Public Development Finance

Monetizing Incentive Revenues

KeyBanc
Capital Markets

Non-Recourse. Pre-Construction. Tax Increment Financing.

BOND TYPES

Monetizing Incentive Revenues

01

Tax Increment Financing

TIF Revenue Bonds

Monetizes projected future ad valorem tax revenues from a project

Property taxes, payments in lieu of taxes (PILOTs), tax allocation districts

02

Sales Tax Incentives

STAR/Excise Tax Revenue Bonds

Monetizes projected future sales tax revenues from a project

Sales taxes, business district taxes, tourism surcharges, economic activity taxes (EATS), community improvement district taxes

03

Special Assessment Bonds

Special Development Districts

Secured by an additional tax/assessment levied on the property or development to benefit from the bond proceeds

Public Development Finance

Public entities contributing to a development project by providing developers with the incentive and capital to complete a project through the diversion and/or implementation of tax revenues.

Bond Financing

Bond financing is the most effective way for developers to fill a funding gap in their capital stack and monetize their public tax incentives by leveraging future cash flows for **upfront proceeds on a non-recourse basis**.

KeyBanc Capital Markets® (KBCM) identifies and executes the most cost-effective bond financing solutions for development projects.

Bond attributes:

- Non-recourse
- Pre- or post-construction
- Taxable or tax-exempt
- Public sale or private placement
- Long-term
- Fixed interest rate

How can KBCM help?

- Analytical approach
- Identify/evaluate financing solutions
- Structuring expertise
- Identify and educate investors (underwriting)
- Leadership throughout the transaction process
- Pricing execution

Project types

Mixed-use developments, retail centers, lifestyle centers, industrial developments, commercial office parks

Project costs

General project costs, demolition, land acquisition, parking structures, sidewalks, streetscape, public amenities, roadwork, water/sewer infrastructure

Graceland Tourism Destination

Highlights

- Project Type: Tourism destination
- Status at Issuance: Post-construction
- Incentive Type: Property tax TIF, sales tax TIF, special sales tax
- Bond Term: 28 years
- Bond Amount: $89.3 million
- Blended Bond Yield: 5.63% (tax-exempt)

Project description

Graceland is a 120-acre tourism site built around the historical home of Elvis Presley in Memphis, TN. In 2015, the ownership group began a plan to overhaul and upgrade the Graceland experience. The project includes new archives, a 450-room luxury hotel, and a 220,000 square foot exhibition space called Elvis Presley's Memphis.

Tax incentives

In order to drive additional tourism at Graceland for years to come, the developer worked with the City of Memphis to garner various tax incentives to help fund a portion of the redevelopment at the site. The incentives included a 20-year property tax TIF, a 30-year sales tax TIF (Tourism Development Zone Increment) and an additional 30-year special sales tax (Tourism Surcharge) levied at the site.

Financing result

KBCM was tasked with the monetization of the various incentive revenue streams to fund the refinancing of an existing construction note, as well as provide additional funds for the project. The complex financing was ultimately structured as a long-term (28 years), fixed rate, tax-exempt (Series 2017A) and taxable (Series 2017B-C) bond issuance payable solely from the various incentive revenues. As a result, KBCM was able to help generate enough proceeds from the bonds to fully refinance the construction note, as well as provide additional proceeds, all with no recourse to the developer.

University Town Centre Regional Mixed-Use Development

Highlights:

- Project Type: Mixed-use/shopping center
- Status at Issuance: Mid-construction
- Incentive Type: Sales tax TIF
- Bond Term: 26 years
- Bond Amount: $76.4 million
- Blended Bond Yield: 5.74%

Project description

University Town Centre, situated on approximately 1,370 acres, is a multi-phase, mixed-use development that is part of a larger super-regional shopping center. It is located directly off of Interstate 79 near Morgantown, West Virginia and includes more than 622,790 square feet of completed construction along with 599,878 square feet either under construction or planned.

Tax increment financing

In order to spur economic development in the area, the Monongalia County Commission created an Economic Opportunity Development District for the project. In the district, an excise tax (identical in rate to the state sales tax) is levied on sales and re-directed to the County Commission for the payment of development costs.

Financing result

KBCM assisted with the monetization of the excise tax revenues, seeking to maximize proceeds for new development. In order to provide as much funding as possible and minimize interest costs, KBCM identified a diverse pool of potential investors for the placement of the bonds. The transaction was structured as a long-term (26 years), fixed rate, tax-exempt bond issuance payable solely by the excise tax revenues. The bonds are non-recourse to the developer and do not constitute a mortgage on the property.

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KeyBanc Capital Markets

KBCM, a wholly owned subsidiary of KeyCorp (NYSE: KEY), is a full-service investment bank. KBCM's Public Finance group has served issuers of tax-exempt debt for more than 40 years, with a focus on Development Finance, Public-Private Partnerships, Higher Education, Public Utility Districts, Non-Profit Organizations, Healthcare, and Government.

In 2017, KBCM served as underwriter on nearly $20 billion across more than 130 public finance transactions.