

NY TIF - The New Opportunity for Redevelopment

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NY TIF - The New Opportunity for Redevelopment

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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



Before TIF:

After TIF:

Increment:

Market Value \$70,000

Market Value \$600,000

Market Value \$530,000

	Residential	Commercial		Residential	Commercial		Residential	Commercial
Value	\$ 70,000	\$ 70,000	Value	\$ 600,000	\$ 600,000	Market Value Increas	e \$ 530,000	\$ 530,000
x Assessment Ratio	0.19	0.32	x Assessment Ratio	0.19	0.32	Property Tax Increas	e \$ 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	0.0572	0.0572	x Tax Levy	0.0572	0.0572	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

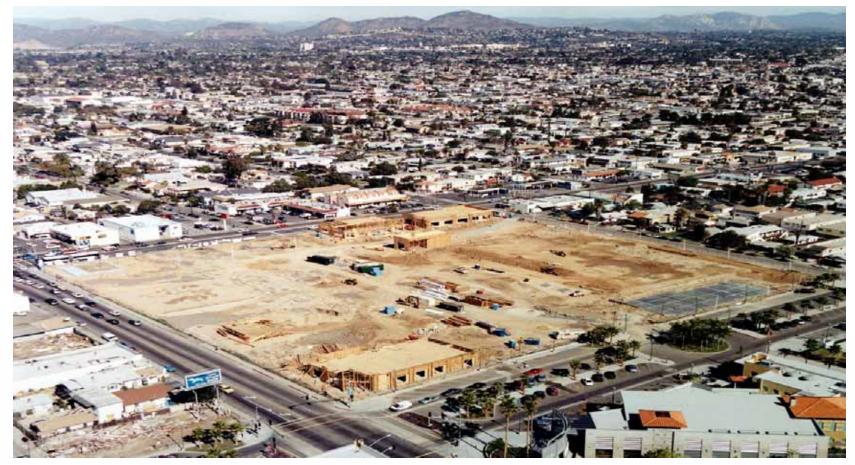


TIF & The Funding Gap

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



• City Heights Retail Village – San Diego, CA





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• 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
 - \circ 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.



• 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
- o 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
 - o Urban planning firm and/or
 - o 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
 - o Financial analyst/advisor
 - o 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?

