



Tax Increment Financing and Brownfields Redevelopment

Business of Brownfields, April, 2010

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Brownfields Federal Policy supported by the Brownfields Inner Circle

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Redevelopment Economics

- Green Job Strategies (ARTEZ)
- Brownfields and Smart Growth Strategies
- Climate Benefits of Smart Growth
- Site Redevelopment Analysis and Financing, Tax Increment Financing
- Incentives to Support Smart Growth
- Economic Impact Analysis
- Local Government Energy-Climate Plans

LTV Steel to Southside Works



- \$25 million TIF – infrastructure and parking
- \$300 million mixed use redevelopment





TIF Trends

2006

- \$5.5 billion in issuances
- Loan to value up to 90%
- Interest rates – 6 – 6½ %
- Debt coverage ratio – 1.2

2009

- Less than \$1 billion issuances
- Loan to value - 50-60%
- Interest rates – 8¾ %
- Debt coverage ratio – 1.5
- Brownfield projects – even more difficult



TIF – Brownfields Mismatch

- Bond market wants ‘done deal’ – assists vertical development, not upfront/land prep.
- Use of funds may be restricted to “Public Infrastructure”
 - even if allowed, use of funds for cleanup makes the bonds taxable.
- TIF base may reflect clean land.



Solutions to the TIF – Bond Market Mismatch/timing problem

- Working w/ the bond market – options for upfront financing:
 - Merging horizontal and vertical development
 - Governmental grant and loan sources
 - Developer equity
 - Private equity financing
- Alternatives to bond market financing



New Tools and Alternatives to Bond Market Financing

- TIF combined with Recovery Zone bonds (shift taxable debt to tax exempt)
- TIF with governmental loans and guarantees:
 - HUD 108
 - EPA Brownfields RLF
 - PA TIF Guarantee
- Pay-as-you-go

Atlantic Station TIF

TIF for Mega-brownfields Projects

- \$167 million of \$250 million gap
- Reimbursing \$50 million cleanup
- Expected \$4 billion investment
- AIG Global Real Estate provided upfront equity financing
- Dramatic VMT reduction



- 6 mil sq ft office
- 5,000 DU's
- 2 mil sq ft retail
- 1,000 hotel rms
- 11 acres open space

Georgia TIF and Brownfields

- Tax Allocation Districts:
 - Fund “redevelopment costs,” not just infrastructure
 - Limited to “Redevelopment Areas”
 - Recent court decision – cannot include school taxes
- Brownfields
 - Offers third part liability protection



Cleveland Flats East Bank

creative financing

- \$520 million mixed use
- Green walkable
- \$30 million Recovery Zone for infrastructure
- Redevelopment - \$30 million HUD 108 loan to be repaid from TIF
- Ohio Brownfields funding



- Ohio TIF law allows TIF for redevelopment, not just infrastructure



Matching TIF w/ HUD 108 or other Governmental Loan Funds

- HUD 108 security – CDBG funds
- DesMoines Riverpoint West TIF:
 - \$17 million HUD 108
 - \$1 million EPA Brownfields Revolving Loan Fund
 - \$180 million mixed-use project
 - 543 townhomes/condominiums
 - 740,000 sf office/retail space
 - 143,000 sf flex space
- Baltimore – Gateway South

Distillery District

Kentucky – State Revenues in TIF

Lexington, KY

- 25-acre Industrial District
- \$177 million Mixed Use
- \$46 million TIF from State and Local revenues under the
- “Mixed Use Redevelopment in Blighted Areas Program”





Kentucky

State Revenues in the TIF

Two types of state-assisted TIF

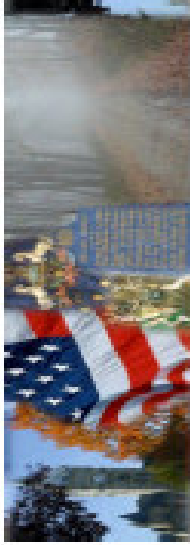
- Signature Projects – over \$200 million – also eligible for State Moral Obligation backing
 - Mixed Use Redevelopment in Blighted Urban Areas – over \$20 million
 - Both – mixed use w/ no more than 20% retail
 - Must be projected to have a positive fiscal and economic impact on state
- Other states that put state revenues into certain TIF projects:
 - Missouri (up to 50% of sales or income taxes)
 - Indiana (certified technology parks)
 - Kansas
 - Tennessee
 - Colorado



Kentucky – Expanding Allowable Uses of TIF Revenues for Remediation

Kentucky modified their TIF Law – 2007

- Previously - proceeds for infrastructure only
- Allowed remediation expenditures to be added as allowable uses
- Lowered the acreage threshold to one acre for Brownfields



Housing and Redevelopment Authority of the County of Butler



COMMUNITY DEVELOPMENT CORPORATION
OF BUTLER COUNTY



The Redevelopment Authority
of the City of Butler



BUTLER CITY REVITALIZATION – Phase I **Housing and Community Development Initiative**



Pennsylvania TIF Guarantee Program

Pennsylvania Tax Increment Financing Guarantee Program

- \$100 million fund;
- State guarantee up to \$5 million for projects consistent w/ smart growth and economic development objectives;
- Priority for brownfield sites;
- Guarantee serves as credit enhancement;
- For infrastructure and remediation.



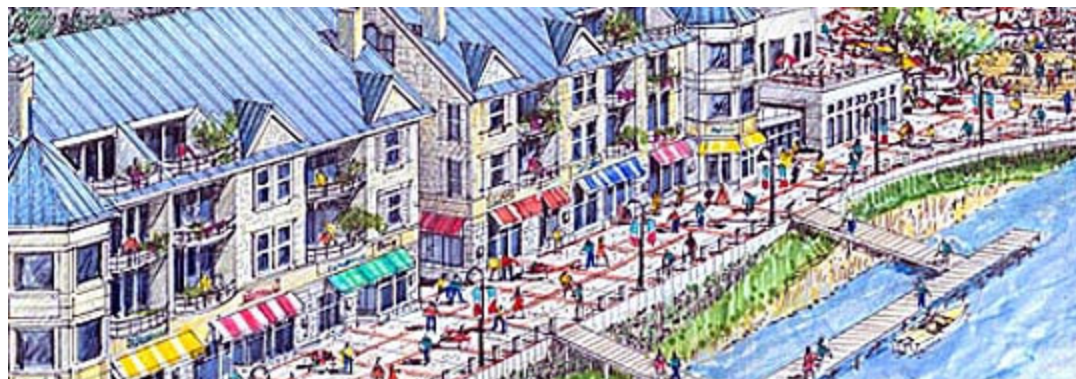
Pennsylvania

TIF Guarantee Program

- Downtown mixed use
 - Harrisburg/Frazer Center
 - North Versailles/Longview Properties,
 - Mt. Lebanon/Washington Park
- Industrial Development-Ready Land
 - Allegheny Co. Airport area
- Brownfields
 - Butler West End Revitalization

Grand Landing/Grand Haven

Michigan – State Loans Work with Local TIF



Grand Landing/Grand Haven

- \$70-million residential/mixed use redevelopment of a former tannery.
- A \$2-million cleanup financed by
 - \$1-million state grant
 - \$1-million state loan to be paid back through BRA TIF;

Michigan – Brownfields Redevelopment Authorities

- Allows tax capture to fund cleanup and site prep;
- Localities create Brownfields Redevelopment Authorities;
- Two State Revolving Loans
 - Flexible terms – no payments for 5 years and 2% interest rates



Wisconsin

Environmental remediation TIF's

Wisconsin ER-TIF

- Remediation, demolition, acquisition and *delinquent property taxes* are included as allowable expenses
- If the site is publicly owned, the base value may be calculated as zero; and
- ER-TIF projects are exempt from the value limitations that restrict a community's ability to use TIF for other projects
- Simplified Pay-go option



Connecticut – State Loan and Guarantee

Connecticut's Brownfields Redevelopment Authority (CBRA)

- \$50 million economic development bond fund
- State grants up to \$10 million to developer for remediation, based on locality diverting tax revenues
- Size of the grant linked to the projected TIF revenue stream
- State takes the risk that the project will not perform.



Minnesota – Reduction of Base for Cleanup Costs

Minnesota – Hazardous Substance Sub-districts

- Allows remediation costs to be deducted from the base;
- Lowered base creates more increment;
- Application to sites where there is no redevelopment.



State Policies and Programs that Facilitate TIF for Brownfields

- Expanding allowable uses of proceeds to include remediation and site prep (KY)
- Brownfields carve-out for pay-go TIFs (Wisconsin)
- Allow reduction of base to reflect cleanup costs (MN)
- Allow sites owned by public agencies to use “0” as the base (WI)
- Loans designed to work w/ TIF (MI)
- Guarantees (PA and CN)
- State revenue participation (KY)



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