TIF, Taxes and Financing

- Emily Blaylock, Untamed Equity

untamed.
equity

Capturing Capital to
Build Communities

Mission

Aligning developers, municipalities and lenders together to enhance economic development projects by leveraging the power of incentive monetization.

Expertise

Municipality TIF consulting, Developer TIF consulting, TIF monetization, and HTC bridge lending.

Our Expertise

Emily Blaylock

PRESIDENT & FOUNDER

Untamed Equity started in 2022
Banking experience over 20+ years
Niche lending experience 5+ years

Specialty Services include:

- TIF Monetization
- HTC Bridge Lending
- TIF Developer Consulting
- Municipality TIF Program Consulting
- Loan Servicing
- Asset Management Services/Investor Reporting
- Participant Relationship Management

TIF Projects (Before)

TIF Projects (After)

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Why utilize TIF monetization?

- Maximize TIF as an ED tool
- Infrastructure needs to get done but is costly
- Developer needs funds upfront to close for equity
- Municipality does not have enough bonding capacity
- Need to complete the ED project

Public versus Private

- Public Monetization
  - Higher cost of issuance
  - Municipality is the issuer
  - Taxable versus Tax-exempt
  - 3rd party administrators
  - Bond is securitized
  - Obligation of municipality
- Private Monetization
  - Developer covers fees
  - Developer at risk
  - Municipality issues the payment; less administration
  - No secondary market; not securitized

TIF Process

TIF District Formed

- Ordinances are approved by council
- TIF maturity clock
- Municipal consultants calculate future revenue

Project/Developer Identified

- RFP
- TIF eligible costs identified
- Calculate project increment

Development Agreement

- % share of increment
- Completion deadlines/covenants
- Cap

Development Agreement

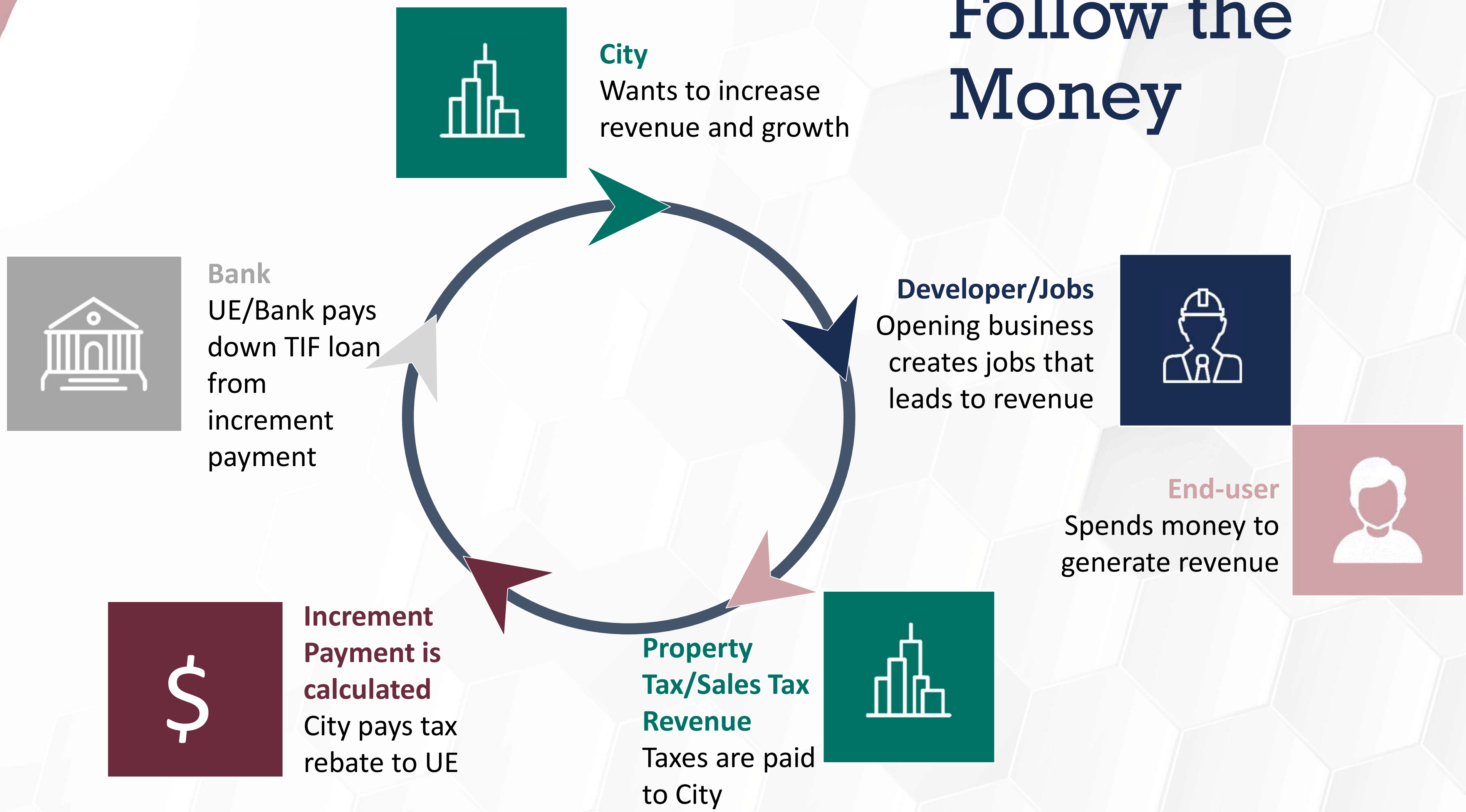
- Who owns the TIF and the underlying asset
- Project description
- Construction timeline
- TIF maturity
- TIF cap
- % share of TIF to the developer
- <u>Minimum Assessment, guaranteed tax payment, or PILOT-we advise on this</u>

- Red flags to lender
  - Ability to contest the taxes
  - Non-appropriation clauses
  - FTEs required
  - IRR Clawbacks
  - Phased projects (only monetize when funds are in place)
  - Subordinate priority positions to previously issued bonds
  - Specialty assets
  - Projects to be sold after completion

How we monetize

- Review the DA and the TIF projections
- Borrower is the Developer or owner of the TIF
- Net Present Value (NPV) of future increment payments from loan closing to maturity of TIF
- Margin the NPV based on risk factors (80/90%)
- Loan amount includes capitalized interest from loan closing to first increment payment
- Security is the pledge of the increment payments
- Municipality consents to paying us directly

Follow the Money



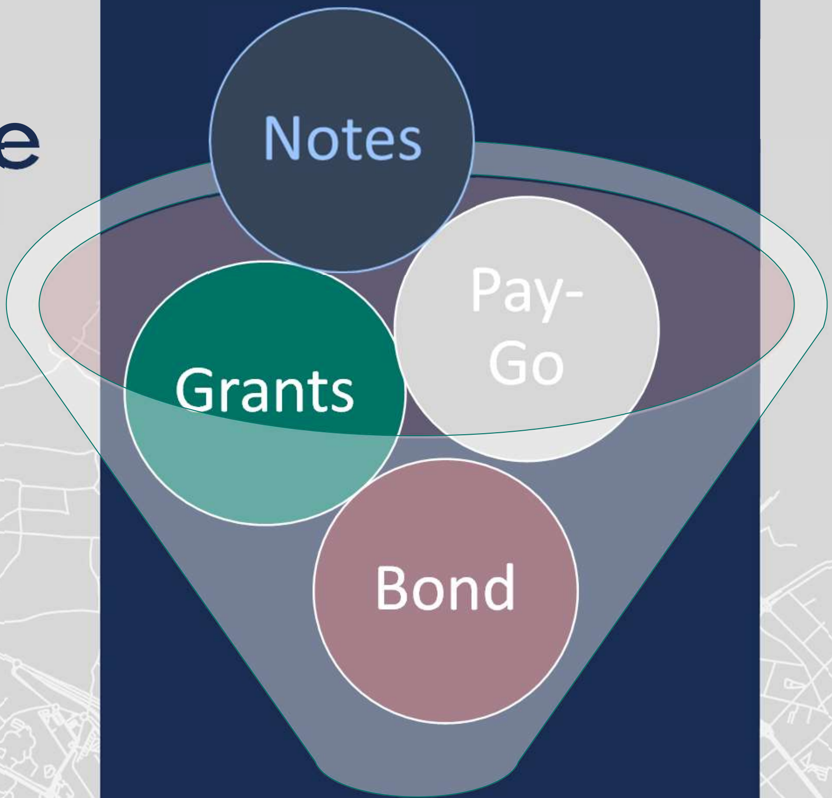
4 Types of TIF Structure

1. Bridging TIF grant payment streams

2. Monetizing Pay-As-You-Go based on property tax increment or sales tax increment

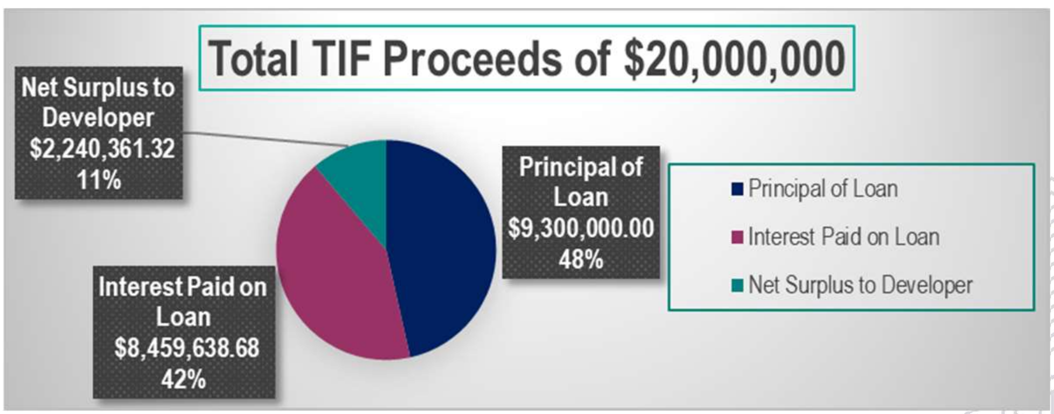
3. Monetizing developer-backed notes issued by the municipality

4. Monetizing Municipality based revenue bonds issued purchased by the developer



TIF Example

- $20Million of tax increment generated over 23 years
- LTV is 88.7%
- No out-of-pocket payments for the developer=no additional Debt Service on the property; payoff in Year 18



Pay-As-You-Go

- Original need for gap equity to demolish buildings and get National tenants in there
- TIF rebates of $1.675MM
- TIF loan was $1Million
- Minimum Assessment

Refinance TIF

Pay-As-You-Go

- TIF rebates of $831K remaining
- Increase of $250K for another 5 year term
- Use of equity for working capital, tenant improvements, etc.

Refinance TIF

Pay-As-You-Go

- TIF rebates of $707K
- Refers to minimum assessment
- 100% share goes to developer
- 5 year TIF stream

Mixed-Use Building

Pay-As-You-Go

Bank margin = 90%
Lendable amount = $496,119
Loan 2021; Increment start 2025
FTE Requirements causing issues

Mixed-Use Building

Pay-As-You-Go

- TIF rebates of $6.15MM
- Refers to PILOT Agreement
- 90% share goes to developer

Historic Rehab of $22MM commercial

Pay-As-You-Go

TIF rebates of $6.15MM

Bank margin = 90%
Lendable amount = $2,623,176
Loan 2023; Increment start 2025

Historic Rehab of $22MM commercial

Pay-As-You-Go

- TIF rebates of $30.6 Million
- Refers to PILOT Agreement
- Parking garage has additional incentives
- 100% share goes to developer

Phase 1 of Historic Rehab of apartments and parking garage for $104 Million

Pay-As-You-Go

TIF rebates of $30.6 Million

Lender margin = 90%
Lendable amount = $12.5 Million
Interest rates locked for TIF maturity
Set PILOT payment
Loan 2023; Increment start 2027
TIF maturity in 2047

Phase 1 of Historic Rehab of apartments and parking garage for $104 Million

What is the increment worth?

- Monetization DOES NOT mean 100% upfront
  - Loan proceeds range from 40-70%
- Increment Payments = Principal and Interest over the life of the TIF
  - Interest rate is market rate versus municipal rate
- Total TIF eligible costs as cap
  - What can the project support?
- Developer’s share of increment- negotiation with municipality
- TIF maturity timing affects loan amount
- TIF structure from municipality affects loan amount

Return on Investment Example

Assuming the development of a $10,000,000 project with a $150,000 per year 10-year TIF rebate. Further assuming the project is financed by an $8,000,000 loan amortized over 240 months at 7% with a $2,000,000 equity injection. If the TIF is not monetized, the project's ROI is 12% over the first 10 years.

If the TIF is monetized, however:

Developer Benefit:

- The developer can obtain a $1,006,512 TIF loan amortized over 120 months at 8%.
- The project's ROI will increase to 17%.
- In addition, the project only requires $993,488 in cash equity rather than $2,000,000.

Municipality Benefit:

- The TIF rebate can be reduced by 19% to $121,000 per year and still deliver a project ROI of 12%.
- Developer obtains a TIF loan of $811,920.
- Municipality receives $290,000 more in tax revenue.
- Developer still benefits because the project requires only $1,188,080 in equity rather than $2,000,000.

What are the benefits of TIF monetization?

TO THE CITY

- Increases the value of TIF incentive
- Increases the likelihood of development being completed
- Avoid use of City Funds
- Risk is mitigated further by the Lender

TO THE DEVELOPER

- Reduces upfront cash requirements
- Higher Return on Investment
- No out-of-pocket payments

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Questions?

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