



HSAC Conference

Investing in the Counties:
Infrastructure

Community Facilities Districts
and
Tax Increment Districts

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Agenda

- ◆ Overview of Infrastructure Funding Options
- ◆ Description of CFDs
- ◆ Description of TIDs
- ◆ TI Bonds / HI State Constitution
- ◆ Combining CFDs with TIF
- ◆ Case Study

Potential Funding Sources

Bonds Authorized by the State

- ◆ GO Bonds
- ◆ Revenue/Enterprise Bonds
- ◆ Land-Secured Bonds
 - ▶ Improvement Districts (incl BIDs)
 - ▶ Community Facilities Districts

Other Public Financing Sources

- ◆ Tax Increment Districts
- ◆ Impact Fees
- ◆ Revolving Loan Funds
- ◆ Federal/State Programs

Private and Other Sources

- ◆ Developer Equity
- ◆ Institutional Financing, P3, etc.
- ◆ Grants/Donations (501c3, etc.)

Legal Authority

CFDs

- ◆ Hawaii Revised Statutes 46-80.1
 - ▶ C&C of Honolulu (Ch. 34, Revised Ordinances of Honolulu)
 - ▶ County of Hawaii (Ch. 32, Hawaii County Code)
 - ▶ County of Kauai (Ch. 25, Kauai County Code)

TIDs

- ◆ Hawaii Revised Statutes 46-101 through 46-113 (“Tax Increment Financing Act”)
 - ▶ County of Hawaii (Ch. 33, Hawaii County Code)

What is a CFD?

- ◆ Financing mechanism that provides for the levy of an annual special tax that is allocated in any reasonable manner
- ◆ Special tax is in addition to property tax and is collected on property tax bills
- ◆ Land-secured financing district
- ◆ Specific geographic boundaries
- ◆ Formed to fund public infrastructure
- ◆ Allows for issuance of tax-exempt municipal bonds
- ◆ Bonds are non-recourse to the public agency and property owners

Establishing a CFD

- ◆ Resolution of Intention
 - ▶ Boundary map
 - ▶ List of facilities and incidental expenses
 - ▶ Rate and method of apportionment
 - Developed property (1st)
 - Undeveloped property (2nd)
 - ▶ Term of CFD and principal amount of bonds
- ◆ Notices and CFD Report
- ◆ Protest and Hearing (unless waived)
 - ▶ If protests received from owners of more than 55% of land, or from more than 55% of landowners, proceedings must stop
- ◆ Ordinance of Formation

CFD Authorized Improvements

- ◆ Transit, roads, and transportation systems
- ◆ Water, sewer, and drainage infrastructure
- ◆ Police and fire facilities
- ◆ Park and recreation improvements
- ◆ Libraries, schools, and cultural facilities
- ◆ Right-of-way, design/engineering, etc.
- ◆ Useful life of 5 years or longer
- ◆ Any facility the City/County is authorized to own or operate

Why Use a CFD?

- ◆ Install infrastructure earlier
- ◆ Build more or better infrastructure
- ◆ Facilitate regional infrastructure
- ◆ Allow infrastructure to be paid for by those who benefit from it
- ◆ Fill infrastructure funding gaps
- ◆ Avoid adverse impact on property tax revenue / general fund
- ◆ Provide flexibility to public and private stakeholders (compared to an Improvement District)

What is a TID?

- ◆ Financing mechanism that utilizes future increases in property tax revenue (“tax increment” or “TI”)
- ◆ Not based on increase in property tax rate; increment results from increased property value primarily due to redevelopment or new development
- ◆ Formed to fund public infrastructure
- ◆ Specific geographic boundaries
- ◆ Probably cannot be used to secure tax-exempt municipal bonds

Establishing a TID

- ◆ Council approves Tax Increment Financing Plan
 - ▶ Project costs and sources of funds
 - ▶ Most recent AV within proposed TID
 - ▶ Duration of TID
 - ▶ Fiscal impacts on County
- ◆ Council adopts an ordinance
 - ▶ Describe boundaries of TID
 - ▶ Identify commencement date and termination date of TID
 - ▶ Create tax increment fund
- ◆ No election or protest procedure

TID Authorized Improvements

- ◆ Public works or public improvements, new buildings, structures, and fixtures
- ◆ Demolition and reconstruction
- ◆ Land acquisition, clearing, and grading
- ◆ Financing costs
- ◆ Professional service costs
- ◆ County staff costs

Why Use a TID?

- ◆ Encourage economic development and job creation
- ◆ Facilitate affordable/workforce housing
- ◆ Improve environmental quality
- ◆ Promote redevelopment
- ◆ Foster infill development
- ◆ Direct growth to TODs or specific locations
- ◆ Provide for local control over a portion of tax revenue
- ◆ Eliminate blight

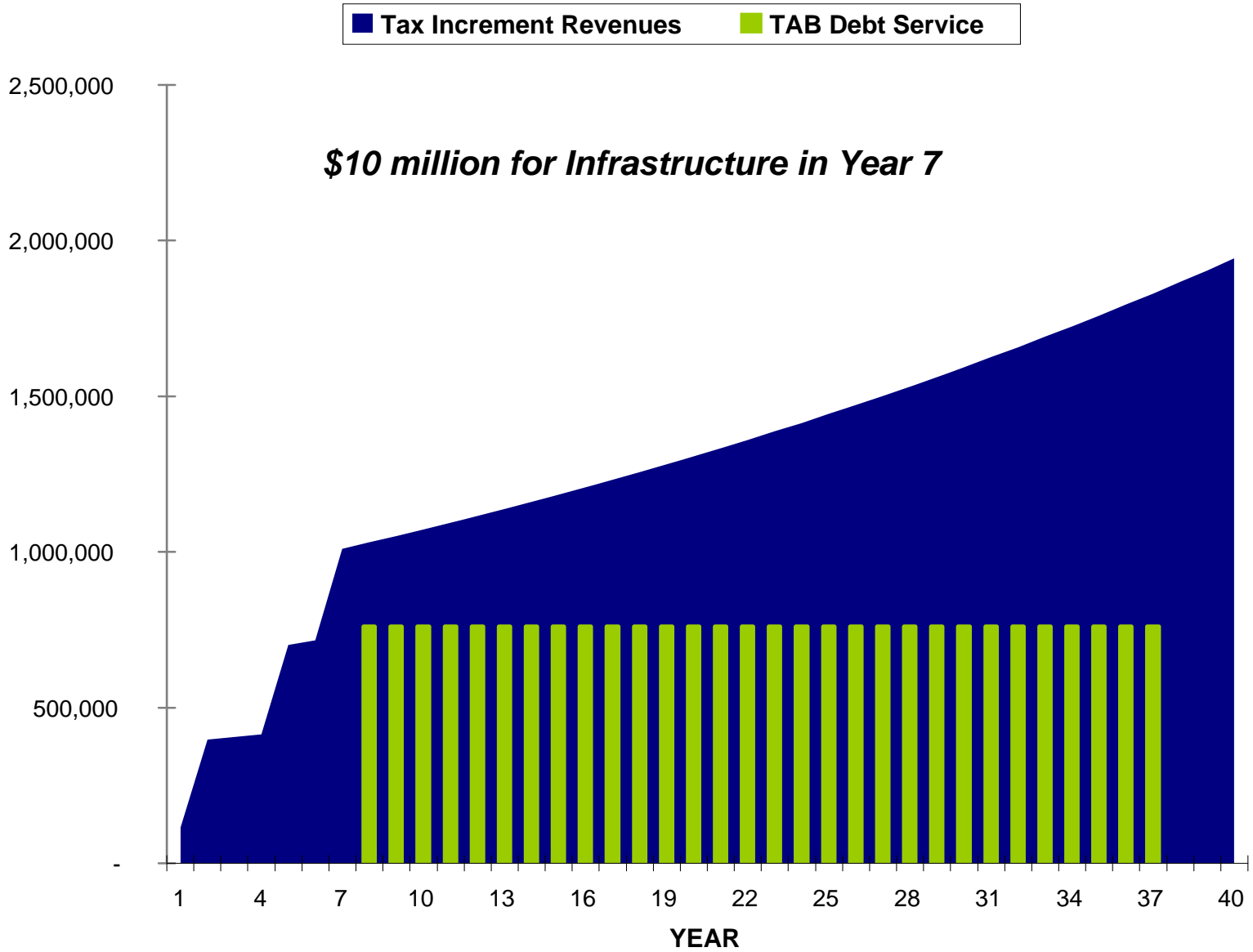
TI Bonds in HI

- ◆ Tax Increment Financing Act authorizes issuance of TI bonds, which may be secured in whole or in part by TI
- ◆ It does not appear that the State Constitution allows bonds to be issued solely with a pledge of TI
- ◆ Constitutional amendment confirming a County's ability to issue TI bonds may be required, or an AG opinion
- ◆ Several bills have been introduced in the State Legislature between 2011 and 2014, but none have become law
- ◆ Counties can use TIDs now:
 - ▶ Fund infrastructure on a pay-as-you-go basis
 - ▶ Bond against TI through a CFD

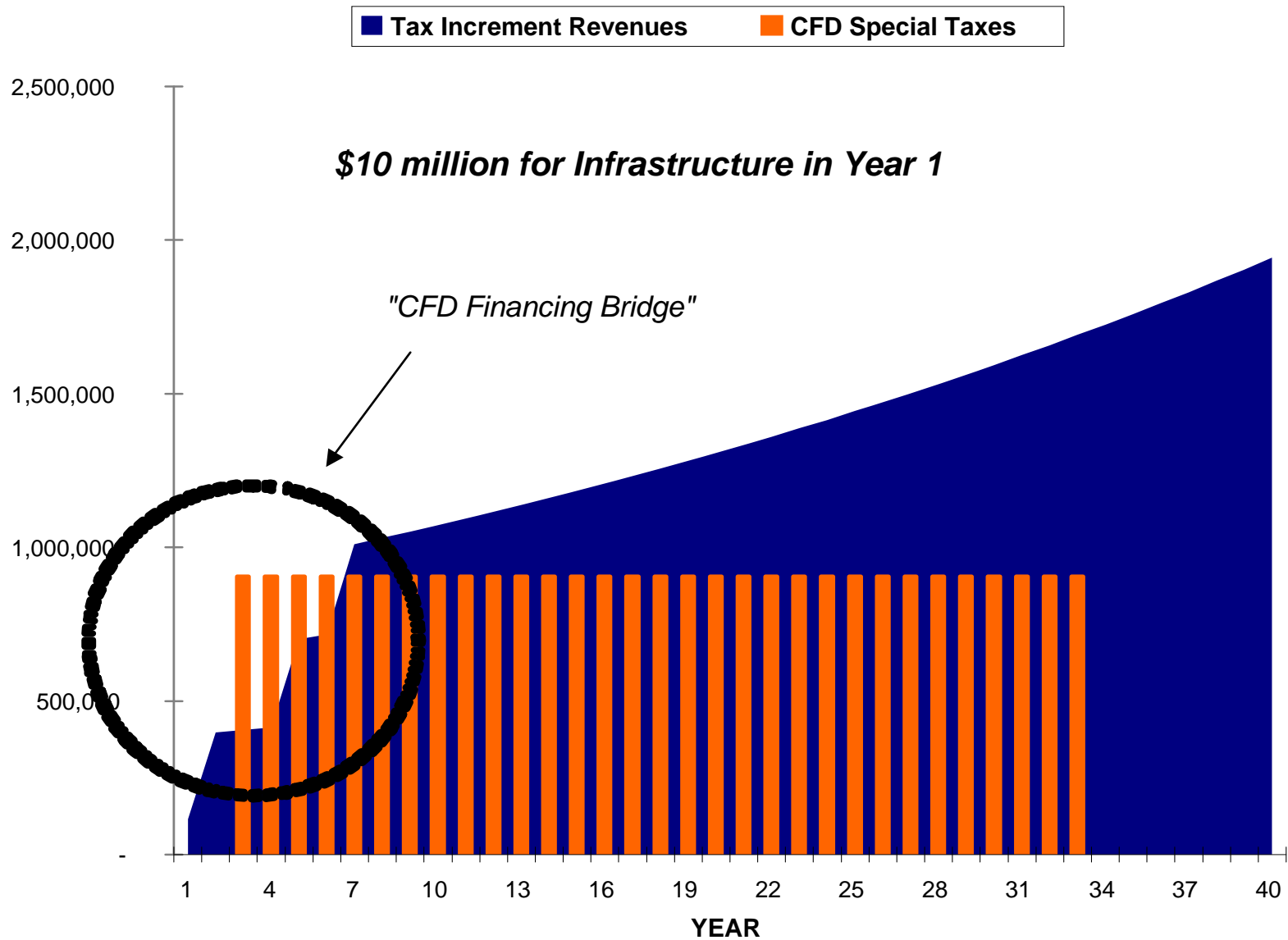
Combining CFDs with TIF

- ◆ CFD financing can provide a source of funding for infrastructure sooner than traditional TIF
- ◆ Development risk related to tax increment assistance can be shifted to the private sector
- ◆ CFDs offer a cost-effective off-balance sheet financing vehicle to developers (even while waiting for tax increment assistance to kick in)
- ◆ CFDs can be a reimbursement mechanism for public agencies that front infrastructure costs, making TIF dollars go farther

Scenario 1: Traditional TIF



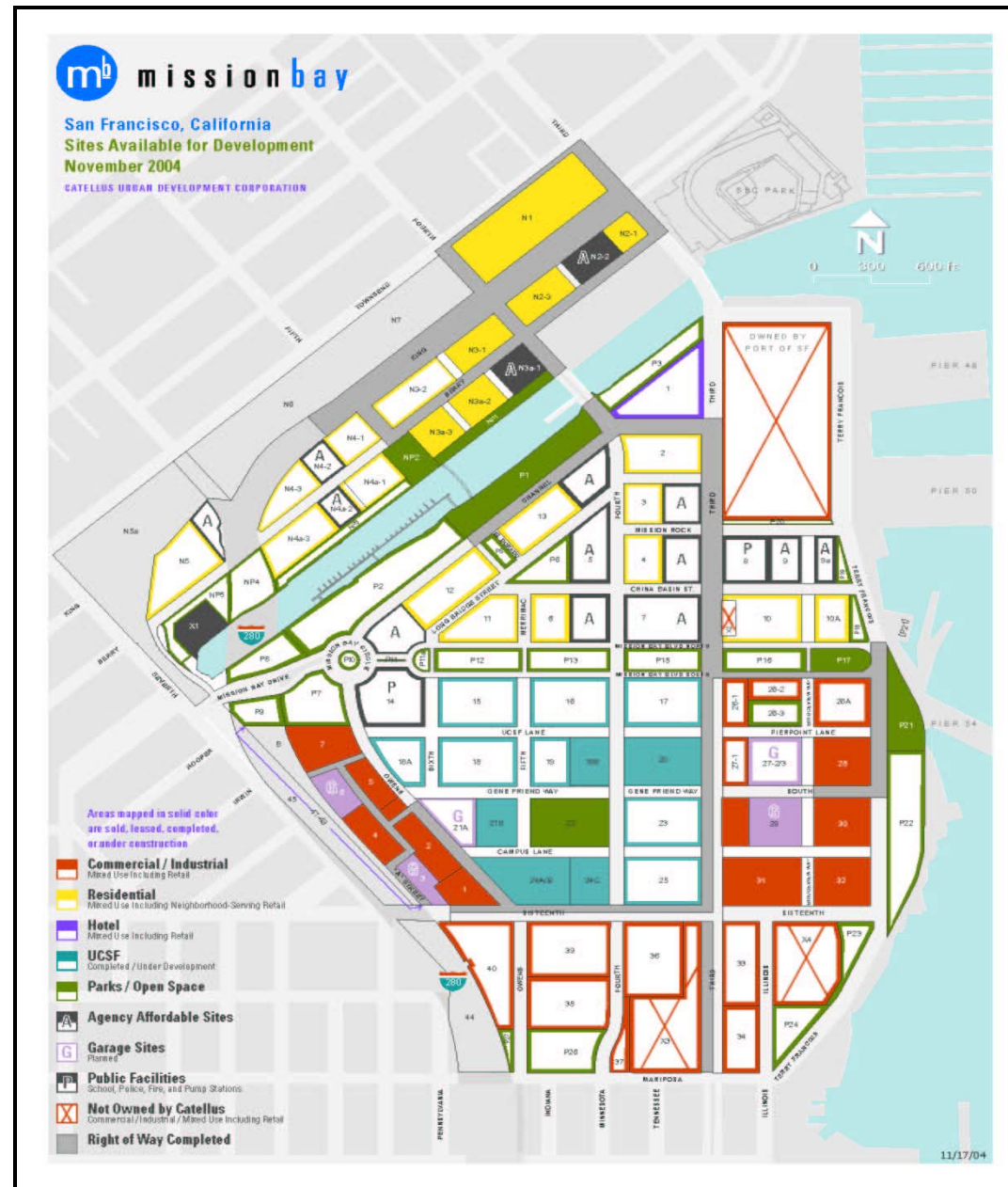
Scenario 2: Combine CFD with TIF



Case Study: Mission Bay

- ◆ Located in San Francisco on the largest undeveloped tract of land along the bay
- ◆ Two redevelopment project areas: North of Channel (NOC) and South of Channel (SOC)
- ◆ 6,400 affordable and market-rate high-rise dwelling units, and 50 acres of office, biotech, high-tech, retail, and hotel land uses (3.4M sf)
- ◆ Extension of UCSF campus and hospital (3.2M sf)
- ◆ Proposed Golden State Warriors event center
- ◆ Approx 10 years to process approvals; development started in 2002

Map of Mission Bay Project Areas



Aerial View of Mission Bay



Mission Bay Financing Approach

- ◆ Combine CFD and TIF to provide flexibility
 - ▶ Use TI revenues to pay CFD debt service (but no direct pledge)
 - ▶ Use TIF to refund CFD bonds
- ◆ Finance backbone infrastructure obligation
 - ▶ Reimburse developers as quickly as possible, as applicable
 - ▶ Fully fund infrastructure
- ◆ Provide funding for affordable housing
 - ▶ Maximize excess increment
 - ▶ Achieve excess increment quickly

Mission Bay Financing Details

- ◆ Approx \$560M in backbone infrastructure (over double original estimate)
- ◆ CFD financing separated into two districts
 - ▶ NOC = \$40M of short-term variable-rate bonds (secured by direct pay Letter of Credit from BofA)
 - ▶ SOC = \$115M of long-term fixed-rate bonds
- ◆ Tax increment financing
 - ▶ NOC = fully pay CFD debt service; fund construction of infrastructure; retire CFD debt
 - ▶ SOC = partially pay, then fully pay, CFD debt service; fund construction of infrastructure
- ◆ Third CFD formed (covers both NOC and SOC) to fund annual park/landscape maintenance costs

Mission Bay Current Status

NOC (95% complete)

- ◆ CFD capacity utilized (2 bond issues)
- ◆ No special tax levy required
- ◆ Four TIF bonds issued totaling \$100M
- ◆ Total TIF expected to fund \$120M
- ◆ PV of excess increment estimated to be \$60M

SOC (60% complete)

- ◆ CFD capacity fully utilized (3 bond issues)
- ◆ One TIF bond issued totaling \$50M
- ◆ Total TIF expected to fund \$320M
- ◆ PV of excess increment estimated to be \$170M