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Webinar



# NY TIF - The New Opportunity for Redevelopment

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## *NY TIF - The New Opportunity for Redevelopment*

*Moderator:*

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*Panel:*

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# How TIF can be Deployed for Transformative Change



**G. Lamont Blackstone**  
Principal

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# Tax Increment Finance – The Basic Math of TIF

## *Art vs Science*



<b>Before TIF:</b>			<b>After TIF:</b>			<b>Increment:</b>		
Market Value \$70,000			Market Value \$600,000			Market Value \$530,000		
	<u>Residential</u>	<u>Commercial</u>		<u>Residential</u>	<u>Commercial</u>		<u>Residential</u>	<u>Commercial</u>
Value	\$ 70,000	\$ 70,000	Value	\$ 600,000	\$ 600,000	Market Value Increase	\$ 530,000	\$ 530,000
x Assessment Ratio	<u>0.19</u>	<u>0.32</u>	x Assessment Ratio	<u>0.19</u>	<u>0.32</u>	Property Tax Increase	\$ 5,760.04	\$ 9,701.12
Assessed Value:	\$ 13,300	\$ 22,400	Assessed Value:	\$ 114,000	\$ 192,000			
						Base Tax	\$ 760.76	\$ 1,281.28
x Tax Levy	<u>0.0572</u>	<u>0.0572</u>	x Tax Levy	<u>0.0572</u>	<u>0.0572</u>	Tax Increment	\$ 5,760.04	\$ 9,701.12
Tax	\$ 760.76	\$ 1,281.28	Tax	\$ 6,520.80	\$ 10,982.40	Total Tax	\$ 6,520.80	\$10,982.40



# TIF & The Funding Gap

- Definition of the Funding Gap – that portion of the total development costs of a project which is not covered 100% by sources of private capital seeking risk-adjusted and market-rate returns.
- Return on Total Capital (ROTC) – the threshold of project financial feasibility
- The Funding Gap establishes the basis for meeting the “but-for” test.



# TIF Examples in Other States

- **City Heights Retail Village – San Diego, CA**



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# TIF Examples in Other States

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# TIF Examples in Other States

- **City Heights Retail Village – San Diego, CA:**
  - \$16mm TIF bond issue – small deal/large city
    - Total development costs of approximately \$33mm
    - Bond proceeds used for land cost write-down & environmental remediation
    - Increment limited by Proposition 13
  - 110,000 sq. ft. supermarket-anchored shopping center on an under-utilized 8-acre site
    - Assemblage of 50 separate parcels & two city blocks
  - Final phase of a master redevelopment program which included a new police substation, public library, community gym & continuing education ctr.





# TIF Examples in Other States

- **Harbor Point Project – Stamford, CT:**
  - \$145mm bond issue – large deal/small city
    - Net proceeds of \$110.7mm (76% of total issue amount)
    - 3 separate tranches -- \$64.5mm/\$64.5mm/\$16mm
  - 6mm sq. ft. TOD project
    - Residential/retail/office/hotel
    - Mixed-use with significant vertical elements
  - 66-acre TIF district
  - Phase 1 total development budget of \$816mm
    - TIF bonds were 18% of total development budget
  - City of Stamford – population of 123,000



# Design Considerations Affecting Bond Issue Sizing:

- Bond issues range from \$8mm to \$150mm
- District sizing or project-specific structure
- Tax exempt vs. taxable status
- Claimants to the increment (e.g., school districts & counties)
- Duration of the capture period
- Senior vs. subordinate bond tranches
- Capital market conditions & interest rates



# TIF Transaction Items & Team-Building

- Blight findings
  - Urban planning firm and/or
  - Development consultant
- Development project feasibility
  - Development consultant or financial analyst
  - Financial advisor
- Attorney review & opinions
  - Corporation counsel & counsel to the legislative body
  - Bond counsel
  - Environmental counsel (for EIS)
- Preliminary plan potentially including an EIS
  - Development consultant
  - Environmental counsel



# TIF Transaction Items & Team-Building (cont.)

- Redevelopment plan
  - Financial analyst/advisor
  - Development consultant
- TIF projections
  - Financial advisor and/or financial analyst
  - Municipal assessor's office
- Bond issue structuring & underwriting
  - Investment banker
  - Bond counsel
  - Financial advisor



# Some Risk Mgmt. Issues for TIFs

- **No buildings; no users. No users; no increment.**
  - Review project marketability & feasibility
  - Incorporate conditions precedent clauses for key development milestones, e.g., pre-leasing
- **See all the pieces of the puzzle.**
  - Understand the total capitalization of the balance of the project
  - Review the developer's funder commitment letters as early as possible for potential conflicts with the TIF documents



## Some Risk Mgmt. Issues for TIFs (cont.)

- **Time is the common enemy of both public & private sector partners.**
  - Compress time frames for deal approvals and execution
  - Anchor tenants may elect to go elsewhere if projects take too long to execute
- **Don't let appeals peel away the increment.**
  - The importance of the Assessor's Office as a team member
  - Legality of waiver of property tax appeal clauses?

