



CDFA GEORGIA FINANCING ROUNDTABLE:  
**BONDS AS THE BEDROCK OF DEVELOPMENT  
FINANCE**

# MARKET AND ECONOMIC TRENDS

- In Georgia, relatively low level of development finance activity currently
- Quantify size of market; quantify issuance activity in GA and nationwide (Chart of GA Revenue Bond Issuance trend since 2000?).
- New stirrings of activity
- Rates are low, economy in recovery
- Some improvement in employment statistics, reduced level of foreclosures and improving home values.
- Planning activity
- Site assemblage
- Re-zoning
- Multi-family
  
- INSERT ISSUANCE CHART

# BOND MARKET

- Today, the tax-exempt bond market is a **\$2.0 trillion dollar marketplace** where issues are bought, sold and traded much like stocks.
- A tax-exempt bond represents borrowed money which the borrower is then legally obligated to repay to investors at a certain time and at agreed-upon rate of interest.
- Tax-exempt bonds are issued to finance a variety of capital improvements that benefit the citizens of a particular area.
- Muni market: Historically low levels. Low tax-exempt interest rates vs. conventional loans

# DEVELOPMENT OR REDEVELOPMENT FINANCE

- Non-essential services (e.g. water/sewer)
- Economic development projects
  - Attracting or driving increased business activity
  - Job retention and creation
  - Tax base growth



- Bonds: As a primary or gap funding source. More often tax-exempt, but may be taxable

# BOND LEGAL STRUCTURE

Structures dictated by project, market and local politics

- Revenue bonds: allow revenue generating entities to finance a project and repay debt using project-generated revenue.
- Credit enhancement
  - Bond insurance
  - Letter of Credit
  - Full Faith and Credit
  - Partial backing
  - Moral obligation
- Conduit bonds

# TYPES OF DEVELOPMENT BONDS

- Qualified 501c3 bonds – Proceeds used to finance projects owned and used by 501c3 organizations (hospitals, universities, cultural, and other charitable organizations) Proceeds loaned by issuer to 501c3; payments under loan agreement generally match debt service. Master lease or other credit enhancement if necessary.
- TADs (Tax Increment Bonds) and Notes
- Tax Abatement and PILOT bonds
- Industrial Development Bonds

# MECHANICS – CONSIDERATIONS WHEN DOING A DEAL

- **Third Party Reports:** Appraisal, survey, phase 1, market study, feasibility study
- **Construction Detail:** Construction, architect, construction monitor contract, cost
- **Developer Information:** Legal status, contacts, experience, previous projects
- **Manager Information:** Bios, financials, list of projects managed
- **Borrower Information:** General description, historical operations
- **Issuer Information:** Identification of conduit issuer, or creation of new issuer
- **Marketing Data:** Targeted market segment, marketing projections, pre-sale marketing plan
- **Timeline:** Approximately 3 to 6 months to close the financing
- **Other Participants:** Accountants, Appraisers, Architects, Attorneys, Engineers, Financial Advisors, Etc

# SAMPLE PROJECTS

- Infrastructure necessary for public development
- Industrial relocation and expansion
- Civic centers
- Convention centers and hotels
- Student Housing
- Senior Housing

# POTENTIAL REPAYMENT SOURCES

- Project revenues
- Future taxes derived from the project
  - Tax increment financing
  - PILOT Bonds
- General fund
  - Borrower
  - Overlapping local governments

# CASE STUDY 1: STUDENT HOUSING

- University System of the State of GA

# CASE STUDY 2: INDUSTRIAL FACILITY

- Unnamed large manufacturer, recently located to Georgia

**Goal:**

- New one-million s.f. manufacturing facility, reshoring operations previously offshored to Asia

**Economic  
Impact**

- Total project investment of \$200 million
- Initial workforce of approximately 800 escalating to 1,400 by 2020
- Annual payroll at full build-out estimated at \$57 million
- \$39 million in increased annual retail sales
- Expected relocation of several specialized suppliers to the area
- Up to \$77 million of state and local incentives including state job tax credits, project development property development grants, and property tax abatement . Company able to use Georgia Quick Start and local technical college to provide workforce job training.
- Includes less than \$10 million in full-faith-and-credit backed revenue bonds. Part of the incentive package to attract the company to the area.

# CASE STUDY 3: THE PRAIRIEFIRE AT LIONSGATE PROJECT

Turning a 60-acre site in Overland Park, KS into a \$400mm mixed-use development combining housing, retail, office, hotel, residential and a cultural attraction.

Proposed in 2006, stalled due to the economy. Re-activated in 2012 with the issuance of \$81 million in Star bonds, to be repaid by incremental state and local sales taxes generated by the development, coupled with Community Improvement District bonds, secured by a supplemental 1.5% sales tax should generate an additional \$30 million.

Construction of Phase I began shortly after the bond sale, with opening targeted for fall 2013-spring 2014. A portion of the bond proceeds were escrowed until completion/lease up, and a super-sinker structured allows surplus revenue to retire bonds as it becomes available.



# CASE STUDY 4: HOTEL

400 key luxury hotel –unnamed project in Georgia

- Good flag
- Upscale market
- Well located
- Strong demand drivers
- City and county support



Local government wants to see the project to succeed and is willing to help but not to be taken advantage of. Gap analysis indicates need for public support given difference between anticipated market value of completed asset and the all-in project costs. A variety of funding sources are being considered, including PILOT bonds, TAD bonds and bonds backed by hotel-motel taxes.

# SAMPLE TIMELINE

# WORKING THROUGH A DEAL

What's the key to moving these deals and others like it forward?

- Numbers
- Political will
- Partnerships
- Perseverance
- Experience



# STIFEL – LEADER IN DEVELOPMENT FINANCE

## Top 10 Tax Increment Financing Underwriters (2007-2012)

Rank	Underwriter	Par Amount (US\$ mil)	Number of Issues
1	Stifel Nicolaus	3,021.1	127
2	De La Rosa	1,325.0	65
3	Piper Jaffray	1,012.0	67
4	Bank of America Merrill Lynch	815.6	18
5	Goldman Sachs	769.4	3
6	RBC Capital Markets	580.4	23
7	Citi	575.7	22
8	Wedbush Morgan Securities	490.5	32
9	Kinsell Newcomb & De Dios	338.2	29
10	UBS Securities	294.6	10

## Top 10 Land Secured Underwriters (2007-2012)

Rank	Underwriter	Par Amount (US\$ mil)	Number of Issues
1	Stifel Nicolaus	2,203.6	183
2	Bank of America Merrill Lynch	1,283.4	58
3	Piper Jaffray	1,211.4	61
4	Prager Sealy	844.1	45
5	Citi	824.6	19
6	Ramirez	410.6	1
7	J P Morgan Securities	360.6	6
8	RBC Capital Markets	359.5	16
9	UBS Securities	355.7	25
10	De La Rosa	309.7	22

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# DISCLOSURE

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Text of the Notice and the revised rule can be found at: [www.msrb.org/rules-and-interpretations](http://www.msrb.org/rules-and-interpretations)