

# Declining Markets: What Can You Do ?



October 14, 2010  
Annual Conference  
Peabody Orlando



# **A. Overview Comments and Introduction of Panel**

**Dr. James E. Baugh, President & CEO  
J.E.B & Associates**



## **B. How to Address Your Current or Proposed Redevelopment Project?**

**Jeffrey T. Larson, President  
Larson Consulting Services**





# Step One

- **Project Definition**
- **Location & Timing**
- **Stakeholders & Partners**
- **Existing Infrastructure**
- **Financial Feasibility**



## Step Two

# Financing Tools

- Tax Increment Financing (“Traditional TIFs”)
- City - County – Governmental upfront and/or backup support
- Special Assessment District option
- Community Development District option
- Pooled Loan Programs
- Build America Bonds



# Financing Tools- Continued

- Public Private Partnerships
- How to leverage a developer's contribution while safe guarding public sector
- Grants





## Step Three

# Best Practices & Implementation

- Form a team to conduct initial analysis and project financing plan
  - Financial advisory
  - Legal
  - Grant writers & design consultants
  - Funding sources
  - City/County key supporters
  - Feasibility consultant- phasing
  - Community benefits



## **C. Update on Bank Funding and Investment Bank Credit Markets**

David Thornton, Managing Director,  
Southeast  
Wells Fargo Securities





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# Common Structuring Considerations

- Taxable (“private purpose”) versus tax- exempt (“public purpose”)
- Standalone tax increment credit or backup pledge
- Term of debt





# Capital Markets or Direct Placement?

## (A.K.A. Bonds or Bank Loans)

- Upfront costs
- Offering documents
- Ratings
- Insurance or other credit enhancement
- Term and size of project
- Timing



# Bank Loan Specifics

## Bank Qualified and Non-Bank Qualified

- Tax advantages
- Rates
- Swaps and make-whole calls
- Term
- Gross-up provisions
- Relationships



# America Recovery and Reinvestment Act

- \$30 million bank qualification limit- tested at borrower level
- Build America Bonds (“BABs”)
- Recovery Zone Economic Development Bonds (“Super BABs”)
- Recovery Zone Facility Bonds

# Tax Increment Credit

- Size of project areas
- Growth potential
- Diversity of use and taxpayer concentrations
- Ratio of increment to total taxes-function of time in existence
- Redevelopment plan
- Management
- Historical & projected debt service coverage
- Additional bonds test
- Debt service reserve fund



# Covenant to Budget and Appropriate

- Most common backup pledge
- Legally available non-ad valorem revenues
- Anti-dilution test
- Self supporting debt

# Taxable Verses Tax Exempt

Example \$10,000,000 Ten Year Note

“A” Rated Amortizing

	<u>Taxable</u>	<u>Tax-Exempt</u>
Estimated Interest Rate	5.15%	3.43%
Estimated Annual Debt Service	\$1,304,496	\$1,198,175

Hypothetical

# Example of Credit Support Benefit

\$10,000,000 Par Amount/ 30 years Level Debt Service

	Standalone Project Non Rated	Standalone Project “A” Rated	CBA Supported “AA” Rated
Estimated Coupon Rate	6.75%	5.50%	4.65%
Estimated Average Annual Debt Service	\$785,722	\$688,054	\$624,794

Hypothetical



# Term of Debt Tax-Exempt Example

## “A” Rated- Amortizing

	Ten Year Bank Note (BQ)	Thirty Year Insured Bond Issue
Amount	\$10 Million	\$10 Million
Average Coupon Rate	3.43%	5.50%
Average Annual Debt Service	\$ 1,198,175	\$688,054

Hypothetical



# FMLC Pooled Loan Program

## New Program Structure

- Fixed rate
- Insured
- Terms up to 30 years
- Flexible debt service structures
- Covenant to budget and appropriate security pledge
  - or other specified revenue source
- Loan amounts greater than \$1 million
- No cross-collateralization among borrowers

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## FMLC Pooled Loan Program- Program Overview (Cont'd)

- Fully dedicated, long-term, fixed-rate pooled loan program
- Nineteen series of bonds issued totaling approximately \$771 million
- Loans to 57 different Florida entities
- A total of 101 loans outstanding
- Twenty-one repeat borrowers
- Administered by the Florida League of Cities, Inc.

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# Questions & Answers



# Moderator and Panel Member Bios

- Dr. James E. Baugh, President and CEO, J.E.B and Associates, Inc., Reston, VA
- Jeffrey T. Larson, President, Larson Consulting Services, Orlando, FL
- David Thornton, Wells Fargo Securities, Clearwater, FL



# Contacts

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## **BIOGRAPHY**

## **James E. Baugh, Ph.D.**

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Dr. James E. Baugh is the President/CEO of JEB & Associates, Inc.--a housing development and management consulting business based in Reston, VA. His professional career as an educator, researcher, administrator, planner, developer and leader spans close to 30 years. He has packaged into his company over twenty-five years of experience in housing, financial management, and community development. Moreover, it is the unique blend of public and private sector experiences that has enhanced his capacity to perform at a quality level and successfully manage comprehensive revitalization programs as well as large complex organizations.

Dr. Baugh, appointed by former president Ronald Reagan, is the former Assistant Secretary for the U.S. Department of Housing and Urban Development (HUD). He spent more than eight years as a high-ranking official in the Office of Public and Indian Housing managing a \$15 billion budget and over 2,000 employees. During his HUD tenure, he provided exceptional leadership to our Nation's public and low-income housing debate allowing agencies to now operate under management standards he helped to implement. Among his accomplishments, and a favorite of public housing authorities, is the \$3 billion Comprehensive Grant Program, which provides for a formula allocation of funds that can be used for a variety of physical improvements based on their own priorities.

In 1992, he served as the Policy Consultant to the National Commission on Severely Distressed Public Housing. His input into the Commission's report to the U.S. Congress caused legislation to be authorized and funds appropriated to HUD for the \$3 billion Urban Revitalization Demonstration Program (later named HOPE VI). He continues to serve as a consultant to housing and community development corporations, "New Urbanism planners, architects, environmental companies, faith-based organizations, and to cities whose downtown area, public buildings and neighborhoods have undergone noticeable deterioration and need a qualified planning consultant or team which possess a demonstrable level of creative and fiscal ability with which to assist in achieving consensus on a series of realizable projects. Dr. Baugh is listed in Outstanding Young Men of America; Who's Who in America; Who's Who Among Black Americans; Men of Achievement; Community Leaders in America; and Outstanding Educators of America.

Dr. Baugh's most recent large undertaking was the redevelopment of 858 acres, of which 1.5 miles are beachfront, with a projected assessed value of \$2.5 billion after build-out. The City of Riviera Beach, FL called on Dr. Baugh's expertise and capacity to spearhead the redevelopment effort as the Executive Director of the Community Redevelopment Agency, manage the staff and developers involved with the project, attract investors and generate \$150 million in grants, \$500 million in public financing and a \$1 billion investment from the private sector for the complex redevelopment program. As a result of his leadership in Riviera Beach, several projects were developed that included a Winn-Dixie grocery store, Homeland Security Building, and a 500 unit condominium complex on the inter-coastal waterway. Further, Dr. Baugh has served as a consultant to CRAs located in Homestead, FL, Dania Beach, FL, Greenville, NC, Lima, OH, Asbury Park, NJ, Pontiac, MI, and Detroit, MI. Additionally, Dr. Baugh and his associates continue to partner with several development groups to develop mixed-use (housing/commercial retail) in communities throughout the United States.



Based in Orlando, Mr. Larson manages Larson Consulting Services' financial advisory, investments support, project and economic development consulting practices. He has served a wide range of both public and private sector clients in Florida, the Southeast, and across the country for over 27 years. Larson Consulting was established to provide a high level of value added client support for project development, financings, and refunding/ debt restructurings, and is busy on a number of engagements. The financial markets have changed significantly, and the old way of doing business does not exist. Project development, investments oversight, financings and refundings all require skill sets that transcend both the public and private sectors. Larson Consulting brings a demonstrated track record to all of its engagements, and each one requires a special approach and private management.

Prior to establishing Larson Consulting, Jeff managed D.A. Davidson's Southeast Regional Investment Banking office. During his career, Mr. Larson has successfully closed a wide range of municipal project finance and corporate financings totaling over \$5 billion. Florida projects have ranged from negotiating and structuring transportation/road improvement programs, higher education project financings, multiple utility financings, extensive water and wastewater capital expansions, economic development initiatives, utility enterprise restructurings, downtown redevelopment, debt and lease purchase private placements, to a \$400 Million Sensitive Lands/Parks G.O. Financing Program, public/private partnership project finance issues, a competitively bid Medium Term Note Program, CDD's, and a \$240 Million University / Developer Project financing. He has served either as an Investment Banker, Project Consultant or Financial Advisor to clients such as:

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• CITY OF LEESBURG	• CITY OF DELTONA	• CITY OF TAMARAC
• UNIVERSITY OF CENTRAL FLORIDA	• LEARNING GATE CHARTER	• CITY OF WINTER PARK
• ST. LUCIE COUNTY	• HILLSBOROUGH COUNTY HFA	• ORLANDO CRA
• BROWARD COUNTY	• CITY OF WINTER HAVEN	• NASSAU COUNTY (Chandler's Meadow)
• ST. ANDREWS PLANTATION	• OKEECHOBEE UTILITY AUTHORITY	• FLORIDA ATLANTIC UNIVERSITY
• NOVA UNIV. (MIAMI DOLPHINS)	• CITY OF ORLANDO	• INDIAN RIVER COUNTY
• CITY OF PALATKA	• CITY OF STUART	• CITY OF ORANGE CITY
• CITY OF PORT ST. LUCIE	• CITY OF STARKE	• CITY OF PUNTA GORDA
• CITY OF FORT MEADE	• ST. EDWARD'S SCHOOL	• CITY OF SEBASTIAN
• PALM BAY ACADEMY	• GROUP ONE CONSULTANTS	• CITY OF NAPLES
• CITY OF MINNEOLA	• CITY OF FORT PIERCE	• AMERICAN LEISURE GROUP
• KUA	• CITY OF WINTER SPRINGS	• J&J HOMES
• CONCORDE ESTATES CDD	• ANTHEM PARK CDD	• GOAA
• D R HORTON	• LEARNING GATE CHARTER SCHOOL	• SCULPTOR CHARTER SCHOOL
• TAMPA BAY SPORTS AUTHORITY	• LIFESTREAM BEHAVIORAL	• CITY OF CAPE CORAL

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Prior to joining D.A. Davidson, Mr. Larson was with Kirkpatrick Pettis, Smith Polian, Inc., Stifel Nicolaus/Hanifen Imhoff and SunTrust Capital Markets in Orlando, Florida. Prior to that, he spent ten years with C & S/Sovran in Atlanta and Barclays Bank PLC in Atlanta and San Francisco as a corporate finance, large corporate/Fortune 500, and Middle Market Banker.

Mr. Larson received his MBA degree on an academic scholarship from Emory University, Atlanta, Georgia, in 1982. As part of his MBA graduate work, Mr. Larson worked, studied and taught in Germany and Austria and was a Fulbright Scholar at the Johannes Kepler University in Linz, Austria. He received an A.B. in Business Administration with honors from Franklin & Marshall College, Lancaster, PA. Mr. Larson's professional licenses with the State of Florida, FINRA, include a Series 7, Series 63, Series 24, Series 53, and Series 8 licenses.

Jeff is a frequent speaker at industry conferences including the annual FGFOA Conference, Florida City County Manager's Annual Conference, Florida Bond Buyer, FICPA, Florida Redevelopment Association, Florida Bar Association, Florida League of Cities, Ernst & Young Professional Development Conference, Regional FGFOA Chapter meetings and Career Seminars, Smith's National Investor Conference, Annual FGFOA Institute (School of Governmental Finance) and Special District conferences on topics ranging from "The Bond Issuance Process", "Innovations in Debt Financing", "How to prepare For A Rating Agency/Bond Insurer Presentation", "Industrial Development", "Investment Market Update and Approaches", "Introduction to Debt Management", "Effective Debt Policies", "Utility Acquisition Financing", "Planning and Capital Financing", "Florida Municipal Bonds From An Investor's Perspective", "Negotiated Versus Competitive Bond Issues", "Investment Alternatives", "Public-Private Partnership Financings", "Economic Developing – Financing Tools", and "Continuing Disclosure to SEC Enforcement/MSRB". Jeff has also served as a member of the FGFOA Annual Conference Program Committee for a number of years.

Larson Consulting's Team of Professionals provide financing solutions for many types of clients in Florida, the Southeast, and across the country. We specialize in a number of practices in which we have significant expertise. Our primary areas of focus include the following:

- Infrastructure Financings
- Special Districts and Land Development
- Higher Education
- Resort Communities
- Housing Agencies
- CRA & TIF Improvement Districts
- Tribal Finance
- Healthcare Finance
- Charter Schools
- Growth Management and Capital Planning
- Developer Project Negotiations
- Arbitrage Support
- Workforce Housing
- Project Financings
- Utility Financings
- Public Private Partnerships
- School Districts
- Project Consulting Services
- Lease-Purchase Financings
- Internet-Based Public Sales
- Alternative Energy
- Rural Water
- State Governments
- Utility Acquisition Analysis
- Refundings and Restructurings

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**BIOGRAPHY**

**David Thornton**  
**Managing Director, Wells Fargo**

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Mr. Thornton joined Wells Fargo Securities in July 2008 after more than 21 years with other Florida investment banking firms. He has managerial responsibility for Wells Fargo's Florida public finance operations and maintains primary responsibility for a number of accounts including the Florida Governmental Utility Authority, the Florida Municipal Loan Council, the City of Clearwater, the City of Tampa, JEA and the City of Jacksonville, among others. He also provides general banking support on a number of other significant accounts including but not limited to Citizen's Property Insurance Corporation, Miami-Dade County, and the Florida Hurricane Catastrophe Fund.

In December of 2009 Mr. Thornton served as senior manager for the underwriting of a large, non-rated tax allocation bond for the City of Atlanta and also for the City of Pensacola, Redevelopment Revenue Bonds, Series 2009A and 2009B (Federally Taxable – Build America Bonds). In April of 2010, he was a member of the underwriting team for the City of Orlando, Community Redevelopment Agency, Tax Increment Revenue Bonds, Series 2010A (Downtown District) and Series 2010B (Downtown District – Direct Subsidy Build America Bonds). A number of the loans made under the Florida Municipal Loan Program have been for Community Redevelopment projects.

Mr. Thornton maintains Series 7, Series 63, Series 53, Series 24, and Series 79 licenses.