

STRUCTURING, FINANCING, AND INCENTIVIZING RETAIL DEVELOPMENT



ALEX FLACHSBART

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ACE WORKSHOP – CLANTON, AL

What deal structures
drive economic
development?

How do we finance
and incentivize those
deal structures?

ROADMAP FOR TODAY

- Incentives Process Overview
- A Tale of Two Cities
- Lightning Round



RETAIL INCENTIVES SHOULDN'T BE...

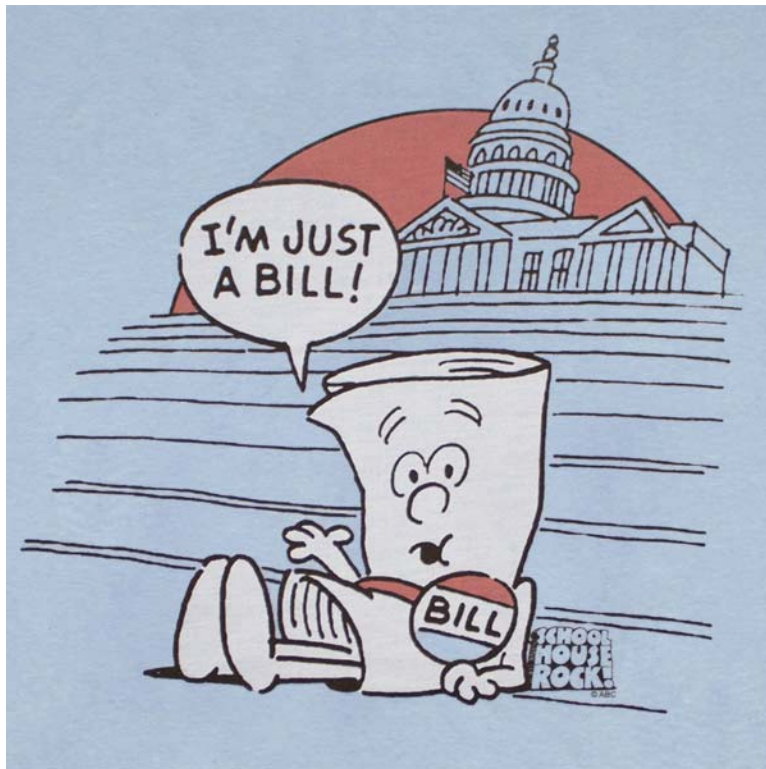


WHAT WE'LL COVER

- *Incentives Process Overview*
 - The Power of Amendment 772
 - How to Use Incentives for Each Project Phase
 - Cost-Benefit Analysis Cross All Phases
 - Incentives Credit Analysis
 - Entities Involved in Incentives Process
- A Tale of Two Cities
- Lightning Round



THE POWER OF AMENDMENT 772



Cities and counties can:

- (1) spend public \$\$/issue debt to buy land + improvements
- (2) convey land + improvements
- (3) guaranty private debt or grant funds to "*promote economic development*"

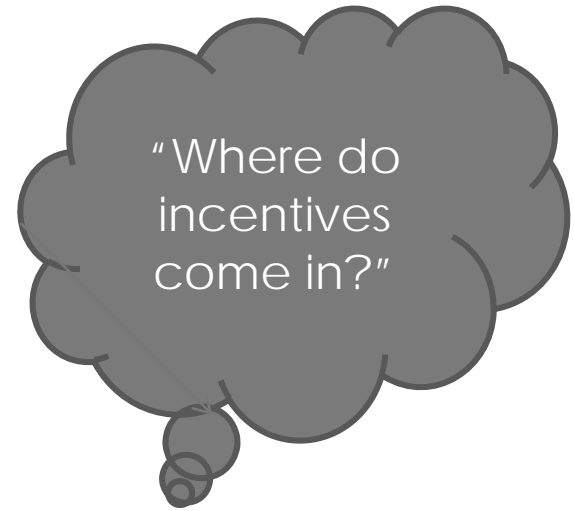
Hurdles

- Existing Constitutional Amendments
- AG Opinions on revenue sharing

Procedural Requirements

- Notice and Hearing
- Judicial Approval (required by certain counties)

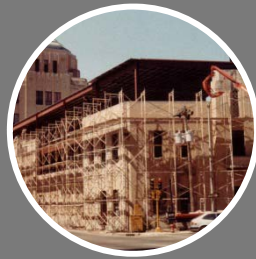
PHASES OF A PROJECT



Land Acquisition



"Public" Improvements



"Facility" Improvements



Lease-Out or Sale to End user



SETTING THE LEVEL OF INCENTIVES

Direct Benefits

- Sales and Property Tax
- Lodging Tax
- Other Revenues

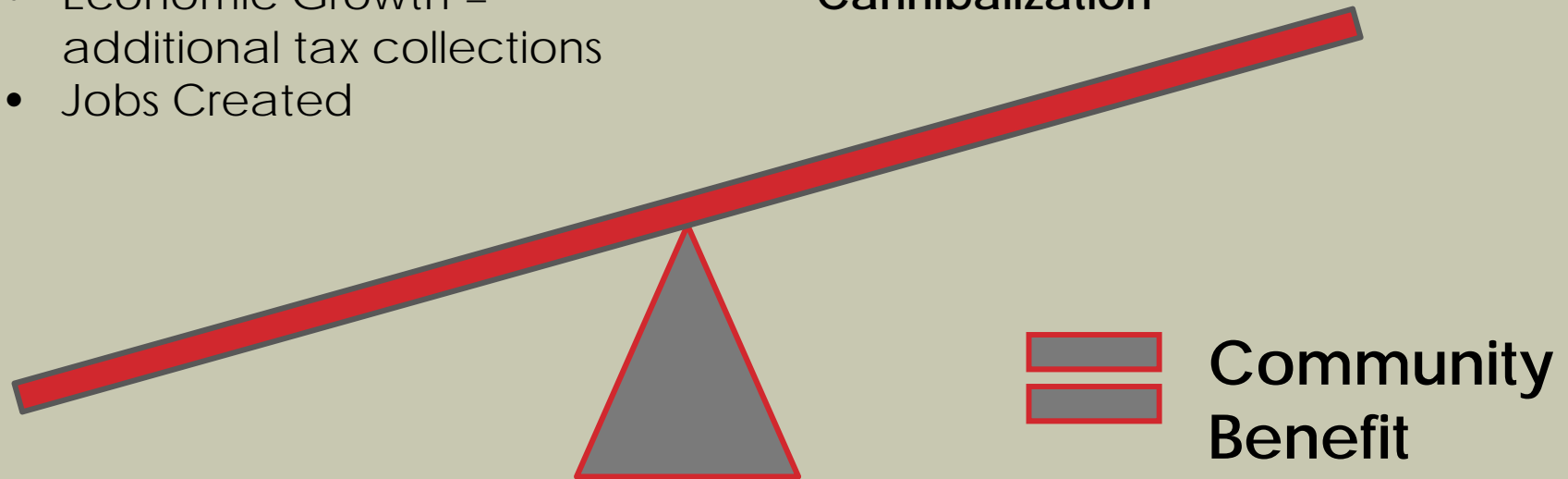
Indirect Benefits

- Economic Growth = additional tax collections
- Jobs Created

Costs

- Direct Payments
- Debt Service
- Additional Services
- Others?

Cannibalization



CREDIT CONSIDERATIONS

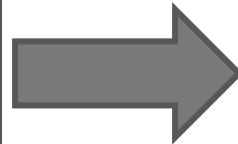
“In the Chain”

- Incentive payments from *general revenues*
- EX: General obligation (“GO”) debt issuance
- EX: Guaranty of Private Debt

“Out of the Chain”

- Incentive payments from *project revenues*
- EX: Revenue bond issuance (“conduit deal”)
- EX: Project revenue sharing

CAUTION [OR COCKTAIL TRIVIA]



Other Involved Entities

- Improvement Districts (IDs)
- Capital Improvement Cooperative Districts (CICDs)
- Commercial Development Authorities (CDAs)
- Downtown Redevelopment Authorities (DRAs)

ENTITIES INVOLVED

Note: all have authority to (1) issue debt and (2) construct and convey projects

Power or Ability	ID	CICD	CDA	DRA
Formation	Dev. + City	2 Pub. Bodies	City	City
Project Types	Public	Any	Comm.	Comm. & Residential
"Special Assessments" (Prop)	Yes	No	No	No
"User Fees" (Sales/Other)	No	Yes	No	No
Competitive Bid Laws Exemption	No	No	Yes	No
Eminent Domain Power	Yes	Yes	No	No
"Special Investments"	No	Thru DRA	Maybe	Yes

Example 1

WHAT WE'LL COVER

- ~~Incentives Process Overview~~
- A Tale of Two Cities
 - *Roll Eagle - incentives for:*
 - Land Acquisition
 - Public Improvements
 - Facilities Improvements
 - Lease-Up/End Users
 - War Tide
- Lightning Round



Example 1



LAND ACQUISITION

City "In"

Incentives

- Guaranty
- GO Debt Obligation (tax-exempt)

Entities

- CDA – comp. bid advantage
- CICD – fees + City credit

City "Out"

- Effective Property Tax Abatements
- Conduit Debt (taxable)
- CICD/ID – credit concerns
- CDA – conduit, "one-stop shop"

Example 1



PUBLIC IMPROVEMENTS

City "In"

Incentive(s)

- Guaranty
 - GO Debt Obligation (tax-exempt)
- Self-Build Grant/Loan to Developer

Entities

- CICD fees + City credit
- Tax-Increment Financing (TIF) District (?)

City "Out"

- Effective sales tax abatements
- Reimburse infrastructure costs
- Conduit Debt (tax-exempt)
- ID/CICD – probably tax-exempt but credit concerns
- TIF (?)

TIF ISSUES

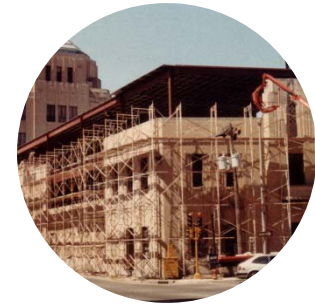
Need “blighted” or “open” areas or those with many vacant buildings.

Critical certification: The proposed tax increment district on the whole

- (1) has not been subject to growth and development through investment by private enterprise and
- (2) it is not reasonable to anticipate that the land in the district will be developed without the adoption of the project plan

Problem: super-low property taxes

Example 1

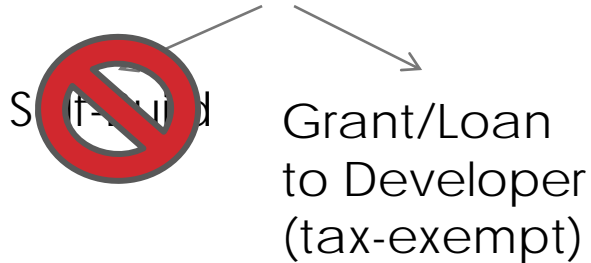


FACILITY IMPROVEMENTS

City "In"

Incentive(s)

- Guarantee
- GO Debt Obligation



Entities

- CDA
- CICD

City "Out"

- Limited Debt Obligation (taxable)
- Conduit Debt (taxable)
- Revenue sharing with developer
- Effective sales tax abatements

- CICD (if market will support it)

Example 1



SALE OR LEASE TO END USER

City "In"

Incentive(s)

- GO Debt Obligation
- Leasehold Guaranty

→ Cash to tenants ←

City "Out"

- Limited Debt Obligation
- Revenue sharing with tenants
- Effective business license/other fee abatements

Other Programs

Small Business Hiring Credits
Work Opportunity Credit
EZ/Jobs Credits (?)

Example 2

WHAT WE'LL COVER

- ~~Incentives Process Overview~~
- ~~A Tale of Two Cities~~
 - ~~Roll Eagle~~
 - War Tide - incentives for:
 - Land and Building Acquisition
 - Public and Facilities Improvements
 - Lease-Up/End Users
- Lightning Round



Example 2

WAR TIDE, ALABAMA



Population: 10,000

**Vacant building
downtown on city
square**

- In town's "Historic District"
- Technically considered "blighted" area
- Built in 1922
- Privately owned
- Mixed commercial and residential
- Low interest (asbestos concerns, code concerns, etc.)

Example 2



LAND AND BUILDING ACQUISITION

City "In"

Incentive(s)

- Guaranty
- GO Debt Obligation

Entities

- Downtown Redevelopment Authority (DRA)
- CICD

City "Out"

- Effective Property Tax Abatements
- Conduit Debt (taxable)
- New Markets Tax Credit (NMTC)
- CICD
- CDA

Example 2

PUBLIC/FACILITY IMPROVEMENTS



City "In"

- Guarantee
- GO Debt Obligation

Incentive(s)

Partial Self-Renovation

Grant/Loan to Developer

City "Out"

- Effective abatements
- Limited Debt Obligation
- Revenue sharing with developer
- Conduit Debt
- Historic Tax Credits
- NMTC
- LIHTC/HUD Support

Entities

- TIF (blight + cert)
- DRA
- CICD

- TIF (blight + cert)
- CICD (if market will support it)

Example 2

SALE OR LEASE TO END USER



City "In"

Incentive(s)

- GO Debt Obligation → Cash to tenants ←
- Leasehold Guaranty
- Keep Building – lease breaks to tenants (?)

City "Out"

- Limited Debt Obligation
- Revenue sharing with tenants
- Effective business license/other fee abatements

Other Programs

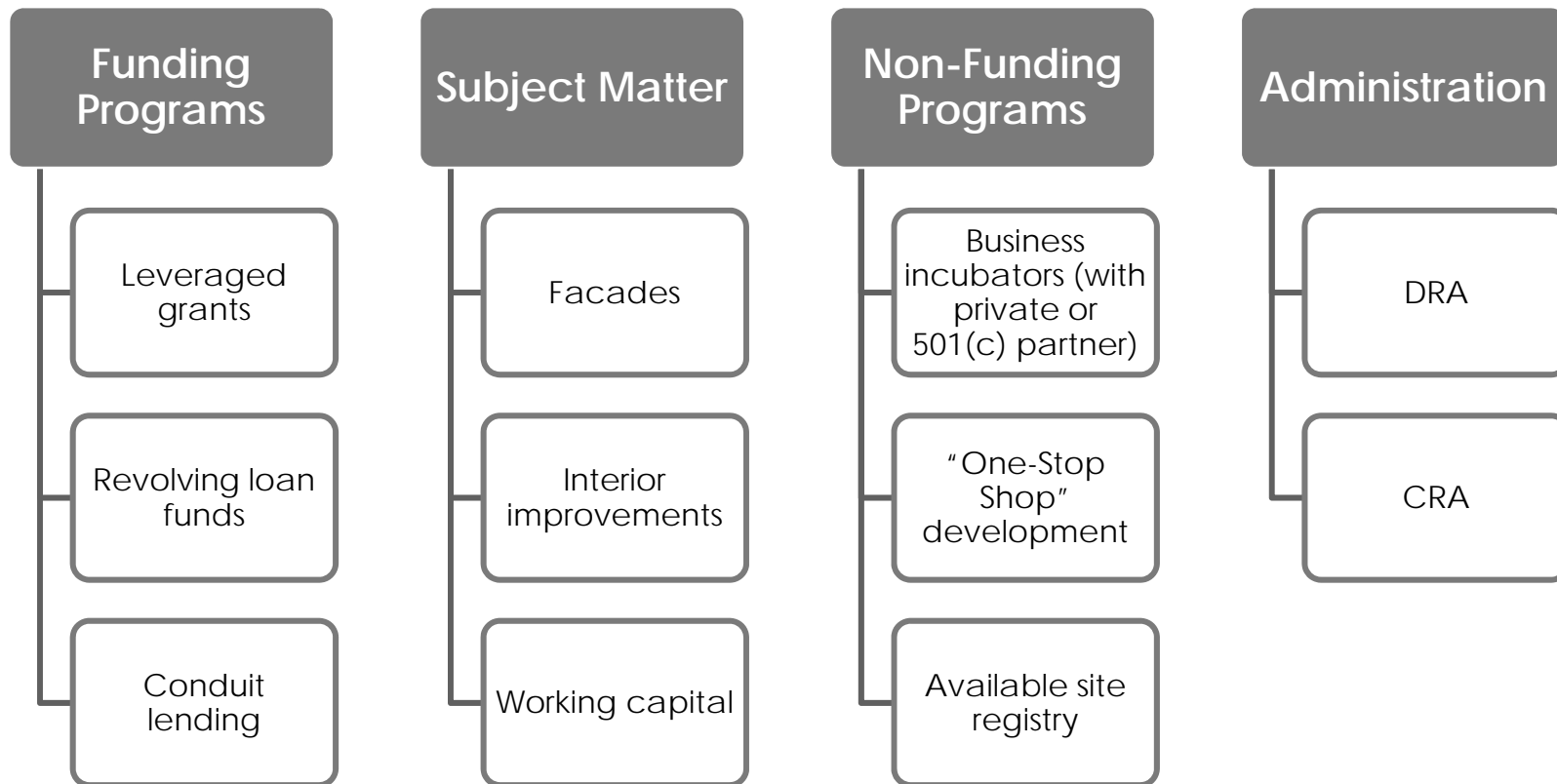
Small Business Hiring Credits
Work Opportunity Credit
EZ/Jobs Credits (?)

WHAT WE'LL COVER

- ~~Incentives Process Overview~~
- ~~A Tale of Two Cities~~
- *Lightning Round*
 - *Potential Grant Opportunities*
 - *Additional Local Assistance*
 - *Topics for Next Time*



ADDITIONAL LOCAL ASSISTANCE



NON-LOCAL CREDITS AND GRANTS

Entity	Acquisition	Public Imps	Facility Imps	End User
CDFI Fund	New Markets Tax Credits, CDFI Grants			
USDA		Water & Waste	B&I Program	B&I Program RBDG/L
ADECA/HUD	HOPE VI	CDBG HOME	CDBG HOME	
ARC	Project Grants	Project Grants		
EDA	POWER	Public Works EAA POWER	POWER	POWER

NOT ENOUGH HOURS IN THE DAY

- State industrial development incentives
- Full scope of federal assistance available for downtown and rural revitalization (tax credits, loan programs, etc.)
- Housing revitalization and clearing blighted areas
- Creating, capitalizing, and managing “special assistance” programs
- Other potential players (Tourism Promotion and Development Authorities, Community Development Districts, 501(c) organizations, etc.)
- Details about many programs mentioned today

QUESTIONS?

Contact Information

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