New Kent County could not generate enough taxes to fund the project. New Kent Vineyards benefits New Kent County and could potentially provide an economic development model for some rural Virginia counties, unseating the agricultural and timber economy with development serving the retiring baby-boomer demographic.

Bonds were issued for the benefit of the Project and the surrounding geographic area to finance public infrastructure including: a portion of the cost of upgrading and expanding the County's existing wastewater treatment plant, road improvements, improvements to an Interstate 64 interchange and water system improvements. The development team primarily consisted of two entities: BNE Land & Development Company (a division of North Carolina-based Boddie-Noell Enterprises, Inc) and Republic Land Development, LLC, formerly a division of Washington, D.C.-based Republic Properties Corporation.

Financing Package:

Instead of paying for the expansion of the County's existing wastewater treatment plant as development occurred from wastewater connection fees, the County and the developer team structured a financing whereby The Farms of New Kent Community Development Authority (the "CDA") issued bonds secured by special assessments. This structure enabled the County to receive a portion of necessary construction financing in September 2006 through the CDA to expand the existing wastewater treatment plant versus waiting for development to occur and receiving wastewater connection fees from the developer team. The CDA enabled the developer team to proceed with the Project.

The CDA concurrently issued approximately $86 million of tax-exempt bonds in three series as follows:

- $35,105,000 Special Assessment Bonds, Series 2006A
- $36,105,000 Special Assessment Bonds, Series 2006B
- $15,546,000 Special Assessment Bonds, Series 2006C

Each series of bonds is secured by special assessments representing a first lien, on the same level as general real estate taxes, on taxable real estate in the CDA. In other words, the owners of taxable real estate (i.e. the developers) in the CDA agreed to secure the CDA Bonds with their real estate in the CDA. In the event of non-payment of the special assessment by any owner of taxable real estate in the CDA, the County may foreclose on the owner's real estate for repayment of annual debt service on the CDA Bonds.

Given that the Project is primarily residential, the County did not want the CDA to levy and collect a special assessment from owners of residential real estate in the CDA. The developers agreed with the County to pay the special assessment to repay the Bonds prior to the sale of a residential lot to a third party residential lot purchaser.

TIF Process:

This project was an alternative to a TIF because the County's taxes were not high enough to support a TIF due to the low population. The Farms of New Kent Community Development Authority was formed by the New Kent County Board of Supervisors to issue bonds for the purpose of financing public infrastructure for the CDA and to levy special assessments to pay debt service on the Bonds.

Timeline:

Residential, commercial and retail growth in the County had been slow for many years due in part to insufficient capacity in the County's wastewater treatment plant. At the time of issuance of the Bonds, the County's wastewater treatment plant was scheduled to reach capacity sometime in 2009, which would not allow the Project to proceed. The County began the CDA-financing in January 2006 and concluded the financing in September 2006.

Results:

The issuance of CDA Bonds secured by special assessments in lieu of waiting for wastewater connection fees as developmentoccurred to fund public infrastructure for economic development enables the developers and the County to construct upfront needed road, water and wastewater improvements for the benefit of the Project and the surrounding geographic area. If the County had waited for the payment of wastewater connection fees as development occurred, the public infrastructure financed with proceeds of the Bonds would probably not have been constructed in the early stages of the Project, if at all.

The collaboration between the developer team and the County to form the CDA and issue bonds for infrastructure improvements enabled project initiation and it is expected that the County will realize additional treatment capacity in the existing wastewater treatment plant to spur additional development in the County. Moreover, the CDA enabled the County to avoid taxing existing residents to finance or fund the expansion of a wastewater treatment plant and to build roads and other public infrastructure improvements for economic development purposes.

Construction of the CDA-financed public infrastructure is transforming rural Route 106 north of the Interstate 64 interchange. Construction of major backbone infrastructure has commenced: a one million gallon water storage tank, deep aquifer wells, major trunk sewer line installation and the construction of a major, rural parkway with roundabout intersections at the entry points to each area of the Project as the entry feature of the Development.

Due in large part to the CDA, New Kent Vineyards is now an important part of the County's development.

Lessons Learned:

Public-private partnerships and tax-district financing encourage economic development projects of higher quality and help construct needed public infrastructure in the early stages of a project. This arrangement is becoming more prevalent as municipalities and developers seek alternative financing solutions to fund public infrastructure that enables economic development to occur and growth to pay for itself.

Lindsay Heights Revitalization – Milwaukee TID #44

Submitted By: Matthew Mayrl, Master's Candidate, John F. Kennedy School of Government
Location: Milwaukee, Wisconsin
Development Type: Neighborhood revitalization
Project Specifications:

- 50 square-block area
- $500,000 investment from Wisconsin Housing and Economic Development Authority for the construction of new manufactured housing on vacant city-owned land

Project Web site: www.wheda.com/programs/lindsay/ www.mkedcd.org/housing/pdfs/LHbrochure.pdf

Lindsay Heights housing example 1

Project Overview:

Milwaukee TID (Tax Increment District) #44 was created in 2001 to provide financing for the redevelopment of a residential neighborhood on the city's near north side. Through a neighborhood strategic planning process in the 1990s, the city and neighborhood residents identified the Lindsay Heights neighborhood as an area in need of new private investment on a large stock of vacant and abandoned lots scattered throughout the neighborhood's 50 square-block area.

The Lindsay Heights neighborhood is located approximately two miles northwest of Milwaukee's downtown and, prior to the creation of the Lindsay Heights Initiative, the neighborhood was suffering from the effects of decades of disinvestment and decay. The median age of houses in the district is 103 years old, many of which had not seen improvement in years. Furthermore, the area has been beset by poverty. In 2000, poverty rates in thearea ranged from 39-45 percent, unemployment was between 22-23 percent, and median household income was between $15,000-$21,000.

The goal of the Lindsay Heights TIF district is to help promote new home construction on vacant city lots and also facilitate the rehabilitation of the area's existing housing stock. The effort was spearheaded by the city of Milwaukee, the Wisconsin Housing and Economic Development Authority (WHEDA) and the Local Initiatives Support Corporation (LISC) of Milwaukee. Efforts to help promote new investment in the area began in 1997, when WHEDA invested $500,000 into the area to finance the construction of manufactured housing on a small number of city-owned vacant lots.

This small-scale revitalization effort got a boost in 2001, when the city agreed to create a TIF district to fund further improvements to Lindsay Heights' residential housing stock. When the TIF district was created, the city and WHEDA set a goal of constructing 100 new houses on the over 200 vacant lots available in the district.

Financing Package:

In contrast to typical tax increment financing packages throughout Wisconsin, the creation of TID #44 did not involve the issuance of any debt by the city of Milwaukee. Instead, the city—along with WHEDA and LISC—used the district's future tax increment revenues to capitalize a loan pool to fund new construction and rehabilitation throughout the district. Revenues for neighborhood revitalization were provided in two funding cycles: The initial funding for revitalization efforts came from eight local lenders, which pledged a total of $1.7 million at the initiative's outset in 2001. A second round of funding occurred in 2006, in which nine lenders provided an additional $1.0 million. These loan pledges were backed by a 25 percent loan lost guarantee from LISC, to shelter the lenders from the risk that tax increment revenues from such an ambitious project would not be sufficient to repay the banks debts. The loan monies pledged by the local lenders was used to offer $10,000 forgivable loans for the construction of new homes, or the rehabilitation of existing homes in the district.

To further promote the construction of new homes in the Lindsay Heights neighborhood, the city offered vacant lots in the district to homebuyers for $1. In addition, WHEDA offered low interest 30-year fixed mortgages at 4 percent and assembled a list of preferred builders who were familiar with the initiative and the design guidelines for new construction within the district. To qualify for the forgivable loan program and discounted lot sales, the design of new construction had to be consistent with the existing housing stock in the neighborhood raised porch, exposed foundation and high-pitched roof.

The rehabilitation program also had some restrictions on the use of funds. Homes had to more than 25 years old and the $10,000 payments had to be used for exterior improvements to residents' homes, as these renovations are more directly related to increasing property values in the TIF district. Examples of such improvements include: roof replacement, chimney repairs, window/door replacement, painting, new siding, porch replacement and permanent front-yard landscaping. The program allowed existing homeowners to access to the same subsidies available for new homebuyers moving into the district, and helped to assure broad community buy-in for the program.

Eligibility for the program was not income-limited for both the new construction and rehabilitation programs. These $10,000 payments were forgivable so long as the owners lived in the new or rehabilitated house for five years after the construction or improvements were completed–a requirement intended to encourage neighborhood stability and prevent speculative purchases.

TIF Process:

Throughout its history, the Lindsay Heights Initiative has involved a board range of community, government and business partners. The initiative was jointly initiated by a state housing finance agency (WHEDA), the city of Milwaukee, and backed by a loan guarantee from a private, non-profit community group (LISC). Further support and outreach was provided by the local YMCA, which had been running a smaller home rehabilitation program in the area for some time. This broad coalition of support has allowed a diversity of resources to be utilized in the neighborhoods redevelopment. The TIF revenues assigned by the city were used to fund new construction and rehab grants, while WHEDA was able to package low interest/low down payment home financing for purchases within the district.

Lindsay Heights housing example 2

In addition, the city and WHEDA involved neighborhood associations in their redevelopment efforts, creating a Lindsay Heights Neighborhood Steering Committee to recommend program guidelines, monitor results and address quality of life issues in the neighborhood. This Steering Committee has proved to be a vital component to ensuring that long-time neighborhood residents reap the benefits of the community's revitalization. For instance, in order to qualify for a rehabilitation grant, the homeowners had to be current on both their taxes and insurance payments. When neighborhood residents indicated that many elderly residents in the neighborhood had never carried insurance policies on their homes, the city of Milwaukee and WHEDA created support system to help neighborhood residents access insurance services.

Finally, private sector partners played a large role in the Lindsay Heights Initiative. Local lenders provided the upfront capital for neighborhood improvements and assumed a portion of the risk for the TID's success. The real estate community agreed to reduce its commission rates from 6 percent to 3 percent for purchases in the Lindsay Heights neighborhood. Furthermore, builders worked collaboratively with the city and WHEDA to develop new home designs that meshed with the character of the existing housing stock.

Timeline:

Redevelopment efforts in Milwaukee's Lindsay Heights neighborhood started in 1997, when WHEDA began purchasing and assembling vacant lots for a scattered-site redevelopment.

The with a TIF District (Milwaukee TID #44) was created in 2001, with an initial budget of $1.7 million dollars to fund $10,000 forgivable loans for new construction or rehabilitation of homes in the district. Repayment of the initial debts to local lenders has progressed quicker that expected, and the debt is expected to retire in 2011.

Since then, the district has been amended and expanded to include the redevelopment of a 7.3-acre vacant lot which was cleared nearly 40 years ago to make way for a freeway that was never built. An additional $2.2 million in additional funding through a city general obligation bond issuance was approved by the city for infrastructure improvements that will allow for the construction of 53 new homes in the area. With these additional expenditures, Milwaukee TID #44 is expected to retire in 2023.

Results:

The Lindsay Heights initiative began in 2001 with a goal of fostering the construction of 100 new homes in the Lindsay Heights neighborhood. As of early 2007, TIF and discounted land sales in the district had resulted in 160 new homes being constructed on vacant lots. Moreover, an additional 161 existing home were renovated though TIF-funded rehabilitation grants. Further construction and rehabilitation activities are expected in years to come, as the remaining $400,000 in forgivable loans are allocated.

In all the new construction and rehabilitation activity funded by Milwaukee TID #44, plus associated private investment elsewhere in the district generated over $37 million in new property value between 2001 and 2006. Sale prices for new construction homes in the Lindsay Heights area has increased from between $80,000 and $110,000, to between $150,000 and $250,000. In addition, there has been a marked increase in community involvement and investment in the neighborhood.

Lessons Learned:

The Lindsay Heights Initiative demonstrates that tax increment financing can be a powerful tool for neighborhood redevelopment. While TIF is more commonly used to bridge funding gaps on individual projects, the Lindsay Heights model shows that a series of smaller grants to individual homeowners can also be a successful catalyst for private investment, even in severely distressed neighborhoods. Further lessons from Milwaukee's Lindsay Heights Initiative include:

- Future TIF proceeds can be used to capitalize locally-funded loan pools. Just as the promise of future tax revenues can back city-issued revenue bonds, future tax increment payments can also be used to directly capitalize locally-provided loan pools. In order to do this, municipal officials need to include language in a TIF district's project plan that diverts all, or a percentage of, the district tax revenue into a special fund dedicated to payback local lenders' initial capital outlays. This allows the city to avoid the costs associated with a bond issuance, the fixed costs of which can be significant for smaller bond issuances. In addition, the involvement of local lenders helps generate buy-in from community financial institutions.

- Small grants and forgivable loans directly to neighborhood residents can promote significant new private investment. While TIF is more commonly used to bridge funding gaps in one or two larger projects within a district, smaller distributed grants to individual homeowners can be an effective way of generating new property value in a residential district. In the case of Milwaukee TID #44, just $2.7 million in small grants has resulted in the creation of over $37 million in new property value between 2001 and 2006, a large percentage of which was created on formerly vacant property that was impeding development throughout the community. Providing smaller grants directly to homeowners also ensures that residents in areas targeted for redevelopment are able to directly benefit from a city's revitalization efforts.

- The designation of the TIF district in truly blighted areas can help catalyze broad-based community revitalization efforts with participation from a diverse group of stakeholders. By assigning the tax increment revenues from TID #44 to a local lender consortium, the city of Milwaukee was able to involve a diverse group of stakeholders in the Lindsay Heights initiative. Cooperation from real estate professionals, neighborhood associations, local builders and financial institutions, and community groups was essential to the success of the Lindsay Heights initiative. Without issuing any public debt, the city was able to bring a wide group of stakeholders to the table and deepen their ability to promote Lindsay Heights' revitalization.

St. George Place Redevelopment

Submitted By: Bill Calderon, Hawes Hill Calderon LLP
Location: Houston, Texas
Development Type: Neighborhood revitalization
Project Specifications:

- Redevelopment of 115-acre deteriorating, high-crime area near Houston's Galleria Shopping Center

Project Web site: www.stgeorgeplace.com

Project Overview:

Originally known as Lamar Terrace, this neighborhood was built in the 1950s when Houston was still a young metropolis. Back then the community, several miles from downtown with modest single-family homes spread among tree-lined lanes, qualified as a genuine suburb.

Through the '60s and '70s, however, Houston's phenomenal expansion overtook the small neighborhood, and by the 1980s, the Galleria had grown into a world-class retail destination. Through urban flight and neglect, Lamar Terrace experienced crumbling infrastructure, dilapidated homes, abandoned cars and high crime.

Financing Package:

In 1989, a local developer purchased 107 of the 211 lots within the eastern portion of the neighborhood and approached the city of Houston about creating a tax increment reinvestment zone (TIRZ) to finance repair of its roads, water, drainage and lighting infrastructure. In 1990, Houston created its first TIRZ, which covered 42-acres comprised by the eastern half of the neighborhood. Additionally, in 1990, the city created its first public improvement district in Lamar Terrace to maintain the new infrastructure and provide administration, landscaping and supplemental security. In 1992 the city enlarged the TIRZ to cover all of Lamar Terrace, adding 73-acres and 349 lots contained in the western half of the neighborhood. That same year the city approved a total of $3 million in TIRZ and Public Improvement District (PID) bonds for street repairs, new curbs and sidewalks, new sewer and water systems, removal of overhead utility lines and installation of underground lines and installation of lighting and landscaping.

TIF Process:

The purpose of the TIRZ was to facilitate infrastructure development. The PID employed an assessment on property to generate revenue to construct new roads, sidewalks, landscaping and street lighting. In 1995, the city created Lamar Terrace Public Improvement District Number Two, which has the same boundary as the expanded TIRZ. The purpose of the TIRZ was three-fold: to provide supplemental services, such as security, maintenance, zoning enforcement and administration; to assist the TIRZ in funding "Western Redevelopment" of new public infrastructure, sidewalks, landscaping, lighting and parks in the same manner as the east side; and finally, to oversee and fund construction of a new sound buffer between commercial and residential areas of the neighborhood.


Before

Finally, in 1999 as the original Lamar Terrace deed restrictions expired, the Houston City Council approved and adopted a plan to organize development within the TIRZ through a zoning ordinance. This measure also served to encourage higher quality development on larger tracts of land, pedestrian circulation and access to nearby shopping, offices and recreation facilities. To date St. George Place remains the only place in Houston with a zoning ordinance.

After

Timeline:

The Zone was established in 1993 and is set to expire in 2033. All infrastructure projects were completed in 2006.

Results:

Between 1990 and 2000, the TIRZ generated $40 million in increment revenue, used to rebuild roads, sidewalks, sewers, water systems and install underground utility lines, new lighting and landscaping.

By 2005, single lots within the neighborhood were selling for well over $200,000, a five-fold increase from just a decade earlier. Average home value per residence had grown to $350,000, and the aggregate value of property and homes in the neighborhood had increased from $13 million in 1992 to $164 million in 2005.

In just 15 years, the TIRZ had surpassed its 40-year revenue projections and all major infrastructure projects were substantially complete. More than 370 new homes had been built in the new St. George Place neighborhood, and another 200 lots were ready for sale and construction.

Lessons Learned:

The difficulty of redeveloping a blighted area increases significantly as the number of property owners increases. Despite the extraordinary measure of implementing a zoning ordinance, redevelopment of the St. George Place neighborhood was a long process that required consensus building, patience and strong leadership. And while the public projects undertaken by the TIRZ were clearly enumerated in the Project Plan, the details of implementation were made significantly more difficult by the presence of hundreds of property owners, versus just a few as typical for a new development.

San Marcos New Development

Submitted By: Bill Calderon, Hawes Hill Calderon LLP
Location: San Marcos, Texas
Development Type: New Development
Project Specifications:

- 575-acres
- 2,080 single-family homes
- Additional sites for commercial and light industrial use

Project Overview:

Located on a 575-acre tract of vacant and agricultural land near the city's northeastern boundary, the site held great potential due to its proximity to the Blanco River and Interstate 35 but lacked the infrastructure necessary to support commercial and residential development. In addition, it became evident that a railroad overpass rather than an at-grade crossing near the eastern boundary would provide a higher and better roadway use for the developer and for the cities of San Marcos and neighboring Kyle.

Financing Package:

Due to the significant capital investment in infrastructure and new construction provided by the developer, projected Tax Increment Reinvestment Zone (TIRZ) revenues were well in excess of the public project costs to be financed by the TIRZ and sufficient to reimburse the developer in a timely manner without the issuance of bonds.

TIF Process

The city of San Marcos TIRZ #2 was created to help finance infrastructure costs primarily related to the overpass on Yarrington Road at its intersection with the Union Pacific Railroad. With both cities having struggled in the past to cover a funding shortfall for this project, the TIRZ provided a means to close the gap by including limited zone participation agreements with additional taxing jurisdictions to cover construction costs and increase transit oriented development opportunities beyond the immediate project site. The multi-jurisdictional approach required ETJ boundary adjustments with the cities of San Marcos and Kyle and cross-jurisdictional agreements between both cities, Hayes County and the Texas Department of Transportation to define and settle a legal perimeter for the project.

Timeline:

The Zone was established in 2005 and expires in 2035.

Results:

Construction of the $7.8 million overpass is projected to not only increase the value of the new development but also provide long-awaited regional mobility improvements, increased safety for area residents and the first leg of a loop around San Marcos. Due in part to this transit-oriented improvement, it is estimated that the city and county combined will collect nearly $57 million in new sales tax, franchise fee and ad valorem tax revenue over the 30-year life of the TIRZ. As importantly, the city of San Marcos is now in a position to partner with the developer to protect the environmentally-sensitive Blanco River nearby and benefit from $31.7 million in public infrastructure improvements, $260.8 million in residential development and $11.5 million in new commercial development.

Lessons Learned:

Often, a tax increment reinvestment zone will affect multiple jurisdictions. In these instances, an approach that considers adjacent municipalities and the broader region can offer enhancements that provide a public benefit well beyond the immediate project site. Such cross-jurisdictional projects may require more time and effort during the initial planning phase, but they can also catalyze significant improvements and political solutions that might not be possible otherwise.

BeltLine Tax Allocation District (TAD)

Submitted By: Cheryl Strickland, Atlanta Development Authority
Development Type: Citywide sustainable development
Location: Atlanta, Georgia
Project Specifications:

- 22-mile loop of partially abandoned railroad tracks and contiguous land totaling approximately 6,500-acres (8 percent of the total city land area)

Project Web site(s): www.atlantada.com
www.beltline.org
www.beltlinecommunity.com

Project Overview:

The BeltLine forms a loop within Atlanta; the distance from the Central Business District at any point ranges from 1 to 3 miles. This is envisioned as a 25-year project which will result in 1,300 new-acres of parks and green space, 33 miles of trails, 5,600 affordable workforce housing units and a new public transit route significantly enhancing the connectivity of 45 neighborhoods. More importantly, the public improvement investment project is expected to encourage sustainable development patterns, improve the quality of life for Atlanta residents, and generate a significant boost in private development resulting in a $25 billion increase in the city's tax base.

Timeline:

1999	The BeltLine TAD begins as envisioned in a Georgia Tech graduate student's thesis.
2002-2003	Then-City Council President assumed a leadership role in Friends of the BeltLine.
2004-2005	The Trust for Public Land Study documents its support for the grand vision of parks and trails.
2004-2005	BeltLine TAD Feasibility Study contracted by Atlanta Development Authority.
Summer 2005	1) MARTA (Metropolitan Atlanta Regional Transit System) concludes a separate Inner Core Feasibility Study
	2) BeltLine Alternatives Analysis Study launched
	3) Atlanta Mayor creates BeltLine Partnership
Nov-Dec, 2005	Creation of the BeltLine authorized by City Council, accompanied by approvals by County Board of Commissioners and Board of Education.
2006	A new subsidiary of ADA, Atlanta BeltLine Inc. created to oversee planning and implementation activities.

Financing Package:

The financing package calls for $1.6 billion in TIF bond proceeds over a 25-year period. Estimated project costs total $2.8 billion overall, with the balance of funding from private, federal, philanthropic and other local sources.

TIF Process:

Approximately seven separate bond issues are anticipated, the first in late 2007 or early 2008, followed by others every four years.

Metropolitan Parkway before

2006	Long-term Community Engagement Framework established and 1-, 3- and 5-year Workplans established.

Results:

While it is early in the project lifespan, several independent private developments have been announced and are already underway along the BeltLine. One of the first major public accomplishments was the purchase of the Vulcan Quarry, which has paved the way for development of the new Westside Park, which will be twice the size of Piedmont Park (currently Atlanta's largest park).

Lessons Learned:

1) The importance of including special provisions to encourage quitable growth across the BeltLine (and the city)

2) The role of special demonstration projects, established to showcase potential

3) It was important the 'the team' include objective leadership and consensus building from a highly- regarded and independent member of the development community

4) Well-conceived provisions for ongoing stakeholder input.

- The Atlanta BeltLine Inc ("ABI") Board includes the Mayor, the BeltLine Partnership Chair and representation from the Board of Education and the County Board of Commissioners.

- Community Engagement Program: The BeltLine TAD Advisory Committee consists of stakeholders and community members representing various neighborhoods and levels of technical expertise. This committee provides recommendations to the ABI Board concerning planning, project implementation and funding allocations

- Citizen Participation Advocate: A full-time staff position responsible for engaging the community and ensuring that input is including

- BeltLine Participation Units ("BPUs"): Created to organize the BeltLine neighborhoods into study groups based on logical geographic and political boundaries; will provide master planning and other input.

Metropolitan Parkway after

Mission New Development

Submitted By: Bill Calderon, Hawes Hill Calderon LLP
Project Name: Mission Tax Increment Reinvestment Zone #1
Development Type: New development
Location: Mission, Texas
Project Specifications:

- 7,300-acre tract of vacant and agricultural land for commercial uses

Project Overview:

Located in far South Texas along the Rio Grande, Mission has maintained a longstanding economic base in citrus and other agricultural products. Over the last decade, however, population increases and a thriving manufacturing economy in nearby Reynosa, Mexico outpaced the city's capacity to provide the infrastructure to capitalize on development opportunities on the United States side.

Financing Package:

Mission's Tax Increment Reinvestment Zone (TIRZ) was created in 2001 to assist in the development of an area within the city generally south of Expressway 83. The city approved a 30-year project plan calling for the construction of: water, sanitary sewer, and storm water facilities; flood control and detention facilities; street paving; a myriad of mobility improvements, public landscaping and park spaces; and municipal facilities at an estimated cost of $44 million. The TIRZ also secured Pass-Through Toll Financing through the Texas Department of Transportation to offset $24 million in construction costs for a 3.5-mile highway connector from US 83 to the Anzalduas International Bridge.

TIF Process:

Through partnerships and planning, the Mission Redevelopment Authority and TIRZ board of directors worked successfully with the city of Mission, the Mission Economic Development Authority, Hidalgo County and the Mission Economic Development Corporation to implement the initial phases of the Project Plan. Early successes of the TIRZ helped promote efforts to locate a proposed bridge over the Rio Grande within the Zone's southern boundary. Known as the Anzalduas International Bridge, the $30 million project is proposed to link the cities of Mission and McAllen to the northwest quadrant of Reynosa, Mexico, where light-manufacturing activity generated by maquilas has spawned a new regional land port economy. The Authority also financed engineering plans, secured placement and the necessary right of way to construct a 3.5-mile highway connector linking the bridge to US 83.

Timeline:

The Zone was established in 2001 and expires in 2031.

Results:

Placement of the bridge and the highway connector represent the most significant transit-oriented development South Texas has ever seen. Once complete, the roadway connector will become (1) a primary local mobility corridor around which significant local development can occur and (2) the preferred regional route for those traveling to Monterrey, Mexico and points farther west. Together, these projects will open a full 1,500-acres to new commercial development and new investment near the corridor for light manufacturing, warehousing and shipping. It is anticipated that these industries will complement the growing industrial activity in Reynosa.

Through partnerships with the city of Mission, Hidalgo County, private developers, and other economic development entities, the TIRZ assisted in creating new jobs, boosting revenue streams and generating approximately $120 million in incremental zone growth over a six-year period. Through the use of innovative development and financing solutions, the city of Mission is now in a position to guide its own growth and capitalize on expanding regional opportunities projected to support a more diversified economy for decades to come.

Lessons Learned:

The relatively immediate impact of the TIRZ and its capacity to generate sustainable revenue streams over a long period of time fostered a sense of confidence and progress that attracted additional public and private partners to the project. This in turn added to the strength of the TIRZ which will attract still more investment. While the TIRZ was created to address specific infrastructure and mobility needs, it also allowed the city to take advantage of unforeseen opportunities, namely repositioning the International Bridge and the connector highway to ensure that Mission is a primary beneficiary of the new regional economy.

Sharpstown

Submitted By: Bill Calderon, Hawes Hill Calderon LLP
Project Name: Sharpstown, City of Houston Tax Increment Reinvestment Zone No. 20
Development Type: Urban corridor revitalization
Location: Houston, Texas
Project Specifications:

- 3.125-square-mile area of Southwest Houston deteriorating due to suburban flight, decreasing property values and pockets of blight and high crime.

Project Web site: www.sharpstowndistrict.com

Sharpstown traffic signal

Project Overview:

Key among the infrastructure improvements enumerated in the 1998 Tax Increment Reinvestment Zone (TIRZ) No. 20 project plan was a repositioning of the Bellaire and Fondren corridors to increase mobility, enhance safety and maximize the economic and transit-oriented development potential of both roadways. This would be accomplished by enhancing both corridors through major mobility and transit improvements as well as custom bus shelters, traffic signals, street lights, landscaping, monuments and paving.

Financing Package:

In 2003, the Southwest Houston Redvelopment Authority, acting on behalf of TIRZ No. 20, completed its master plan and engineering for the corridors. Soon thereafter, the Authority approved a $13.2 bond offering intended in part to fund infrastructure and mobility improvements along the Fondren and Bellaire commercial corridors. Moody's Investors Service rated the bonds Baa2, Standard & Poor's BBB+, making this issuance among the highest ranking ever in Houston and one of the few stand-alone debt issues for a TIRZ in Texas.

TIF Process:

Data from the master plan indicated that the Bellaire corridor held the highest level of Metro bus service ridership in Houston. In response, the Authority negotiated with Metro for joint funding of high-capacity transit components of the project and maintenance of custom bus shelters financed by the TIRZ.

Later, as Metro initiated its Bus Rapid Transit (BRT) System and identified Bellaire as one of the signature corridors in Houston, the Authority refined this portion of the master plan to leverage additional funding for the projects. The Zone's redesign to BRT standards was the first submitted to Metro and included upgraded shelters, signal timing and an integrated information system. The subsequent success of this design has led Metro to consider the Zone's BRT principles as a model for other primary usage corridors throughout the city.

During this same period, the Zone entered into a contract with the Westchase Management District, which shares a boundary with TIRZ #20 at the Bellaire and Beltway 8 interchange, to participate in a $1.8 million STEP grant for streetscape improvements. Finding that engineering and design of the intersection satisfied a portion of its project plan, the Zone leveraged

$127,000 in funding for a $381,000 match from the State and the Westchase District. This reallocation of Zone revenues enabled the Authority to pursue priority projects sooner than anticipated.

In 2005, the Authority mobilized its engineering consultant, the city and appropriate elected leadership to support and ultimately receive a Houston-Galveston Area Council (H-GAC) recommendation for $1.5 million in federal Transportation Improvement Program (TIP) funding for portions of the project. H-GAC staff recommended approval of $1.5 million in TIP funding for access management projects, such as median closures and additional turn lanes. The H-GAC staff also recommended approval of $40,000 for hike and bike trail system improvements and connections to the existing Houston Bikeway Network. The Authority was the only local government corporation in the H-GAC region to receive grant funding for mobility improvements.

Also in 2005, the Authority's executive director mobilized the board of directors, key stakeholders and elected state officials to support the creation of a municipal management district to overlay the Zone and provide supplemental public services such as transportation and mobility planning, public safety, beautification and economic development. After conducting community and stakeholder outreach, petition gathering, development of the service and assessment plans and public hearings, the District was activated in 2006. Once collections reach anticipated levels, the assessment is expected to generate annual revenue of nearly $1 million; a significant portion is to maintain and enhance the Bellaire and Fondren transit corridor improvements developed through the TIRZ.

Finally, the Authority initiated an Adopt-An-Esplanade project permit through the Houston Parks and Recreation Department to enhance a 2.7-mile section of the Bellaire corridor from US 59 to Beltway 8. A total of 27 esplanades were planted in roses, Bi-Color Iris, Irene Lantana, and Loropetalum – all native species and self-sufficient once established – in an effort to encourage development and redevelopment along this high-traffic commercial thoroughfare. While all of the landscaping was financed through the TIRZ, maintenance of the esplanades ceded to the Greater Sharpstown Management District as the vegetation was established.

Timeline:

The Zone was created in 1999 and expires in 2029. The Zone reached its projected 30-year valuation in 2006, only seven years after inception.

Results:

In 2007, the Authority completed a $3.8 million renovation of the Bellaire/Fondren intersection, the pilot project for its larger $26 million renovation of both corridors. Improvements to the intersection included four new left-turn lanes, streetscape improvements, bus shelters, landscaping, drainage improvements, and custom hardware.

Additional projects scheduled for near-term completion include renovation of other major intersections, gateway intersection installments and access management improvements. Long-term projects include lane additions, hike and bike paths, and additional storm water drainage improvements to mitigate street flooding on Fondren near US 59.

Signs of new transit-oriented development are evident in the marketplace for land near the Bellaire corridor. In addition, the funding and partnership models developed for this project are being replicated in other parts of the city.

Lessons Learned:

Increment financing of infrastructure is an effective tool for economic development and growth. The ability to put forth an infrastructure vision and plan for the future often inspires additional participation and cost-sharing. This project has attracted five local and national funding and planning partners, illustrating the importance of communicating, consensus building and marketing the vision to civic and governmental leaders.

Atlantic Station

Submitted By: Laura Radcliff, Wachovia Securities and Cheryl Strickland, Atlanta Development Authority
Location: Atlanta, Georgia
Development Type: Brownfields redevelopment
Project Overview:

- 138-acre site formerly holding the Atlantic Steel Company's fabrication facility into a mixed-use (residential, retail, entertainment and office) "smart growth" development
- Nearly 3,700 residential units
- 2 million square-feet of retail establishments
- 1,250 hotel rooms
- 5 million square-feet of office space
- Complete in 2010

Project Web site: www.atlantada.com
www.atlanticstation.com
www.shopatlanticstation.com

The city of Atlanta used TIF bonds to redevelop an aging industrial site into a high-end, urban, mixed-use locale.

Original Development Components: 138-acre TIF district. Original plan called for 3,500 housing units; 1.5 million square-feet of retail; 6 million square-feet of office space; and 1,000 hotel rooms.

Completed and Open to Date: Approximately 2.9 million square-feet of mixed-use development including 2,200 residential apartments, townhomes, condominiums, duplexes, single-family homes and lofts; a 811,000 square-foot retail center; a 366,000 square-foot IKEA; 528,000 square-foot office tower; and a 100-room boutique hotel. The 21-story office tower is 95 percent leased, occupied and houses the southern regional headquarters of Wachovia Bank, as well as a large law firm. A second 17-story office tower was recently delivered and is 36 percent pre-leased. The retail center is an outdoor shopping district that is 91 percent leased and has attracted such national retailers as Ann Taylor, Banana Republic, Gap, The Limited, Dillard's, Pier One, Z Gallery and Publix Supermarkets, along with a variety of entertainment and restaurant offerings including Regal Cinemas, Rosa Mexicana, Fox Sports Grill and California Pizza Kitchen.

View of park space

Currently Underway: Another 1.75 million in vertical development including a third 534,000 square-foot office tower; a 150,000 square-foot Target Store and another 500 multi- and single-family housing units. Residential sales have been brisk with approximately 95 percent of combined units completed and under-construction sold to date. When complete, the current phase of construction will bring total mixed-use development to over 6.3 million square-feet.

Project Specifications:

The Atlantic Station project transformed a 138-acre site formerly holding the Atlantic Steel Company's fabrication facility into a mixed-use (residential, retail, entertainment and office) "smart growth" development. By final build-out in 2010, the site is expected to consist of nearly 3,700 residential units; 2 million square-feet of retail establishments; 1,250 hotel rooms; and 5 million square-feet of office space.

The major mixed-use development was built on a 119-acre site of former steel making operations of Atlantic Steel Industries, Inc. and 1.7-acre parcel formerly occupied by Tri-Chem Corporation. The Tri-Chem Corporation site was initially used to manufacture burial vaults and later used to manufacture fertilizer. This industrial use resulted in environmental contamination that required remediation. With clean-up complete, the Georgia Environmental Protection Division issued a "No Future Remediation" letter pursuant to the Georgia Waste Management Act.

Reclamation of a significant brownfield site, located at the gateway to downtown Atlanta, cleared the path for the development of Georgia's largest multi-use community. Originally contemplated as a 15-year build (subject to market conditions), the project consists of activities necessary to prepare the property for redevelopment including: clearing and grading; enviromental remediation; design, construction and installation of utilities; design construction and installation of streets, sidewalks and public works; and design and construction of parking facilities.

Financing Package:

Total project cost of $2 billion overall, including vertical construction made possible by projected infrastructure originally budgeted at $270 million. Overall project expenditures of $1.05 billion are anticipated by 2009.

City of Atlanta contributions to date consist of:

1) Water and Sewer Fund: $19.7 million
2) 2001 TIF generated net bond proceeds to developer of $45.4 million
3) 2006 TIF generated gross bond proceeds of $166.5 million

State and Federal EPA and Department of Transportation subsidies totaled $38 million.

The finance team faced two challenges. First, the allowable period for bond interest payment from bond proceeds under state law — at 18 months — was too short to generate the associated incremental tax revenues necessary to pay bond interest. Therefore, finance plan recommended that Georgia's Redevelopment Powers Act be amended so as to permit interest capitalization on the bonds for up to 42 months. That amendment was passed by the General Assembly and signed into law on April 27, 2001.

Second, beyond the capitalized interest period, risk existed that development could slow, such that the incremental tax revenues received would be insufficient to pay scheduled bond debt service. This problem could not be rectified under the same state law except through private developer guarantees. Such guarantees, if granted, might jeopardize the exclusion of bond interest from federal income taxation. To enhance the creditworthiness and preserve the tax-exempt status of the bonds, the plan recommended that the city create by separate legal authority a special district coterminous with the tax allocation bond district. As part of this arrangement, the city agreed to levy a tax on all special district taxpayers if pledged incremental tax revenues were ever insufficient to pay bond debt service.

View of mixed-use space

With additional security from this "generally applicable tax", rather than from private developer payment guarantees, the transaction's federally tax-exempt status would not be affected.

Timeline:

1999	The Atlantic Steel TAD was created pursuant to enabling legislation. The Atlantic Steel Redevelopment Plan was also approved.
2001	Initial offering of Series 2001 bonds issued totaling $76.5 million
2002 – 2004	Construction of the 17th Street Bridge providing access linking the property and Midtown Atlanta. The bridge was commenced in January, 2002 and completed in March 2004.
October 2005	Official grand opening of retail development.
2006	Second offering of Series 2006 bonds issued totaling $166.5 million. Included an allocation of up to $15 million for various public purpose initiatives.

Lessons Learned:

The finance plan employed a special district tax overlay to provide critical back-up security for bondholders if redevelopment slows and tax increments fall short of debt service during buildout. The method of implementation ensured that using such a district would not jeopardize the bonds' tax exemption. The bonds were sold exclusively to nine high-yield mutual funds on a non-rated basis in initial denominations of $100,000.

1) The importance of obtaining the local school board's well-considered engagement regarding the terms of its consent.
2) The role of models and tours to showcase potential and generate buy-in.
3) The importance of cooperation with adjacent landowners.
4) The value of third party dissemination agents to facilitate ongoing timely distribution of information to stakeholders.

Redford Township Medical Building, LLC

Submitted By: Corey Leon, AKT Peerless Environmental Services
Location: Redford Township, Michigan
Development Type: Commercial property redevelopment
Project Specifications: The Redford Township Medical Building is located on approximately 1-acre in Redford Township in Wayne County, Michigan. The area is a traditional commercial and residential neighborhood within the Redford Township Downtown Development Authority (DDA) District. In Michigan, most DDAs, including Redford Township, are also tax increment finance districts that can capture most non-school taxes. Historically, the land has been home to a gasoline station as well as a meeting hall since the early 1940s. The property had been under utilized for approximately 12 years.

Project Overview:

The proposed development provides a 12,000 square-foot specialized medical office building connected to the local hospital. Furthermore, the development will help advance the Redford Township DDA's overall development plans for the area. The developer will experience costs above and beyond typical development due to clean-up and remediation of the land as a result of buildings, fill material and foundations left over from former commercial structures currently on the property. Contaminated soil and fill material must be removed and disposed of in a Type II Landfill to ready the site for construction.

Financing Package:

Three financing packages were available for this project, including:

- Brownfield Redevelopment Plan – includes a Tax Increment Financing (TIF) Plan – approval of $28,750 in Local Tax Capture for Eligible Activities

- Act 381 Work Plans for State Tax Capture – approval of approximately $167,000 in Eligible Activities for this Project

- Brownfield Redevelopment Single Business Tax Credit—State of Michigan approval of a maximum of $167,420 for this Project

TIF Process:

According to Brownfield Redevelopment Financing Act, P.A. 381 of 1996, as amended, taxes can only be captured if the Property is included within a Brownfield Plan and must qualify under the following conditions:

1) Subsurface soil or groundwater contamination has been identified, and that the Property meets the definition of a "facility" in accordance with Part 201 of the Natural Resources and Environmental Protection Act (NREPA), Public Act 451 of 1994, as amended; or

2) The Property is located in a core city and is blighted or functionally obsolete. A Brownfield Redevelopment Plan (BRP) must be presented to the BRA and its members, in addition to various community groups and public hearings.

The purpose of the plan is to qualify the redevelopment project for brownfield redevelopment financial incentives available under the authority of the Brownfield Redevelopment Financing Act, P.A. 381 of 1996, as amended.

A TIF plan was created, with purpose of the plan to allow the BRA to capture the available increase in property taxes resulting from the development. The captured taxes may be used to reimburse development costs for eligible activities, which may include:

- Preparation of environmental and non-environmental work plans

- Completion of a Phase I Environmental Site Assessment (ESA)

- Completion of a Phase II Environmental Site Investigation

- Completion of a Baseline Environmental Assessment (BEA), Section 7a Compliance Analysis, and associated due care activities, if necessary

- Completion of additional response activities, if necessary
- Site preparation and infrastructure improvements
- Demolition
- Lead and asbestos abatement
- Other eligible costs identified during the planning and preparation of the brownfield plan

Public Act 381 of 1996, as amended, requires preparation and approval of "Act 381 Work Plans" detailing the various eligible activities and their estimated cost. A consultant must prepare the appropriate Act 381 Work Plans and submit plans to either the Michigan Department of Environmental Quality or to the Michigan Economic Growth Authority (MEGA) for approval.

Timeline:
The approval of the TIF capture can vary depending on the municipality. Approval for most Brownfield Redevelopment plans takes from one to three months. The approval time for Act 381 Work Plans varies between agencies (MDEQ 60-day review period, and MEGA 45-day review period). In this case, the approval of the Brownfield Redevelopment Plan and 381 Work Plan occurred within two months of the incentive package start date. The redevelopment period for this project is approximately eight months for build-out.

Results:
The project was approved for various activities. No state tax dollars were requested to reimburse environmental activities because the actual amount of Eligible Activities was low, and the Township supported local tax capture only on these activities, which helped the State support the non-environmental related activities, especially because it was in a DDA and majority of real local taxes were being captured already by the DDA. The project developer was able to successfully move forward the financing of the project and TIF reimbursement for Eligible Activities will begin in 2008. In total, Brownfield and other financial incentives secured for this project are estimated at $363,170, or nearly 12 percent of the overall project costs.

Lessons Learned:
Because the project was located within a DDA, personal property taxes were captured to reduce the payback period. It was imperative to show that the Township had made significant contributions to the project site and surrounding area to get State tax support, because it was in a DDA. The taxes captured by the DDA had to be reinvested in the area of the Brownfield Redevelopment. Various incentives were necessary to make the project viable.

Universal Mall

Submitted By: Corey Leon, AKT Peerless Environmental Services
Location: Warren, Michigan
Development Type: Shopping mall redevelopment
Project Specifications:

- 56-acre of former University Mall property

Project Overview:

The Universal Mall Property ("the Mall") is located in Warren, Michigan and is comprised of three parcels, consisting of approximately 56-acres of land. The original Mall, constructed in the 1960s, was purchased in 1999 by a developer.

The project will redevelop an existing underutilized and functionally obsolete property along Dequindre Road. The city of Warren has been working with the project's developer for nearly eight years and supports this redevelopment. For nearly 20 years, the Mall has declined and struggled to maintain tenants and customers. The developer intends to demolish certain portions of the Mall and rehabilitate other sections for new commercial and retail users. The Mall will no longer be a traditional indoor mall. In addition, certain portions of the property will be developed as out-lots for commercial and retail use (banks, restaurants, etc.).

Based on the current site conditions, certain TIF eligible activities are necessary to prepare the property for redevelopment. This project represents an overall investment estimated at approximately $24 million in real property. TIF, including the capture of taxes levied for school operating purposes, were required to reimburse the eligible costs to be incurred as part of the project.

Financing Package:

Brownfield Redevelopment Plan –
Includes a Tax Increment Financing (TIF) Plan

Act 381 Work Plans for State Tax Capture –
Approval of approximately $1,483,750 in Eligible Activities for this project.

TIF Process:

According to Brownfield Redevelopment Financing Act, P.A. 381 of 1996, as amended, taxes can only be captured if the Property is included within a Brownfield Plan and must qualify under the following conditions:

1) Subsurface soil or groundwater contamination has been identified, and that the Property meets the definition of a "facility" in accordance with Part 201 of the Natural Resources and Environmental Protection Act (NREPA), Public Act 451 of 1994, as amended; or

2) The Property is located in a core city and is blighted or functionally obsolete. A Brownfield Redevelopment Plan (BRP) must be presented to the BRA and its members in addition to various community groups and public hearings. The purpose of the plan is to qualify the redevelopment project for brownfield redevelopment financial incentives available under the authority of the Brownfield Redevelopment Financing Act, P.A. 381 of 1996, as amended.

The purpose of the TIF plan is to allow the BRA to capture the available increase in property taxes resulting from the development. The captured taxes may be used to reimburse development costs for eligible activities, which may include:

- Preparation of environmental and non-environmental work plans
- Completion of a Phase I Environmental Site Assessment (ESA)
- Completion of a Phase II Environmental Site Investigation
- Completion of a Baseline Environmental Assessment (BEA), Section 7a Compliance Analysis, and associated due care activities, if necessary
- Completion of additional response activities, if necessary
- Site preparation and infrastructure improvements
- Demolition
- Lead and asbestos abatement

- Other eligible costs identified during the planning and preparation of the brownfield plan

Public Act 381 of 1996, as amended, requires preparation and approval of "Act 381 Work Plans" detailing the various eligible activities and their estimated cost. A consultant must prepare the appropriate Act 381 Work Plans and submit plans to either the Michigan Department of Environmental Quality or to the Michigan Economic Growth Authority (MEGA) for approval.

Timeline:

The approval of the TIF capture can vary depending the municipality. The approval of most Brownfield Plans can take anywhere from 1 to 3 months. The approval time for Act 381 Work Plans varies between agencies (MDEQ 60-day review period and MEGA 45-day review period). The redevelopment period for this project was estimated to be a 24-month build-out.

Results:

The Developer was able to secure TIF dollars to reimburse the asbestos surveys, and abatement, demolition, and site preparation activities. In total, Brownfield and other financial incentives secured for this project are estimated at $1,483,750.

Lessons Learned:

The city of Warren would only support a TIF plan in which 20 percent of the taxes were retained throughout the life of the plan, and 80 percent went to reimburse the eligible activities on the site.

City of Palms Spring Training Facility for the Boston Red Sox

Submitted By: Woodward S. Hanson, Hanson Real Estate Advisors, Inc.
Location: Fort Myers, Florida
Development Type: Facility development
Project Specifications:

- 7,500-seat spring training facility

Project Web site: www.redsox.com
www.springtrainingonline.com/teams/boston_red-sox.htm

Project Overview:

The project consisted of the acquisition of lands and construction of a spring training facility for the Boston Red Sox. The city of Fort Myers decided to target the Red Sox and relocate them from Winter Haven, Florida to Fort Myers. The project management was time sensitive, because it had to be ready for opening day of spring training. The project team identified six blocks of land in a blighted area located within walking distance of downtown Fort Myers. The six blocks of land were part of an older subdivision and included many parcels.

The facility included a contemporary 7,500-seat spring training facility with administrative offices for the Red Sox, carefully designed and located concession areas, retail gift shop, covered batting practice area, clubhouses (home team and visiting team) and many other special components required by the Red Sox as part of the terms and conditions of the agreement with the city of Fort Myers.

TIF was used to obtain bonds totaling approximately $22.0 million. Implementation of the TIF required that identification of a specific area, per Florida Statutes, to "freeze" the real property assessments. Any increase in the assessments following the completion of the project were statutorily presumed to be attributable to the project, and the marginal real estate taxes relating to the increased assessments (e.g. the gap between the pre-project assessments and the post-project assessments) flowed to the city of Fort Myers and contributed to the cash flow used in the recovery of the capital costs of the project.

Unfortunately, the development team learned that spring training sites did not have the expected initial impact of property values and assessments. However, once the Red Sox arrived and a new segment of seasonal visitors (i.e. New Englanders) began to embrace Fort Myers and experience the state-of-the-art nature of the complex, economic impacts began to occur (i.e. increasing amount of tourist dollars and a multiplier effect, etc.).

Several years after completion, the project began to influence private sector investment in and around the TIF area. The TIF program works, but a successful TIF model for redevelopment of blighted areas requires extensive market analyses. Although visits were made to almost every spring training facility in Florida, and real estate professionals familiar with their related impacts were interviewed, the assessed values did not increase as rapidly or as much as anticipated. It is essential to have the local public "tax assessor" or "property assessor" buy into the project. The market area of the redevelopment project must have the economic capacity to support the model. A greater probability for success may exist for locations within or near intensive urban cores in metropolitan areas (e.g. downtown Baltimore, the area next to "The Bob" in Phoenix, etc.), and the land use proposed within the TIF area will affect the TIF performance.

Financing Package:

- $22.0 million in municipal bonds.

TIF Process:

For TIF to work it was necessary to identify a project area that would qualify for TIF financing. Next, it was essential to build community support and hold public meetings to open public debate and discussion. Furthermore, it was essential to address media inquiries seeking to learn more about the project and the financing that was in play. The media continues to monitor the TIF financing for this project.

Timeline:

Approximately 20 months for the TIF process to develop and construction.

Results:

The City of Palms Park has been the spring training home to the Boston Red Sox since 1993 and holds 7,290 fans. The Boston Red Sox moved from Winter Haven after the facility was completed in 1992.

Lessons Learned:

Developing a strong relationship with the community is critical. It is important to make the community part of the project and listen to their ideas. The process was much more political than expected.

International Spy Museum

Submitted By: Sarah Goss, City of Washington, DC
Location: Washington, District of Columbia
Development Type: Urban entertainment, historic building redevelopment
Project Specifications: The project consists of approximately 58,000 square-feet of retail, restaurant and entertainment space, including:

- Museum: 28,400 square-feet
- Restaurant: 7,000 square-feet
- Café: 2,400 square-feet
- Adventure Retail: 4,000 square-feet
- Special exhibits and special event space: 5,400 square-feet
- Administration: 10,800 square-feet

Project Web site: www.spymuseum.org

Project Overview:

The International Spy Museum TIF Project was the third TIF project approved by the Council of the District of Columbia ("Council") and the first TIF structured as a note. In February 2000, the Malrite Company of Cleveland approached the District with a proposal to develop the International Spy Museum in downtown Washington, DC. The proposed project, consisting of a museum, restaurant, café, special event space, adventure retail area and retail space, was planned to occupy three floors within a broader redevelopment of several historic buildings located on F Street, NW between 8th and 9th Streets, NW, across from the National Portrait Gallery.

In May 2000, the Office of the Chief Financial Officer ("OCFO") certified the developer's application, conditioned on final negotiations of the financial and business terms. In December 2000, the OCFO certified the revised International Spy Museum Tax Increment Financing Project in accordance with the District of Columbia TIF Act. The Council subsequently authorized the creation of the project TIF Area and issuance of the debt.

View inside the Spy Museum

Financing Package:

The $29.1 million project was financed with approximately:

- $7.2 million in owner equity
- $15.0 million in Enterprise Zone bonds
- $6.9 million in TIF funds, structured as:
    - $5.5 million in Senior TIF notes
    - $1.4 million in Junior TIF notes

When structuring the Spy Museum debt, the District focused on mitigating construction risk and default risk. Instead of providing an upfront contribution, the District agreed to issue a TIF Note upon construction completion to reimburse the developer for certain costs. The TIF Note would be repaid using the incremental taxes generated by the project. A private bank loan obtained and guaranteed solely by the developer provided the bridge financing. As part of the negotiations, the District structured the debt service payments on the TIF Note to match the debt service payments on the developer's private loan to reduce the developer's interest rate risk. Thus, the District issued $6.9 million in gross TIF Notes to be amortized over a 12-year period with a floating interest rate capped at 9 percent annually.

In order to remove possible default risk, the obligation to pay debt service was limited solely to the amount of available incremental taxes. To the extent that the available increment in a given year was less than debt service on the TIF Notes, the shortfall would not constitute default. In addition, no penalty or premium would be owed on the shortfall if and when sufficient increment to cure the shortfall became available. Finally, once the TIF Notes reach their maturity date, the District would no longer be obligated to cure any outstanding shortfall.


Exhibits inside the Spy Museum

TIF Process:

The District TIF Program is administered jointly by the Office of the Deputy Mayor for Planning and Economic Development ("ODMPED") and the Office of the Chief Financial Officer ("OCFO").

Step 1: Pre-Application
The Applicant meets with the ODMPED to describe the proposed project, outline its benefits to the public and discuss the application requirements and procedures.

Step 2: Application
The DC Government reviews and analyzes the project. They give preliminary approval or rejection of the application based on whether:

- The project is consistent with the District's Comprehensive Plan and all applicable zoning statutes, rules and regulations
- The incremental tax revenue projections provided by the applicant are accurate
- The project is financially feasible
- The project will result in a net increase in taxes payable to the District
- The project's total anticipated benefits to the District, including public as well as financial benefits, exceed the total anticipated costs to the District
- The use of TIF will compete with or supplant benefits from other financing sources that otherwise would be available for the project
- Other forms of government assistance could be utilized in place of TIF that would have lower costs to the District
- The project is one of special merit, and there is reasonable probability that the special merit will not be achieved without the TIF allocation

Stage 3: Negotiations
The parties negotiate the Term Sheet establishing the general business and financial terms of the project and the Development Agreement, which includes the statutory requirements for financing the project.

Stage 4: Approval
The DC City Council approves and passes the necessary legislation. All final regulations and financing documents for project are completed. Project financing is approved.

Timeline:

February 18, 2000	Pre-application meeting
March 8, 2000	TIF application submitted to District
March 8, 2000	District issues Letter of TIF Application Sufficiency
April 25, 2000	District notifies Applicant of deficiencies in application
May 9, 2000	Revised TIF application submitted to District
September 14, 2000	OCFO issues conditional certification letter
December 8, 2000	OCFO certifies Project

December 22, 2000	Council adopts resolution 13-788, the Tax Increment Financing Notes International Spy Museum Emergency Approval Resolution of 2000
May 1, 2001	Development Agreement executed
May 16, 2001	TIF Notes issued into escrow

Results:
The International Spy Museum and its upscale restaurant, Zola, opened in the summer of 2002. Since that time, both have received numerous awards and recognitions. The incremental taxes generated by the museum and restaurant exceeded estimates in each year since the opening, such that the TIF Notes were fully repaid in June 2007.

Lessons Learned:
Although the Council had approved the issuance of TIF debt twice prior to this project, the Spy Museum debt was actually the first TIF issued by the District. The Note structure, as opposed to selling bonds through a public-offering, turned out to be a more effective debt mechanism for multiple reasons.

1) Streamlined issuance process – Although the Gallery Place TIF and the Mandarin Hotel TIF were authorized in December 1999 and March 2000, respectively, the debt for these two projects was not issued until April 2002. Conversely, the Spy Museum project was authorized in December 2000 with the debt issued in May 2001. The TIF Note structure enabled the District to shorten the amount of time required to issue the debt since the Note was placed directly with the developer.

2) Lower costs of issuance – Since the Council only authorized a gross TIF amount, any costs of issuance would decrease the amount available to reimburse the developer. In addition to saving time, placing the Note with the developer also eliminated certain costs associated with a public offering (i.e. official statement, rating process, etc).

3) Reduced risk to District – The most important element of the Note structure is how it reduces certain types of risk to the District. Tying the start of payment on the TIF Note to completion of the project shifts construction risk to the developer, while limiting debt servicepayments solely to available increment eliminates the possibility of default. With respect to both issues, the District structured the Note so that the developer reimbursement was contingent upon the success of the project.

Long Branch Millennium Pier

Submitted By: Brian Dowling, Basile Baumann Prost & Associates, Inc.
Location: Long Branch, New Jersey
Development Type: Oceanfront redevelopment
Project Specifications:

- $6 million pier on the Atlantic Ocean
- Outdoor and indoor event space
- Restaurants and retail
- High-speed ferry access from Long Branch to downtown Manhattan
- Possible heliport

Project Overview:

Over the past ten years, the city of Long Branch has undertaken one of largest and most comprehensive oceanfront redevelopment initiatives in the state of New Jersey. The project includes six different areas encompassing over 130-acres. To date, over 1,400,000 square-feet of mixed-use development has occurred and an additional 3,600,000 square-feet is planned over the next five years. These projects include retail, office, residential (rental, for-sale, market-rate, affordable, and live-work), entertainment, educational and recreational uses totaling more than one billion dollars in construction costs.

The TIF financing tool allows the value created by these projects to be leveraged to help finance the construction of the Millennium Pier. In addition to a ferry terminal the pier will also include:

- Area for fishing
- 30,000 square-foot exhibition area
- Amphitheater
- Off-shore space for oceanographic and marine science educational classes

Replacing a pier that burned down in late 1980s, the new pier adds value to the surrounding area and marks the return of Long Branch's prominence as an oceanfront destination.

Artistic rendering of Long Branch Millennium Pier's retail area

Financing Package:

State/Federal Funding	\$5,500,000
Developer/ Private Contribution	\$20,000,000
Project Debt	\$30,000,000
TIF Funds	\$4,500,000
Total	**\$60,000,000**

TIF Process:

The process began with a feasibility study to determine development costs and potential market demand for the various uses (ferry transportation, retail, restaurant, etc.) envisioned at the pier. After the Pier's financial requirements and supportable debt were determined, the city tapped various funding sources including: private developers, state, federal, and private contributions. The remaining gap is financed by TIF district funds.

Timeline:

2000	Pier Feasibility Study Completed
2000 – 2005	Area projects approved, developer contributions to Pier negotiated
2007	TIF district established
2008	Public (state, federal, local and TIF) and Private funding set
2009	Planned groundbreaking
2010	Pier completion

Results:

Project completion expected in 2010.

Lessons Learned:

In a large redevelopment project with various areas, it is important to establish a TIF district early. BBP and the city were not able to leverage all of the appreciation value as the district was set after two successful projects were completed.

Artistic rendering of Pier

Creekside TIF District

Submitted By: Council of Development Finance Agencies
Location: Gahanna, Ohio
Development Type: Downtown redevelopment, suburban redevelopment
Project Specifications:

- Multi-use city center with an urban feel, is pedestrian friendly and able to handle vehicle traffic
- 240,00 square-feet
- $58 million development (71 luxury residences, restaurants, shops, office space and a hidden parking garage)

Project Web sites: www.gahanna.gov/development www.creekside-gahanna.com/

Project Overview:

The city of Gahanna has experienced rapid growth in the 1990s. The city's population grew by 278 percent from 1990 to 2000 to include 32,636 residents in 2000. City leaders were looking for a way to recreate Olde Gahanna and emphasize the village's core along the Big Walnut Creek waterfront. This desire was spurred by the sprawl that moved new development out to the city's fringes while disinvestments in the city center were becoming a serious problem.

The city actively sought out development proposals and worked with the private sector to create the ideal financing package that would work best for both sides. In this case, it involved a bond issue for infrastructure costs and the creation of a TIF district.

Creekside is one of three TIF districts created by Gahanna in 2005. It was aimed at creating a vibrant, multi-use city center that has an urban feel, is pedestrian friendly, and able to handle vehicle traffic.

As part of an on-going strategic plan to redevelop the city core, City Council took steps to establish guidelines for the usage of TIF districts. The Creekside project was aimed at creating a mixed-use, walkable district along the city's waterfront.

The final plans called for a 240,000 square-foot, $58 million mixed-use development. Furthermore, the Creekside project called for 71 luxury residences, restaurants, shops, office space and a hidden parking garage to be built.

Financing Package:

Gahanna and the Stonehenge Company agreed upon a public-private partnership after 18 months of negotiations and public meetings. The final agreement stipulated that two of the three proposed buildings be built on the city-owned land. The city would retain ownership of the land and receive ground lease payments. The parking garage, park and public plaza also remained property of the city. As a provision of the agreement, if Stonehenge were to sell its interest in Creekside, the terms of the lease would increase for the next owner.

Gahanna issued $12.1 million in bonds (City of Gahanna, Ohio Various Purpose Bonds, Series 2005) to support two city projects. Almost $8 million of that was earmarked specifically for Creekside with the bulk of that money being used to construct an underground parking garage.

The Creekside TIF (and the neighboring Olde and West Gahanna TIF) are structured as 30-year, non-school property tax TIFs with the Gahanna-Jefferson Local School District receiving an amount equal to what it would have received absent the creation of the TIF.

TIF Process:

When Gahanna created the three TIF districts in 2005, it was not their first experience with using increment financing. The city used TIF districts in 1999 for three industrial parks. As a result of their previous experience using TIF the city development a prudent planning process for TIF application.

The city has a two-step process for the creation of TIFs:

1) The Developer must identify the necessary public improvements and provide cost estimates for the improvements.

2) The city must negotiate and approve the creation of the TIF and create an infrastructure agreement.

Timeline:

1976	State of Ohio authorizes municipalities to create TIF districts.
1978	Gahanna passes Ordinance 133.06, Urban Redevelopment Tax Increment Equivalent Fund
1990s	City considers redevelopment along the waterfront as growth and sprawl diminishes the city core.
1999	City creates TIF districts to develop three industrial parks.
2003	City seeks RFPs for the Creekside development. The Stonehenge Company is selected out of this process with a proposed 240,000 square-foot development plan.
2003-2004	Finance package and terms of development negotiated and agreed upon.
2005	TIF district created, bonds issued for infrastructure
May 2005	Construction begins
Late Fall 2007	Development opens

Results:

Despite the fact that the first phase of Creekside did not open until fall 2007, property values of the homes surrounding the development have already risen 40 percent (compared to 17 percent for the rest of Franklin County. The cumulative values of the twelve parcels used in the Creekside TIF have increased $47.5 million.

Some of the infrastructure improvements made as a result of the Creekside TIF include:

- Structured and surface public parking facilities
- Improvements to Creekside Park
- Replacement of water and sewer lines
- Relocation of electric and other utility lines
- Improvements to sidewalks, public plazas, signage, lighting, landscaping and other measures to develop public and green space

The project will produce three revenue streams from parking, leasing rental and net bond debt service. The projected 400 new jobs are also expected to generate close to $12 million in income tax revenue over the life of the TIF.

Lessons Learned:

Experience and planning makes the difference when administering TIF programs. Gahanna had clear guidelines and goals in place when creating the deal with Stonehedge, including making sure the city was best served by this deal.

Creekside also represents a clearly defined public-private partnership for redevelopment. Gahanna had a strategic plan in place to redevelop along their waterfront in the city's core. Development proposals from the private sector had to be consistent with the overall plan and philosophy of the city. This was very much a case of the city and developer being equal partners during the finance negotiating process.

The TIF district was also created in such a way that Gahanna-Jefferson Local School District would still receive an amount equal to what they would have received if there was no TIF district in place. Similar exceptions have been built into other Gahanna TIF districts.

Gahanna realizes that TIF districts will not work for every project. The full range of finance tools are offered as part of their business incentive menu.

Gahanna's use of TIFs, specifically the Creekside project, also shows the importance of public education in the process. The city hosts economic development forums with community business leaders to update them on city developments and potential investment opportunities. These quarterly meetings and the city's Web site inform and educate potential stakeholders about the potential financing tools available to them, including TIF.

NorthPark

Submitted By: Mark Brady, St. Louis County Economic Council
Location: St. Louis County, Missouri (multi-jurisdictional and includes the cities of Kinloch, Berkeley and Ferguson, all located in St. Louis County)
Development Type: Business park, multi-jurisdiction
Project Specifications:

- Approximately 654-acres (481-acres exclusive of right-of-way)
- East of Lambert International Airport at the northeast quadrant of the I-70 and I-170 interchange
- Prior Land Use – Predominantly vacant, former residential area that was acquired pursuant to FAA requirements as part of federal funding for runway expansion at the Airport
- The Site had environmental contamination
- Proposed Development – A "Green" business park consisting of 5.5 million square-feet of office/manufacturing/distribution facilities accompanied by complementary retail
- Development Costs – $521 million
- TIF Assistance - $111 million (local and State combined)
- Brownfield Remediation Tax Credits – Approximately $9 million
- Jobs Created – 12,000 permanent
- Economic Impact - $7 billion

Project Web site: www.northparkstl.com/

Project Overview:

History: The city of St. Louis acquired a substantial amount of land along the eastern perimeter of Lambert Airport for noise abatement purposes as required by the FAA as part of federal funding for expansion of the Airport's runway system. As a result, the Development Area may only be redeveloped for uses compatible with airport operations. Such uses include industrial and commercial uses, which are not adversely affected by aircraft flight patterns. In addition, the FAA regulations for transfer of the land include land use, height, construction material and lighting restrictions.

Prior Use and Incompatibility of Infrastructure for Permitted Use: Prior uses within the Development Area were, for the most part, residential. The infrastructure in place supported such uses but is incompatible with commercial and industrial uses as required by the FAA for redevelopment. Reconstruction or replacement of infrastructure must include: realignment and re-surfacing of roadways, sewer and water lines, re-grading of entire site, new utility lines and easements, new sidewalks, curb cuts, and traffic signalization.

Cooperation Agreement: The following political subdivisions were involved:

1) City of St. Louis-owner of Development Area
2) County-Development Area within St. Louis County, and County roads, etc. involved
3) Berkeley, Kinloch, Ferguson-municipalities with part of the Development Area within their municipal boundaries

Previous attempts to redevelop portions of the Development Area had failed, so the St. Louis County Economic Council (SLCEC) acting on behalf of St. Louis County, together with representatives from each of the municipalities involved, developed a plan for the comprehensive redevelopment of the Development Area. After approximately two years of negotiations, the Parties approved an Intergovernmental Joint Cooperation and Development Assistance Agreement (the "Cooperation Agreement"), which provides for the comprehensive redevelopment of the Development Area.

Joint Development Commission: The Cooperation Agreement provided for the creation of the Lambert Airport Eastern Perimeter Joint Development Commission (the "Commission") with the responsibility to supervise and implement the Development Plan. The Commission, which has representation from the cities, the county, the state and other civic organizations, became the master developer of the TIF Plan.

Sub-Developer: The Commission issued a request for proposals for a Sub-Developer to assist with implementation of the Development Plan. NorthPark Partners, a partnership between McEagle and Claycorp, was selected as Sub-Developer. This alliance united proficient developers of master-planned communities with proficient developers of office/industrial properties.

NorthPark Development Plan: NorthPark is a master-planned, mixed-use commerce center that:

- Delivers 12,000 permanent jobs and a $7 billion economic impact
- Creates a third, linking economic engine in near North St. Louis County joining the University of Missouri-St. Louis with Lambert Airport
- Helps stabilize neighborhoods in adjoining communities

The project calls for 5.5 million square-feet of office/manufacturing/distribution facilities accompanied by retail. The project includes six building types and will generate approximately $380 Million in total appraised value when finished in 15 years. Construction began in the fall of 2006.

Financing Package:

The following incentives are available for projects within the Development Area:

- County TIF – NorthPark received $52 Million in local TIF Assistance
  - $14,750,000 of County-issued bonds
  - $42,750,000 of Developer-Purchased notes
- State-TIF – The State of Missouri awarded $40,138,601 of its incremental revenues over 16 years
- Equity/Private Financing – NorthPark Partners
- A transportation development district (TDD) is expected to be formed to assist in the financing of certain transportation-related improvements. The TDD levies an additional sales tax in the Redevelopment Area. The TDD sales tax augments the TIF sales tax revenue (50 percent may be captured by the TIF) and creates a separate fund for the transportation-related expenses of parking, curb cuts and sidewalks
- Developers may request the establishment of a Community Improvement District, which operates like a TDD
- Missouri State Enhanced Enterprise Zone
- Federal HUB Zone
- Brownfield remediation Tax Credits – approximately $9,000,000

TIF Process:

- TIF Commission – Under state law, when a TIF project involves multiple cities, the County TIF Commission has jurisdiction to conduct public hearings and make recommendations to the County Council on the project
- Notice and Public Hearings – The TIF Commission mailed notices to local taxing districts and property owners within the proposed TIF District and published notices in the paper. The TIF Commission conducted a public hearing to present the TIF Plan. At the conclusion of the public hearing the TIF Commission recommended that the County Council approve the TIF Plan.
- Developer – Lambert Airport Eastern Perimeter Joint Development Commission submitted its qualifications to be master developer of the Project.
- County Council – Following presentations of the TIF Plan and the TIF Commission hearing, the Council approved the TIF Plan and designated the Commission as the master developer.
- Amended Redevelopment Plan – The County followed the same process to later approve an amended TIF Plan expanding the Redevelopment Area to include additional property Lambert Airport declared as excess.
- Sub-developer – The Commission issued a Request for Proposals and subsequently selected NorthPark Partners as the sub-developer to implement the TIF project.

Timeline:

2002	St. Louis County, the city of St. Louis, and the cities of Kinloch, Berkeley, and Ferguson initiate negotiations to address the comprehensive redevelopment of the Airport buyout properties in order to avoid piecemeal development and maximize the development opportunities the Development Area.

1-10-2004	Partnering political subdivisions execute the Cooperation Agreement.
4-26-2004	TIF Commission conducts public hearing on the TIF Plan and recommends approval of the plan.
5-25-2004	Joint Development Commission submits qualifications to become master developer.
7-13-2004	County Council approves TIF Plan and designates the Commission master developer.
4-5-2005	Commission and Sub-developer enter a redevelopment Agreement for the implementation of the TIF Plan.
2006	Construction commences.
2007	Completion of first building (Vatterott College).
2007	Construction begins on two speculative buildings, an office building and an industrial building.
2020	Full build-out complete.

Results:

Construction of the massive business park is underway with the first tenant expected during Fall 2007. Given the size of the project, build-out will occur in 2020. The NorthPark project is encouraging redevelopment in surrounding areas. For example, Express Scripts constructed a new headquarters on the campus of the University of Missouri-St. Louis on the south side of I-70 across the highway from NorthPark. NorthPark Partners are the developer of this project.

Lessons Learned:

Given the size and multi-jurisdictional nature of this project, St. Louis County prioritized a comprehensive rather than piecemeal approach. To maximize the opportunity, all of the cities and stakeholders had to participate and buy into the project. Patience, perseverance and innovation were critical.

Railport Industrial Park

Submitted By: Ken Powell, Stone & Youngberg LLC
Location: Midlothian, Texas
Development Type: Industrial park
Project Specifications:

- 2,874-acres
- 1,100-megawatt electric power generation facility
- 550-megawatt electric power generation facility
- Midlothian Cement Plant with annual capacity of 2.8 million tons of cement
- Target Corporation regional distribution center – 1,350,000 square-feet
- Toys "R" Us regional distribution center – 827,616 square-feet
- Kehe Foods Texas distribution center – 315,000 square-feet

Project Web site:
www.txi.com/real_estate/railport/railport.html#infa

Project Overview:

The RailPort Industrial Park (the "Park") is a 2,874-acre industrial business park development located approximately 25 miles south of Dallas in Midlothian, Texas. Three of the top ten largest cement factories in the United States operate in the city.

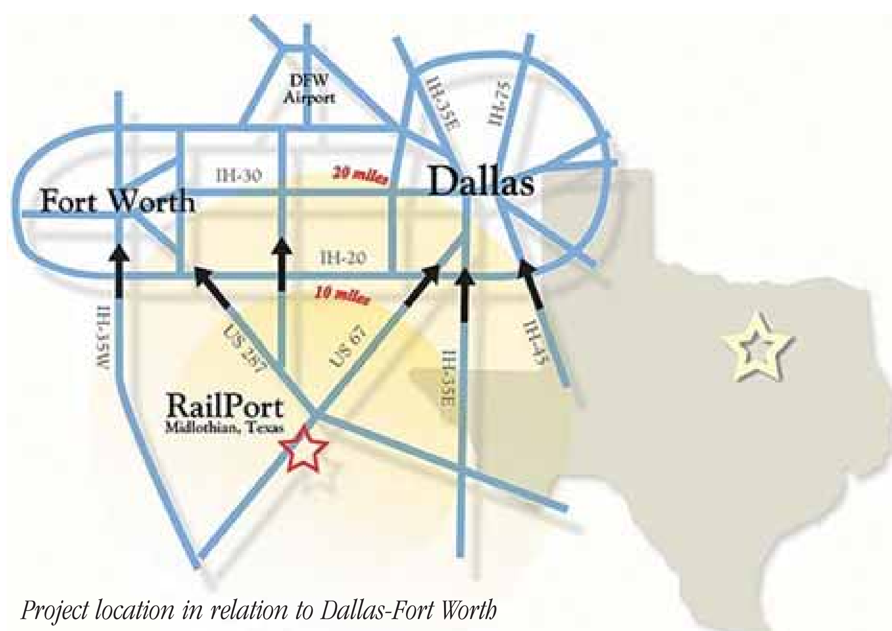
Before 1999, the city of Midlothian, Texas actively recruited industry to locate to the Park. Many utilities were in place, the property was appropriately zoned, the preliminary platting was complete and the permitting was expedited. Also, rail-served park is located midway between Dallas and Fort Worth at the transportation crossroads of US highways 287 and 67, and enjoys access to two major airports.

These industrial location conditions, paired with three series of TIF bonds, which reinforced the public infrastructure, attracted new corporate investments. For example, Minneapolis-based Target Corp. built a $50 million distribution center at the Park as part of a nationwide expansion.

In 1999, 2001 and 2004, the Midlothian Development Authority (the "Authority") issued multiple series of bonds secured by incremental real property taxes within the Project. Bond proceeds financed an roadway over US Highway 67 to improve access to the Project. Proceeds also financed paving, drainage, water distribution and supply facilities, sanitary sewer facilities and engineering.

Financing Package:

In early 2007, the Authority issued $35,000,000 Series 2007A Bonds and $7,285,000 Series 2007B Bonds on a non-rated



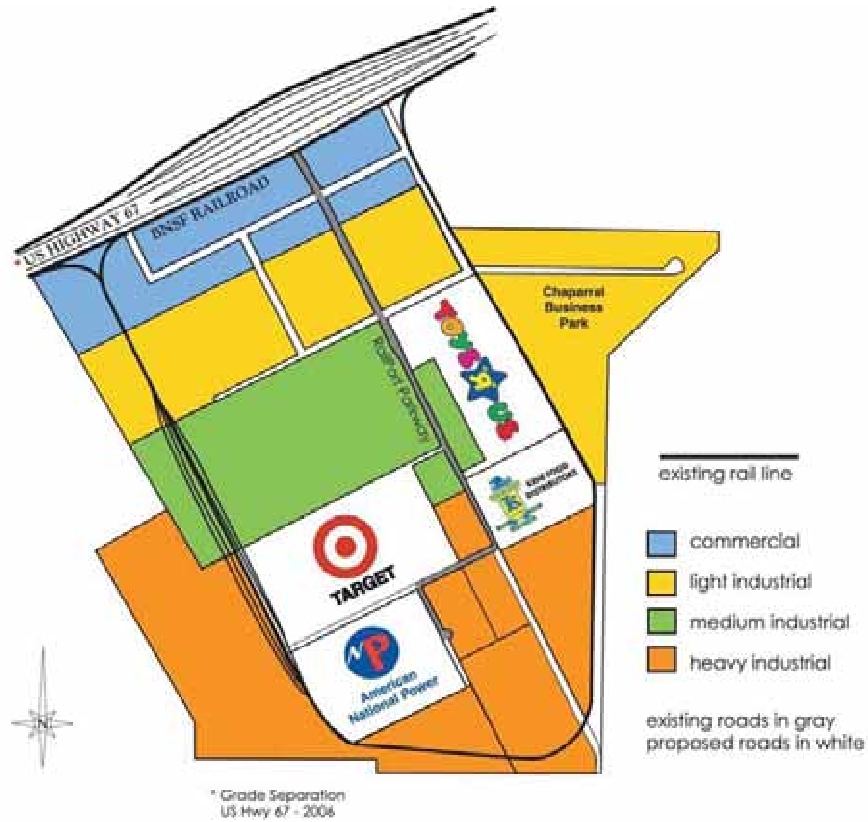
Project location in relation to Dallas-Fort Worth subordinate basis to refinance all of the outstanding Series 1999 and 2004 bonds of the Authority for debt service savings. Project area incremental tax revenue from the city, Ellis County, the state and the Midlothian Independent School District is the primary security for the bonds.

Timeline:

The Authority's Series 2007A and Series 2007B financings commenced in August 2006 to secure an insurance commitment for the Series 2007A Bonds.

Results:

Development benefited from the issuance of the Series 1999, 2001 and 2004 bonds. The Project's success enabled the Authority to refund the Series 1999 and 2004 Bonds resulting in approximately $4.1 million in net present value savings to the Authority.



Project plan

Lessons Learned:

Several industrial and distribution businesses in Midlothian are exempt from local taxes or have deeply discounted local taxes. This tax exemption is called the Triple Freeport tax exemption, meaning that the businesses are exempt from property taxes from the city, county and school district. Lower government revenues but higher infrastructure costs on these sites results in higher property taxes for other businesses and residents.

Tax Increment Financing allowed Midlothian, Texas to attract large, quality industrial and commercial tenants to the Railport Industrial Park by helping to finance a first-class infrastructure system and other public improvements for the project. As a result, Railport is now home to several distribution facilities including Target, Toys "R" Us and Kehe Foods. A 1.5 million square-foot facility for Solo Cups is next.

The Rice Hotel

Submitted By: Bill Calderon,
Hawes Hill Calderon LLP
Location: Houston, Texas
Development Type: Historic building redevelopment
Project Specifications:

- Acquisition and redevelopment of an iconic and historic structure in downtown Houston
- Restoration of the property, a three-tower, 17-story building, initiated conversion to 312 condominiums
- 25,000 square-feet of ground floor retail establishments including the Sambuca Restaurant, La Madeleine Restaurant, Amy's Ice Cream, Jamba Juice, Mission Burrito, the Rice Valet and a grocery store
- Cigar stand and newsstand near the location of the hotel's original cigar stand

The original Rice Hotel

Project Overview:

The Rice Hotel project involved the restoration and redevelopment of a historic structure in Houston, Texas. The property's historical facts include:

- Site of the old Capitol of the Republic of Texas, which housed the Texas Congress from April 1837 until September 1839
- John K. and Augustus Allen retained ownership of the building after the legislature moved to Austin and sold the building to R.S. Blount in 1857 for $12,000
- Original building razed in 1881 by Colonel A. Groesbeck, who subsequently erected an elaborate five-story Capitol Hotel
- William Marsh Rice, founder of Rice University, purchased the building in 1883, added a five-story annex and renamed it the Rice Hotel
- Rice University sold the building in 1911 to Jesse Jones, who then demolished the building and built a 17-story structure on the site. The new building opened on May 17, 1913, costing $2.5 million to build
- The first air-conditioned public room in Houston, the Rice Hotel Cafeteria, opened in 1922
- The Rice Hotel remained a Houston landmark until 1975 when the building's owners decided to close. After a brief reopening in 1976, the hotel closed by court order on August 23, 1977 and sold at a foreclosure auction in 1977

Financing the acquisition of the facility and the $28 million redevelopment of the property were the primary challenges.

Financing Package:
A reimbursement agreement between the Tax Increment Reinvestment Zone (TIRZ) #3, city of Houston (Main Street TIRZ), and the Houston Housing Finance Corporation (HHFC), facilitated acquisition of the property from French-Canadian interests. HHFC received TIRZ revenue totaling $18,750,000 in return for the purchase and long-term lease of the building to the developer, who became responsible for the restoration of the building into mixed-use development. The agreement also contained a first option acquisition at a favorable price for the building once the advance for the acquisition was paid in full.

Historic Tax Credits totaling $4.5 million were also acquired to finance the project.

TIF Process:
The Reinvestment Zone was created in 1995 to capture the future taxes generated from the increase in the property value once the Rice Hotel building was redeveloped and restored. In its original configuration, the zone included a nine-block area in downtown Houston, where the hotel and other historic structures were located. In addition to the repayment for the acquisition costs, the project plan also provided financing for a tunnel connection and other improvements in the nine-block area to enhance and beautify the area. The zone exists for 30 years and receives funding from the city of Houston, Harris County and the Houston Independent School District

Timeline:
The zone exists for 30 years. Redevelopment of the building required three-and-a-half years.

Results:
The project was the first serious effort to redevelop the structure. It enabled the preservation of a historic structure. While not generating a large number of residential units, the project served as a catalyst for many additional redevelopment ventures in central Houston, and facilitated a renewed appreciation of downtown as an area to live and work.

Lessons Learned:
Tax increment financing is a capable tool for difficult redevelopment projects. Prior to using a TIRZ for this project, investors were hesitant to supply the revenue to acquire and redevelop the property. The cost of the restoration was prohibitive. The TIRZ paved the way for the HHFC loan. The project also demonstrated a model for collaboration between city entities.

Lobby of The Rice Hotel

Due to revenue pledges in the initial agreement and slow revenue flow other redevelopment projects in the zone had to be delayed. Revenue for other projects did not exist for many years. Consequently, initial agreements must be carefully evaluated prior to approval to ensure that they do not limit funding for other projects.

Resources & References

Online Resources

The Council of Development Finance Agencies (CDFA) has taken the lead nationally to bring the tax increment finance industry together through the creation of the Tax Increment Finance Coalition (TIFC). The TIFC is a standing coalition within CDFA dedicated to professionals and organizations working in the tax increment finance industry. In developing the TIFC, CDFA becomes the first national organization to address tax increment financing head on.

CDFA provides over 200 resources online to assist development finance professionals with the use of tax increment finance. These resources can be found online at www.cdfa.net within the TIF Resource Library.

Online resources include:

- All 49 state enabling TIF statutes (District of Columbia statute included)
- Case studies from throughout the country
- Reports, evaluations and analysis of TIF use
- Headlines and news from the TIF industry
- Presentations from training events, conferences and seminars highlighting TIF use
- Financing primers on the use of TIF
- Resources for building a TIF program

Technical Assistance

CDFA is also available to assist with TIF questions and research. CDFA's Research and Technical Assistance (RTA) program is the nation's first non-profit information and consulting service solely dedicated to development finance. With unparalleled access to the nation's top agencies and professionals in development finance, RTA delivers the association's experience to the industry at-large.

Technical assistance is a fee for service program that offers customized strategies, training and solutions for development finance organizations and entities of all kinds. Communities, organizations, and other industry professionals may enlist CDFA to help with program development, policy and guideline clarification, best practices and much more.

CDFA utilizes its rich history, in-house resource databases and broad membership base to address issues in a variety of development finance sectors.

For a full list of CDFA's services, view past projects and resources, visit www.cdfa.net.

ICSC Research Resource Center

ICSC's Research Resource Center contains a wealth of reference information, including statistical and analytical reports about the global shopping center industry. For general questions, please dial +1 646 728 3671 or send an email to library@icsc.org. Their Web site can be accessed at http://www.icsc.org/rsrch/research.php

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