



# Vacant Properties, Tax Increment Financing, and What's Working Now

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## **National Vacant Property Conference, October, 2010**

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# Redevelopment Economics

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- Site Redevelopment Analysis and Financing, Tax Increment Financing
  - Baltimore
  - Rochester
- State TIF Policies to Support Smart Growth (Maryland)
- Green Job Strategies (ARTEZ)
- Brownfields and Smart Growth Strategies
- Climate Benefits of Smart Growth Economic Impact Analysis
- Local Government Energy-Climate Plans
- Staff director for the National Brownfields Coalition

# TIF Basics

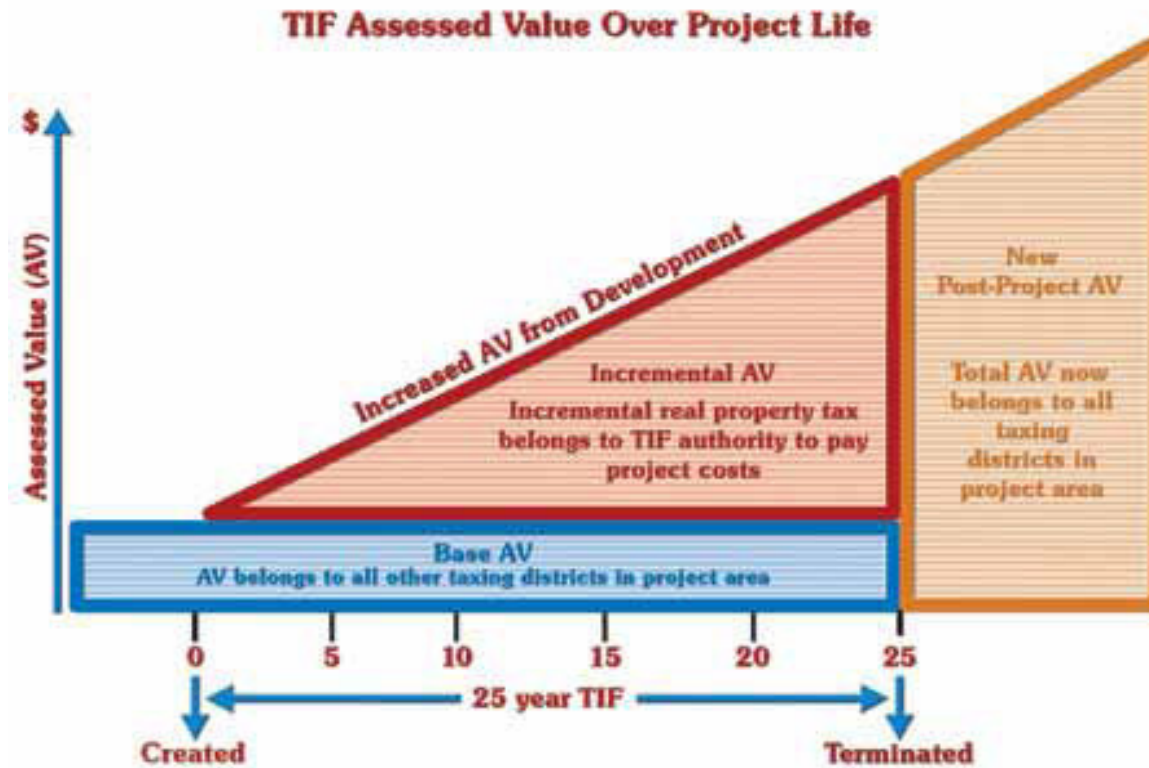


Chart source: TIERRA GRANDE – “ABCs of TIF” By Robert R. Eversberg & Paul R. Goebel



# Project TIFs and Area TIFs

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- Project TIF

- Facilitates a single project with a single owner
- TIF district and special assessment district may correspond to the boundaries of a single project
  - Trend away from single-payer districts
- TIF is usually issued at the point of vertical development

- Area TIF –

- Larger district geared to implementing a plan - multiple property owners and multiple projects
- Revenues derived from:
  - Generally increasing property values
  - Unsubsidized development
- District may involve a strong area cross-subsidizing a marginal area
- More often uses “Pay-as-you-go”



# TIF Trends – Bond Market

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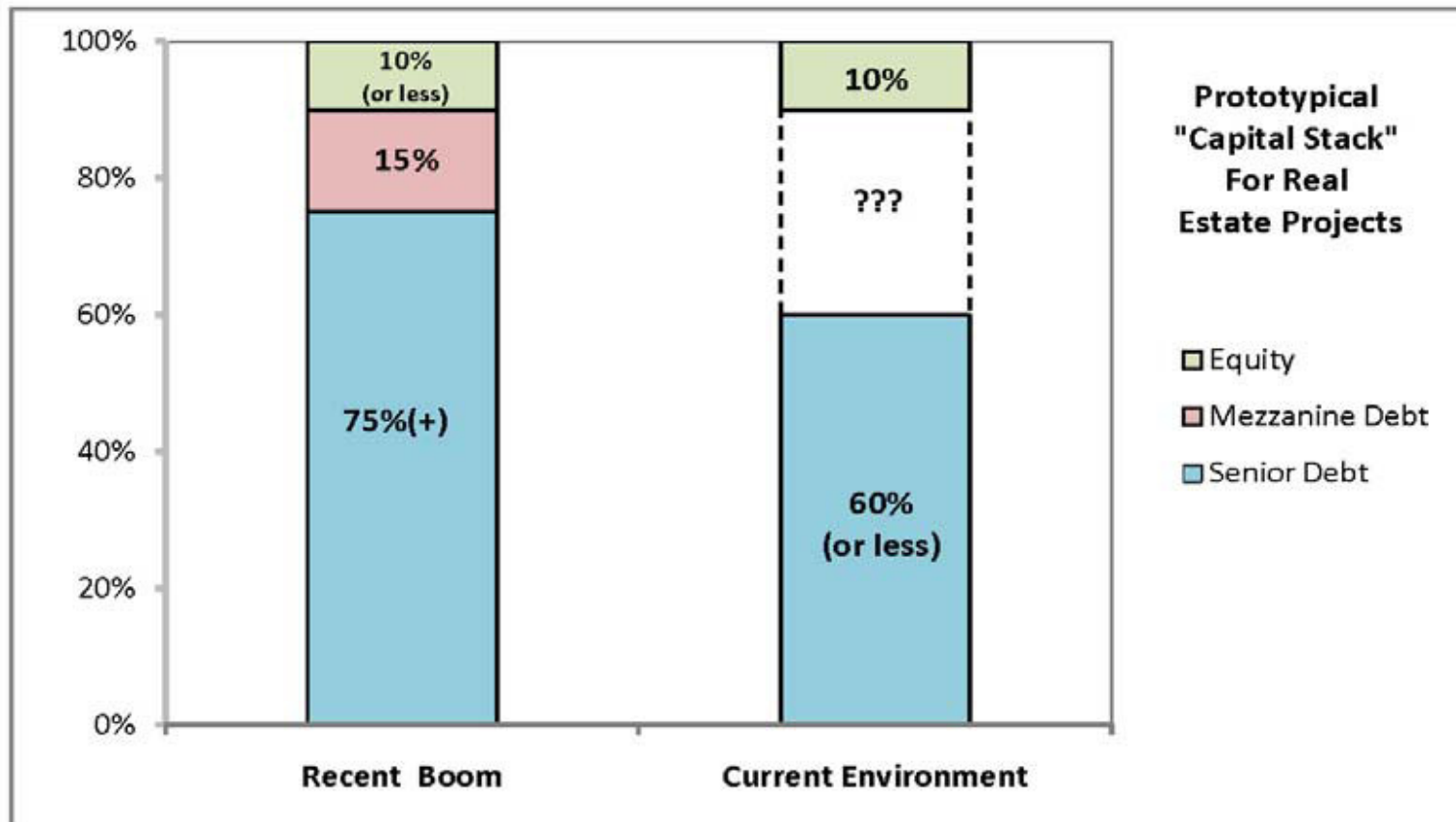
## 2006

- \$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 Trends - Bond Market





## TIF and Land Preparation – The TIF-Brownfields Mismatch

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- 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.



# New Tools and Alternatives to Bond Market Financing

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- TIF combined with Recovery Zone bonds (shift taxable debt to tax exempt)
- Credit Enhancements – FHLB Standby-Letter-of-Credit
- TIF with governmental loans and guarantees:
  - HUD 108
  - EPA Brownfields RLF
  - State loans and guarantees
- Pay-as-you-go



# Atlantic Station TIF

## TIF for Large-scale New Urbanist Projects

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- \$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



# Project TIF - Atlantic Station

## TIF for Mega-brownfields Projects

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Sources and uses for phase I infrastructure and site prep		
Item	Amount	Source
Roads and Utilities	\$30,000,000	TAD
Environmental Remediation	\$25,000,000	TAD
Capping (Environmental)	\$25,000,000	TAD
Right-of-way	\$50,000,000	Developer
Parking	\$30,000,000	TAD
Bridge	\$50,000,000	State/Fed
Total Phase I	\$210,000,000 (TIF total - \$110 million)	

# Georgia TIF and Brownfields

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- Tax Allocation Districts:
  - Fund “redevelopment costs,” not just infrastructure
  - Recent court decision – cannot include school taxes
- Brownfields
  - Ga. offers third part liability protection



**Skillman Corridor TIF District  
Current Development Projects**

Note: Single-family homes are excluded from the TIF District, the perimeter boundary & right-of-way in residential areas are connected to insure a contiguous district.

Legend:

- Existing DART Station
- Future Station
- DART Blue Line
- TIF Perimeter Boundary
- Properties & right-of-way inside TIF

Office of Economic Development  
October 2009



# Area TIF – Dallas, Skillman District

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Lake Highlands Town  
Center/TOD project

- Objective: transform area to urban/TOD/ mixed use center
- Pay-as-you-go
- \$850,000 annual revenues from:
  - 8 development projects w/ no TIF subsidy
  - Property value growth
  - Includes negotiated school revenues



# Area TIF – Dallas, Skillman District

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Skillman Corridor TIF District Projected Increment Revenue to Retire TIF Fund Obligations			
Category	TIF Budget*	Allocated	Balance
<b>Skillman/Walnut Hill TOD Town Center:</b> remediation, demolition, infrastructure, land acquisition, and park/plaza.	\$38,218,351	\$23,000,000	\$15,218,351
<b>Other Skillman Corridor Improvements:</b> remediation, demolition, infrastructure, land acquisition, and park/plaza.	\$45,488,422	\$0	\$45,488,422
<b>Relocation Assistance/Student Retention</b>	\$1,000,000	\$0	\$1,000,000
<b>School Facility Improvements</b>	\$5,000,000	\$0	\$5,000,000
<b>Administration and implementation</b>	\$5,123,394	\$93,006	\$5,030,388
<b>Total Project Costs</b>	<b>\$94,830,168</b>	<b>\$23,093,006</b>	<b>\$71,737,162</b>

# Matching TIF w/ HUD 108 and EPA RLF – Des Moines

- Des Moines Gray's Landing (Riverpoint West) TIF:
  - \$17 million HUD 108 for assembly and infrastructure
  - \$1 million EPA Brownfields Revolving Loan Fund for cleanup.
- Backstop for TIF:
  1. \$2.9 million surplus revenues from adjacent TIF district
  2. Developer guarantee
- New Markets Tax Credits

\$220 million mixed-use project

- 543 townhomes/condominiums
- 740,000 sf office/retail space
- 143,000 sf flex space



# TIF - HUD 108

## Baltimore's Gateway South

<b>Before</b>		
<b>After</b>		
	<b>2006 business park plan</b>	<b>2010 slots and nightclub plan – Celebration Plaza</b>





## TIF - HUD 108

### Baltimore's Gateway South

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- Upfront expenditures – site assembly and site prep (\$18 million)
- HUD 108 - interest only for 5 years
- Security – special assessment district and CDBG

# Alternatives to Bond Market TIF Financing

## – Heer's Department Store, Springfield, Mo

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- Alternative project financing – \$11 million FHA section 220 loan guarantee
- \$3 million TIF closed the gap
  - \$2 mil City loan
  - \$1 mil State loan
  - Uses 100% of property taxes and 50% of retail sales taxes



- vacant – 15 years
- loft apartments, retail space, a gym, and parking.

# State Revenues in TIF - Kentucky Lexington, Distillery District

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## Distillery District

- 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"
- Achieved 1.8 debt coverage ratio





# Kentucky

## State Revenues in the TIF

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### 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

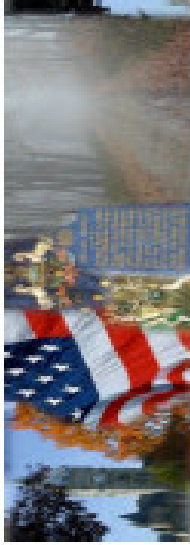


# Pennsylvania TIF Guarantee Program

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## ***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.



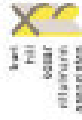
Housing and Redevelopment Authority of the County of Butler



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

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- 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



# Connecticut – State Loan and Guarantee

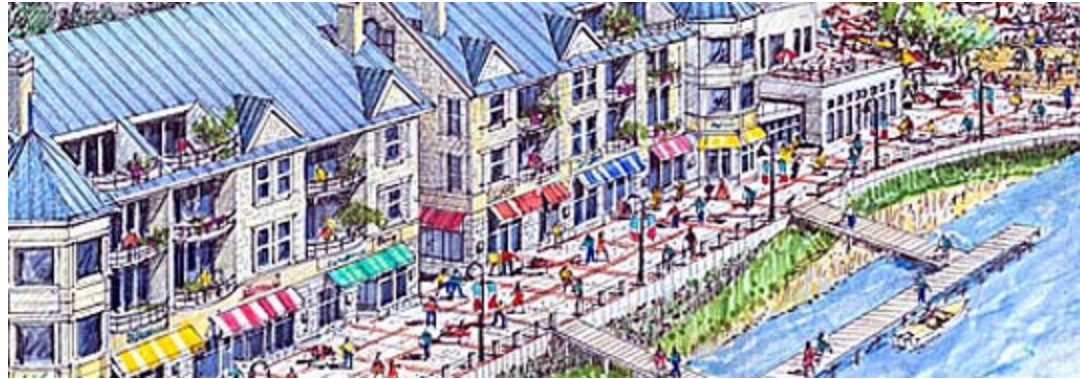
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## ***Connecticut's Brownfields Redevelopment Authority (CBRA)***

- \$50 million economic development bond fund
- State grants up to \$10 million to developer for remediation and site prep, 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.



# 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



# Minnesota – Reduction of Base for Cleanup Costs

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## **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.



## Contact Info

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