TIF FEASIBILITY ANALYSIS AND UNDERWRITING

CDFA National Summit, 2019

November 6th, 2019

AGENDA

I. Reviewing real estate market feasibility of a proposed TIF-funded project;

II. Developing sound, conservative TIF revenue projections for use in sizing and structuring the transaction;

III. Assessing the project "financing gap" to determine how much TIF is needed, and what deal structure is most appropriate; and,

IV. Reviewing applicable case studies.

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MARKET FEASIBILITY

I. Assesses the balance between supply and demand

II. Predicts the pricing and pace of development

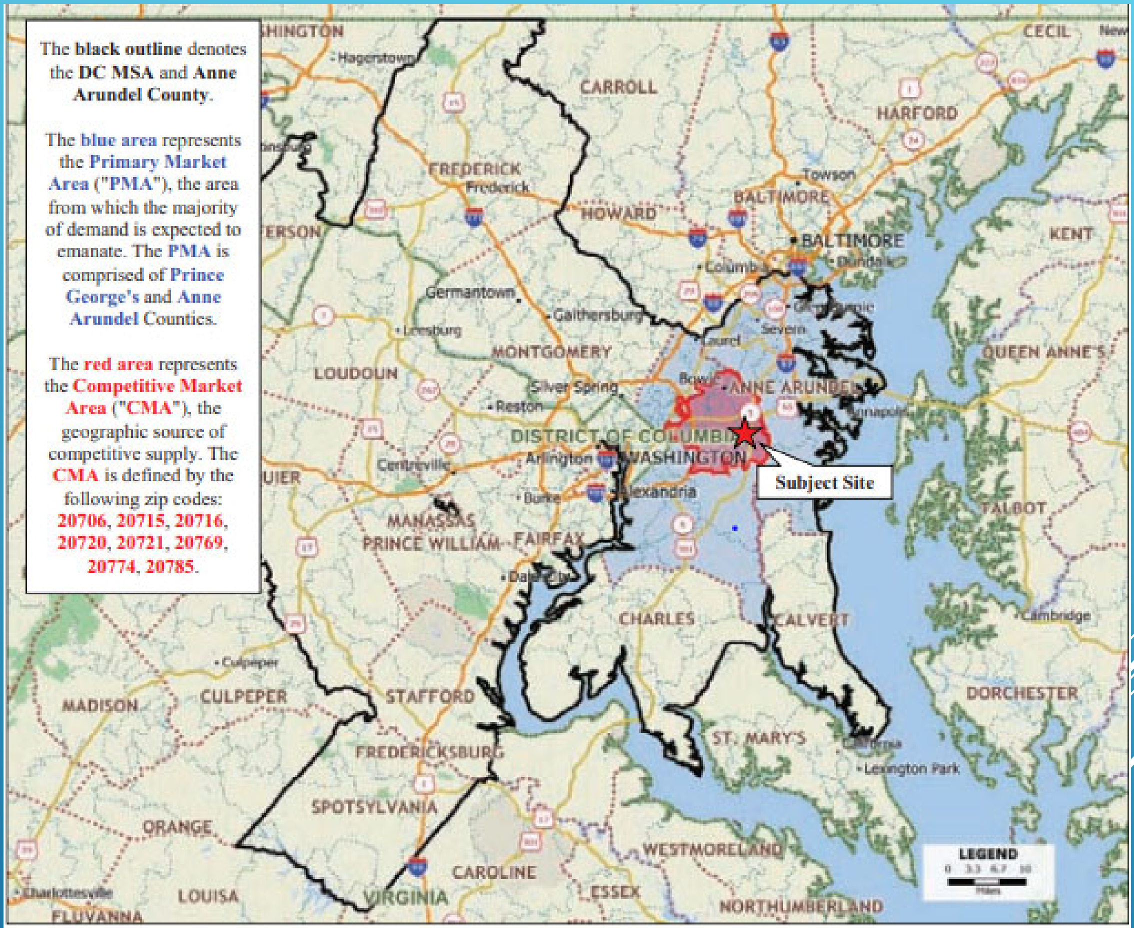
III. Allows a third party comparison to the inputs for the TIF as provided by the developer

MARKET FEASIBILITY COMPONENTS

I. **Region**

II. **Primary market area**

III. **Competitive market area**



MARKET FEASIBILITY COMPONENTS

I. Demographics

   A. Median area home prices

   B. Area median income per capita

   C. Change in population

   D. Average age

   E. Average level of education

   F. Unemployment rates

   G. Top ten employers

   H. Change in workforce

II. Sources

MARKET FEASIBILITY COMPONENTS

I. Supply
   A. Amount of existing product
   B. Building permits associated with new construction or rehabilitation of existing product
   C. Development plans submitted for municipal approval and projected delivery dates
   D. Rents
   E. Vacancy rates
   F. Capitalization rates
II. Sources

MARKET FEASIBILITY COMPONENTS

I. **Projected Demand and Rate of Absorption**

   A. Review historical rate at which property is constructed, leased and stabilized

   B. Understand the supply factors

   C. Compare supply in the market versus demand created by:

      1. Change in population
      2. Change in workforce
      3. Increasing rents
      4. Decreasing vacancy rates
      5. Decreasing capitalization rates

   D. Compare proposed development to current demand

MARKET FEASIBILITY COMPONENTS

I. Income and Sales Metrics
   A. Rents
   B. Lease structures
   C. Expenses
   D. Sales prices
II. Comparison to Comparable Properties

TIF REVENUE PROJECTIONS – DISTRICT REVENUES OVERVIEW

I. Define the TIF District

II. Determine the base value

III. Deduct the value of any demolished structures

IV. Project future development & its timing

V. Project future assessed value

VI. Project inflation (reflects net change in appreciation and change in tax rate)

VII. Calculate change in assessed value from the base

VIII. Multiply the "incremental value" by tax rate

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TIF REVENUE PROJECTIONS – BASE VALUE

I. Review the enabling statute to understand the date that establishes the base (varies by state)

II. Obtain the list of tax parcels comprising the TIF district

III. Determine the sum of the assessed values creating the base

   A. Assessor's records

   B. Geographic Information Systems (GIS)

IV. Understand assessed value compared to market value as defined by the assessor

V. Include tax-exempt properties, but assume $0 assessed value

TIF REVENUE PROJECTIONS – BASE VALUE

Table 1: Total Base Assessed Value

Alternate ID	Owner	Property Address	Value As Of[2]	Acreage	Total Assessed Value[2] Land	Improvement	Total
108-02-001.00	Kettle Point	0 Kettle Point	December 31, 2009	2.90	$1,316,700	$5,200	$1,321,900
109-01-001.00	Kettle Point	0 Kettle Point	December 31, 2009	24.67	$181,600	$0	$181,600
109-01-002.00	Atlantic Richfield Company	0 Kettle Point	December 31, 2009	3.15	$197,300	$0	$197,300
109-01-003.00	Atlantic Richfield Company	0 Kettle Point	December 31, 2009	0.52	$192,000	$0	$192,000
209-03-001.00	Atlantic Richfield Company	0 Kettle Point	December 31, 2009	15.90	$820,600	$9,000	$829,600
Total base assessed value				47.14	$2,708,200	$14,200	$2,722,400

TIF REVENUE PROJECTIONS – PROJECT FUTURE DEVELOPMENT & TIMING

I. Obtain the proposed development by land use class

II. Determine the estimated date of construction completion for each proposed building

III. Review the timing of construction completion with market analysis

IV. Understand the following dates:

   A. Development construction completion

   B. Assessed as of date

   C. Certified tax roll

   D. Tax bill mailing date

   E. Collection date for taxes

   F. Tax bill installments

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TIF REVENUE PROJECTIONS – PROJECT FUTURE DEVELOPMENT & TIMING

Property Type	Estimated Completion	Area[1] Units	Area[1] Avg. GSF Per Unit	Area[1] GSF	Assessed Value[2] Per GSF	Assessed Value[2] Per Unit	Total Assessed Value
Phase I							
Residential							
Apartment units	2018	135	1,010	136,323	$101	$102,064	$13,778,653
For sale units							
Duplex[3]	2017	10	2,000	20,000	$251	$502,550	$5,025,500
Total residential		145		156,323			$18,804,153
Commercial							
Medical office	2017	-	-	88,670	$194	-	$17,223,182
Total Phase I		145		244,993			$36,027,335
Phase II							
Residential							
Apartment units	2019	93	1,010	93,911	$101	$102,064	$9,491,961
For sale units							
Duplex[3]	2020	52	2,000	104,000	$251	$502,550	$26,132,600
Total Phase II		145		197,911			$35,624,561
Total		290		442,904			$71,651,896

TIF REVENUE PROJECTIONS – PROJECT ASSESSED VALUE

I. Confirm assessor's approach to valuation

II. Estimate the future value of new development:

   A. Comparable properties

   B. Construction costs (Marshall & Swift)

   C. Income capitalization Sales to assessed value

III. Adjust for assessment ratio (if not market value)

IV. Adjust for exemptions

V. Assume convention for development construction completion

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TIF REVENUE PROJECTIONS – PROJECT INFLATION

I. Review historical assessed valuation of property

II. Calculate the change in assessed value, net of new construction

III. Review historical tax rates

IV. Calculate the change in tax rates

V. Determine the net change in appreciation and tax rates

TIF REVENUE PROJECTIONS – PROJECT ASSESSED VALUE

			Residential			Commercial		
			Apartments			Medical Office		
Assessed As Of Date	Tax Year Ending[1]	Inflation Factor[2]	Units[3]	Value Per Unit[4]	Total Tax Revenue	GSF[3]	Value Per GSF[4]	Total Tax Revenue
31-Dec-16	1-Mar-18	100%	0	$102,064	$0	0	$194	$0
31-Dec-17	1-Mar-19	100%	90	$102,064	$9,185,769	88,670	$194	$17,223,182
31-Dec-18	1-Mar-20	106%	135	$108,311	$14,622,017	88,670	$206	$18,277,379
31-Dec-19	1-Mar-21	106%	135	$108,311	$14,622,017	88,670	$206	$18,277,379
31-Dec-20	1-Mar-22	106%	135	$108,311	$14,622,017	88,670	$206	$18,277,379
31-Dec-21	1-Mar-23	113%	135	$114,941	$15,517,001	88,670	$219	$19,396,100
31-Dec-22	1-Mar-24	113%	135	$114,941	$15,517,001	88,670	$219	$19,396,100
31-Dec-23	1-Mar-25	113%	135	$114,941	$15,517,001	88,670	$219	$19,396,100
31-Dec-24	1-Mar-26	120%	135	$121,976	$16,466,766	88,670	$232	$20,583,297
31-Dec-25	1-Mar-27	120%	135	$121,976	$16,466,766	88,670	$232	$20,583,297
31-Dec-26	1-Mar-28	120%	135	$121,976	$16,466,766	88,670	$232	$20,583,297
31-Dec-27	1-Mar-29	127%	135	$129,442	$17,474,663	88,670	$246	$21,843,159
31-Dec-28	1-Mar-30	127%	135	$129,442	$17,474,663	88,670	$246	$21,843,159
31-Dec-29	1-Mar-31	127%	135	$129,442	$17,474,663	88,670	$246	$21,843,159
31-Dec-30	1-Mar-32	135%	135	$137,365	$18,544,253	88,670	$261	$23,180,135
31-Dec-31	1-Mar-33	135%	135	$137,365	$18,544,253	88,670	$261	$23,180,135
31-Dec-32	1-Mar-34	135%	135	$137,365	$18,544,253	88,670	$261	$23,180,135
31-Dec-33	1-Mar-35	143%	135	$145,773	$19,679,309	88,670	$277	$24,598,945
31-Dec-34	1-Mar-36	143%	135	$145,773	$19,679,309	88,670	$277	$24,598,945
31-Dec-35	1-Mar-37	143%	135	$145,773	$19,679,309	88,670	$277	$24,598,945
31-Dec-36	1-Mar-38	152%	135	$154,695	$20,883,840	88,670	$294	$26,104,597
31-Dec-37	1-Mar-39	152%	135	$154,695	$20,883,840	88,670	$294	$26,104,597
31-Dec-38	1-Mar-40	152%	135	$154,695	$20,883,840	88,670	$294	$26,104,597
31-Dec-39	1-Mar-41	161%	135	$164,164	$22,162,098	88,670	$312	$27,702,407

TIF REVENUE PROJECTIONS – CHANGE IN ASSESSED VALUE

I. Projected assessed value (inclusive of inflation)

II. Subtract base value

III. Estimated incremental assessed value

TIF REVENUE PROJECTIONS – CHANGE IN ASSESSED VALUE

Tax Year Ending	Bond Year Ending[1]	Inflation Factor	Total Projected Assessed Value[2]	Non-Owner Occupied Base Value[3]	Total Projected Incremental Assessed Value
1-Mar-18	15-May-18	100%	$4,766,958	($1,960,209)	$2,806,748
1-Mar-19	15-May-19	100%	$28,491,979	($1,960,209)	$26,531,770
1-Mar-20	15-May-20	106%	$38,497,932	($1,960,209)	$36,537,723
1-Mar-21	15-May-21	106%	$42,972,340	($1,960,209)	$41,012,131
1-Mar-22	15-May-22	106%	$42,972,340	($1,960,209)	$41,012,131
1-Mar-23	15-May-23	113%	$45,602,591	($1,960,209)	$43,642,382
1-Mar-24	15-May-24	113%	$45,602,591	($1,960,209)	$43,642,382
1-Mar-25	15-May-25	113%	$45,602,591	($1,960,209)	$43,642,382
1-Mar-26	15-May-26	120%	$48,393,834	($1,960,209)	$46,433,625
1-Mar-27	15-May-27	120%	$48,393,834	($1,960,209)	$46,433,625
1-Mar-28	15-May-28	120%	$48,393,834	($1,960,209)	$46,433,625
1-Mar-29	15-May-29	127%	$51,355,924	($1,960,209)	$49,395,715
1-Mar-30	15-May-30	127%	$51,355,924	($1,960,209)	$49,395,715
1-Mar-31	15-May-31	127%	$51,355,924	($1,960,209)	$49,395,715
1-Mar-32	15-May-32	135%	$54,499,317	($1,960,209)	$52,539,108
1-Mar-33	15-May-33	135%	$54,499,317	($1,960,209)	$52,539,108
1-Mar-34	15-May-34	135%	$54,499,317	($1,960,209)	$52,539,108
1-Mar-35	15-May-35	143%	$57,835,112	($1,960,209)	$55,874,902
1-Mar-36	15-May-36	143%	$57,835,112	($1,960,209)	$55,874,902
1-Mar-37	15-May-37	143%	$57,835,112	($1,960,209)	$55,874,902
1-Mar-38	15-May-38	152%	$61,375,083	($1,960,209)	$59,414,874
1-Mar-39	15-May-39	152%	$61,375,083	($1,960,209)	$59,414,874
1-Mar-40	15-May-40	152%	$61,375,083	($1,960,209)	$59,414,874
1-Mar-41	15-May-41	161%	$65,131,729	($1,960,209)	$63,171,520
Total					

TIF REVENUE PROJECTIONS – INCREMENTAL TAX REVENUE

I. Estimated incremental assessed value

II. Multiply by tax rate

III. Divide by either $100 or $1,000 multiple

IV. Account for reduction in incremental tax revenues due to:

   A. Discounts

   B. Tax credits

   C. Historical collection rates

   D. Administration collection costs

TIF REVENUE PROJECTIONS – INCREMENTAL TAX REVENUE

Total Projected Incremental Assessed Value	Commercial Real Property Tax Rate: Inflation[4]	Commercial Real Property Tax Rate: (Per $1,000)[5]	Total Incremental Real Property Tax Revenue
$2,806,748	100%	$24.64	$69,158
$26,531,770	102%	$25.13	$666,818
$36,537,723	100%	$24.64	$900,289
$41,012,131	102%	$25.13	$1,030,750
$41,012,131	104%	$25.64	$1,051,365
$43,642,382	100%	$24.64	$1,075,348
$43,642,382	102%	$25.13	$1,096,855
$43,642,382	104%	$25.64	$1,118,792
$46,433,625	100%	$24.64	$1,144,125
$46,433,625	102%	$25.13	$1,167,007
$46,433,625	104%	$25.64	$1,190,347
$49,395,715	100%	$24.64	$1,217,110
$49,395,715	102%	$25.13	$1,241,453
$49,395,715	104%	$25.64	$1,266,282
$52,539,108	100%	$24.64	$1,294,564
$52,539,108	102%	$25.13	$1,320,455
$52,539,108	104%	$25.64	$1,346,864
$55,874,902	100%	$24.64	$1,376,758
$55,874,902	102%	$25.13	$1,404,293
$55,874,902	104%	$25.64	$1,432,379
$59,414,874	100%	$24.64	$1,463,982
$59,414,874	102%	$25.13	$1,493,262
$59,414,874	104%	$25.64	$1,523,127
$63,171,520	100%	$24.64	$1,556,546
			$28,447,929

TIF REVENUE PROJECTIONS – TAX RATE

I. Constitutional limits

II. Political changes

III. Participation by each taxing body (if multiple)

IV. Dedicated portion

V. Ability to capture increases

TIF REVENUE PROJECTIONS – OTHER REVENUES

I. **Enabling legislation provide for:**

   A. Personal property taxes

   B. Sales tax

   C. Hotel occupancy taxes

   D. Parking taxes

TIF REVENUE PROJECTIONS – DEBT UNDERWRITING QUESTIONS

I. How much?

   A. Revenue constrained

   B. Cost constrained

II. When?

   A. Improvements being financed by TIF

   B. Vertical development complete

III. Any risks?

   A. Delay in absorption

   B. Change in assessed value

   C. Ability to levy special assessment or special tax as a backup

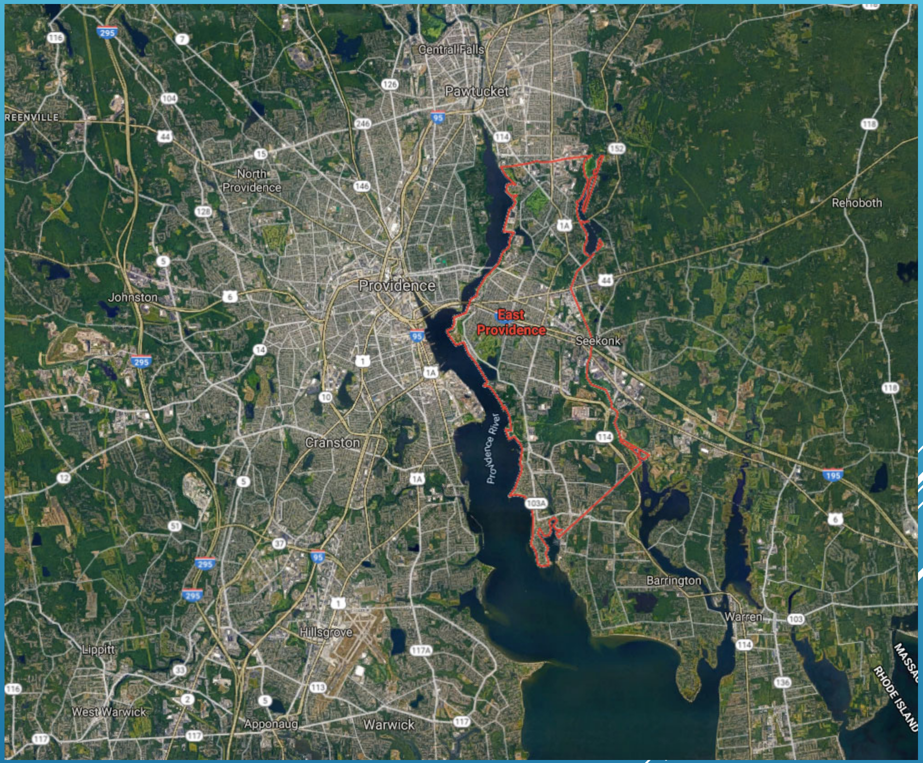
CASE STUDY – KETTLE POINT (RHODE ISLAND)

East Providence Special Waterfront Development District

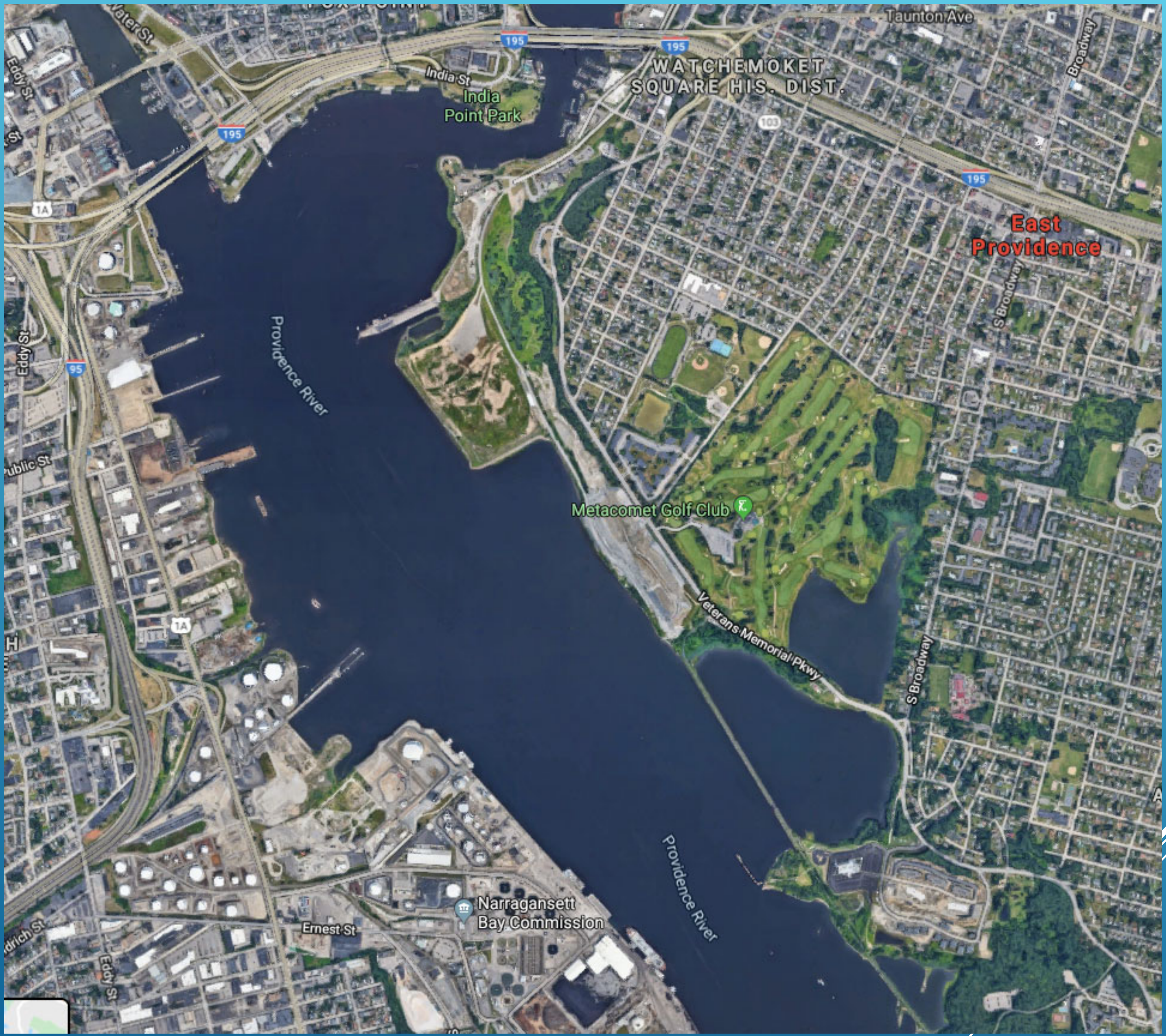
Southern Waterfront Development District

Kettle Point Sub-District

- Created in 2008
- Amended in 2010
- Base year established December 31, 2009



CASE STUDY – KETTLE POINT (RHODE ISLAND)



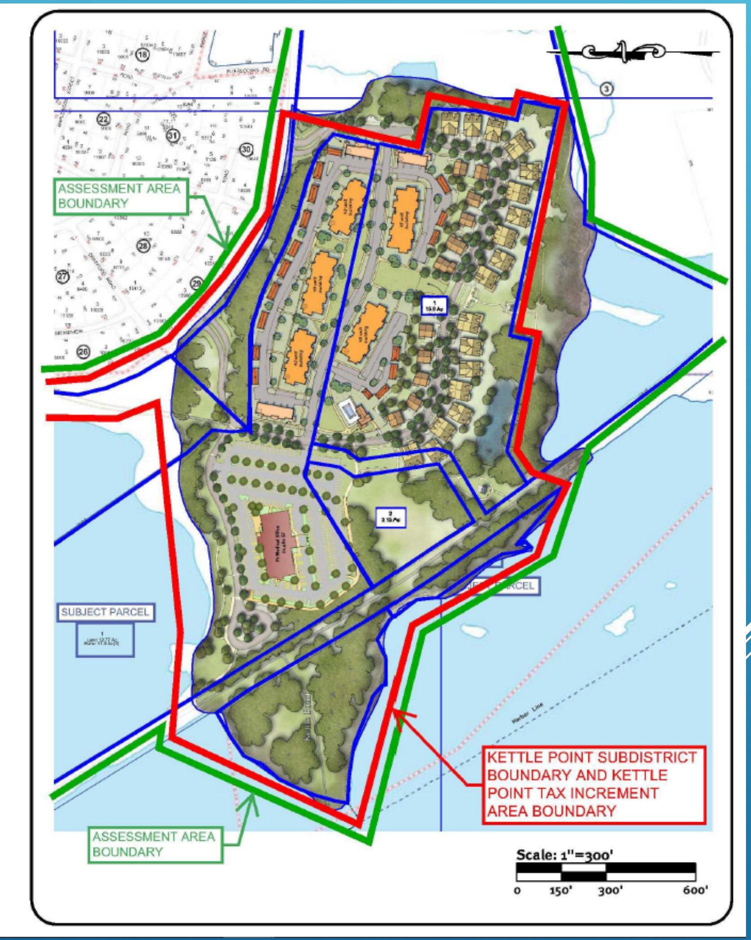
CASE STUDY – KETTLE POINT (RHODE ISLAND)

Churchill & Banks requests $10,600,000 in TIF Bonds in 2016 (not-to-exceed par amount)

Bonds purchased by ORIX to finance roads, water, sewer, parks and trails for project

Development:

- **148 apartments units**
- **62 condominiums units**
- **87,000 square feet of medical office**



CASE STUDY – KETTLE POINT (RHODE ISLAND)

Factors for consideration to project assessed value:

- City assessor initially assesses:
  - Commercial property at cost and then converts to income capitalization based upon market
  - Residential property using a combination of comparables and sales prices
- Assessed value is equal to 100% of market value
- Property is reassessed every three years

CASE STUDY – KETTLE POINT (RHODE ISLAND)

Factors for consideration to determine inflation factor:

- Historical appreciation in City:
  - Commercial property is 5.4% from 2001 to 2016
  - Residential property is 3.8% from 2001 to 2016
- Assessor communicated that approximately 1% of growth was attributable to new construction
- Historical increase in City mill rate:
  - Non-owner-occupied average increase of 5.0% for same period
  - Owner-occupied average increase of 3.3% for same period
- Assumed a 2% annual inflation rate as a point of being reasonably conservative

CASE STUDY – KETTLE POINT (RHODE ISLAND)

Factors for consideration of the available incremental ad valorem tax revenues:

- Limited 25-year term
- Tax bills are mailed as June 1 on the prior December 31st value
- Tax bills are due in four equal installments (July 1, September 1, December 1 and March 1)
- Differing tax rates for owner-occupied versus non-owner-occupied property
- Homestead exemption for owner-occupied properties
- Discount rate for property owners who pay taxes in full as of July 1
- Only seventy percent (70%) of incremental tax revenues available for debt service

CASE STUDY – KETTLE POINT (RHODE ISLAND)

Tax Year Ending	Bond Year Ending[1]	Inflation Factor	Total Taxable Owner-Occupied Assessed Value: Total Projected Assessed Value[2]	Homestead Exemption Rate[3]	Total Homestead Exemption	Taxable Projected Assessed Value	Owner Occupied Base Value[4]	Total Projected Incremental Assessed Value	Residential Real Property Tax Rate: Inflation[5]	(Per $1,000)[6]	Total Incremental Real Property Tax Revenue	Discount Rate[7]	Total Incremental Real Property Taxes Paid	Percent Available for Debt Service[8]	Total Available Incremental Tax Revenues
1-Mar-18	15-May-18	100%	$1,853,542	13%	($240,960)	$1,612,582	($762,191)	$850,391	100%	$22.26	$18,930	1.5%	$18,646	70%	$13,052
1-Mar-19	15-May-19	100%	$6,580,084	13%	($855,411)	$5,724,673	($762,191)	$4,962,482	102%	$22.71	$112,674	1.5%	$110,984	70%	$77,689
1-Mar-20	15-May-20	106%	$18,969,626	13%	($2,466,051)	$16,503,575	($762,191)	$15,741,384	100%	$22.26	$350,403	1.5%	$345,147	70%	$241,603
1-Mar-21	15-May-21	106%	$31,051,568	13%	($4,036,704)	$27,014,864	($762,191)	$26,252,674	102%	$22.71	$596,072	1.5%	$587,131	70%	$410,992
1-Mar-22	15-May-22	106%	$33,065,225	13%	($4,298,479)	$28,766,746	($762,191)	$28,004,555	104%	$23.16	$648,566	1.5%	$638,838	70%	$447,186
1-Mar-23	15-May-23	113%	$35,089,081	13%	($4,561,581)	$30,527,501	($762,191)	$29,765,310	100%	$22.26	$662,576	1.5%	$652,637	70%	$456,846
1-Mar-24	15-May-24	113%	$35,089,081	13%	($4,561,581)	$30,527,501	($762,191)	$29,765,310	102%	$22.71	$675,827	1.5%	$665,690	70%	$465,983
1-Mar-25	15-May-25	113%	$35,089,081	13%	($4,561,581)	$30,527,501	($762,191)	$29,765,310	104%	$23.16	$689,344	1.5%	$679,004	70%	$475,303
1-Mar-26	15-May-26	120%	$37,236,814	13%	($4,840,786)	$32,396,028	($762,191)	$31,633,837	100%	$22.26	$704,169	1.5%	$693,607	70%	$485,525
1-Mar-27	15-May-27	120%	$37,236,814	13%	($4,840,786)	$32,396,028	($762,191)	$31,633,837	102%	$22.71	$718,253	1.5%	$707,479	70%	$495,235
1-Mar-28	15-May-28	120%	$37,236,814	13%	($4,840,786)	$32,396,028	($762,191)	$31,633,837	104%	$23.16	$732,618	1.5%	$721,628	70%	$505,140
1-Mar-29	15-May-29	127%	$39,516,005	13%	($5,137,081)	$34,378,924	($762,191)	$33,616,733	100%	$22.26	$748,308	1.5%	$737,084	70%	$515,959
1-Mar-30	15-May-30	127%	$39,516,005	13%	($5,137,081)	$34,378,924	($762,191)	$33,616,733	102%	$22.71	$763,275	1.5%	$751,826	70%	$526,278
1-Mar-31	15-May-31	127%	$39,516,005	13%	($5,137,081)	$34,378,924	($762,191)	$33,616,733	104%	$23.16	$778,540	1.5%	$766,862	70%	$536,803
1-Mar-32	15-May-32	135%	$41,934,700	13%	($5,451,511)	$36,483,189	($762,191)	$35,720,999	100%	$22.26	$795,149	1.5%	$783,222	70%	$548,256
1-Mar-33	15-May-33	135%	$41,934,700	13%	($5,451,511)	$36,483,189	($762,191)	$35,720,999	102%	$22.71	$811,052	1.5%	$798,887	70%	$559,221
1-Mar-34	15-May-34	135%	$41,934,700	13%	($5,451,511)	$36,483,189	($762,191)	$35,720,999	104%	$23.16	$827,273	1.5%	$814,864	70%	$570,405
1-Mar-35	15-May-35	143%	$44,501,439	13%	($5,785,187)	$38,716,252	($762,191)	$37,954,062	100%	$22.26	$844,857	1.5%	$832,185	70%	$582,529
1-Mar-36	15-May-36	143%	$44,501,439	13%	($5,785,187)	$38,716,252	($762,191)	$37,954,062	102%	$22.71	$861,755	1.5%	$848,828	70%	$594,180
1-Mar-37	15-May-37	143%	$44,501,439	13%	($5,785,187)	$38,716,252	($762,191)	$37,954,062	104%	$23.16	$878,990	1.5%	$865,805	70%	$606,063
1-Mar-38	15-May-38	152%	$47,225,284	13%	($6,139,287)	$41,085,997	($762,191)	$40,323,806	100%	$22.26	$897,608	1.5%	$884,144	70%	$618,901
1-Mar-39	15-May-39	152%	$47,225,284	13%	($6,139,287)	$41,085,997	($762,191)	$40,323,806	102%	$22.71	$915,560	1.5%	$901,827	70%	$631,279
1-Mar-40	15-May-40	152%	$47,225,284	13%	($6,139,287)	$41,085,997	($762,191)	$40,323,806	104%	$23.16	$933,871	1.5%	$919,863	70%	$643,904
1-Mar-41	15-May-41	161%	$50,115,849	13%	($6,515,060)	$43,600,788	($762,191)	$42,838,598	100%	$22.26	$953,587	1.5%	$939,283	70%	$657,498
Total											$16,919,258		$16,665,470		$11,665,829

QUESTIONS

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