



**Public Investment in Support of the
Huntington Central
Community Development Authority (CDA)/Tax Increment Financing (TIF)**

Economic Initiatives Committee
March 14, 2023

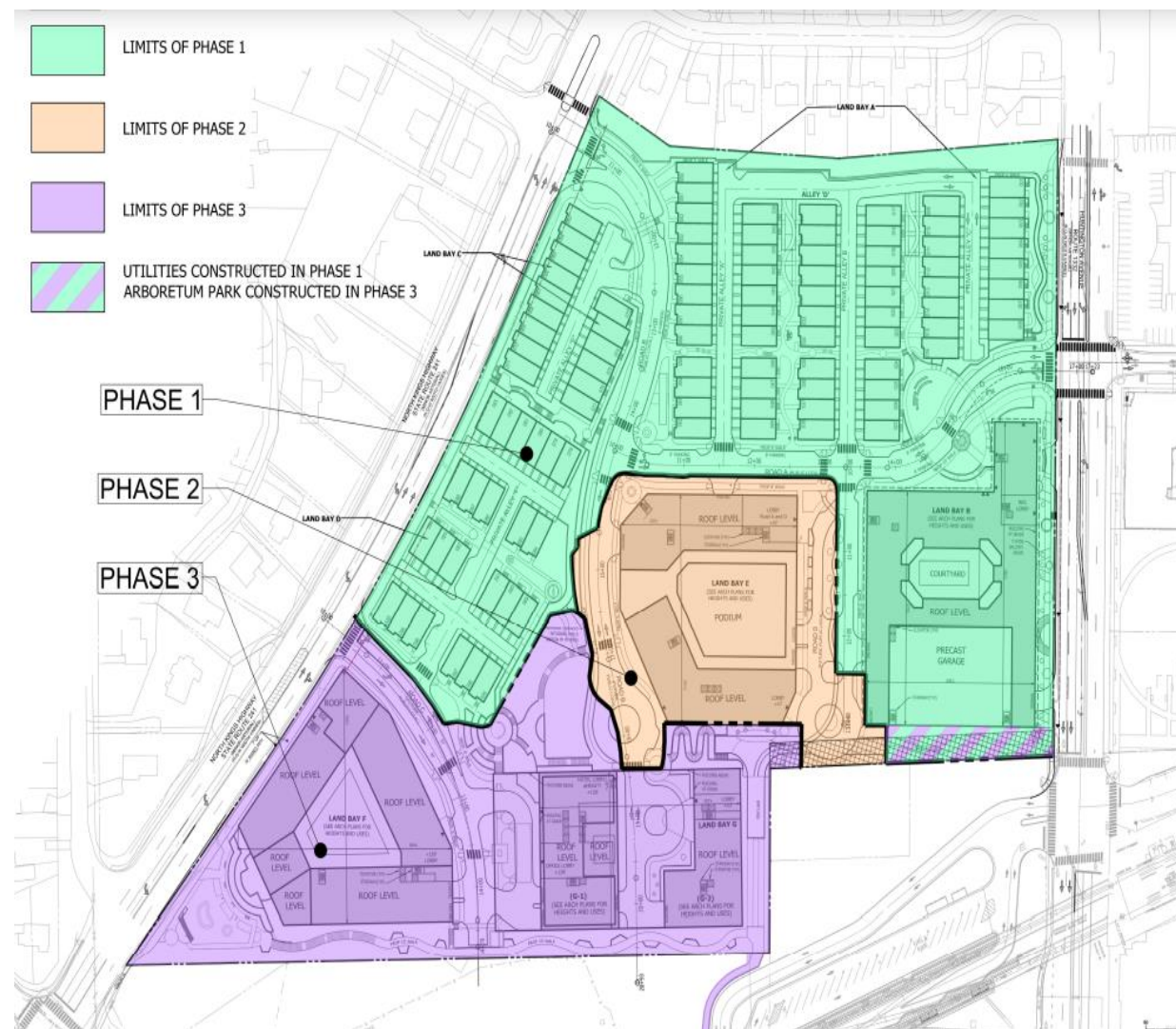
Joe LaHait, Deputy Director, Department of Management and Budget
Keenan Rice, President, MuniCap
JoAnne Carter, Managing Director, PFM

Meeting Purpose

- Updates since December 2022 EIC presentation
- Discuss establishing the Huntington Central Community Development Authority (CDA) for the Huntington Club (HC) redevelopment
- Discuss potential CDA bond issue
 - To fund costs of publicly (CDA) owned or benefited infrastructure
 - Debt service paid from Tax Increment Financing (TIF) revenues, backed by special assessments and, if necessary, a special tax

HC Project Background

- Existing – 364 1960s Garden-style condominium units on 19 acres adjacent to Huntington Metro Station
- December 2021, Board approved rezoning for 2.6 million square foot mixed-use project over three phases
- Phase 1 –Townhouse and Multifamily Residential (Land Bays A, B, C, and D); Maximum 515 units
- Phase 2 –Multifamily Residential (Land Bay E); Maximum 640 units
- Phase 3 –Multifamily Residential, Office, Hotel, and Continuing Care (Land Bays F and G); Maximum 455 units
- November 16, 2022, Planning Commission approved FDP for Phase 1



HC Project Background (as of December 2022)

- 2017 Termination Agreement among condo unit owners with condo association called for the existing condominium regime to dissolve no later than December 31, 2022. At that time:
 - “Opt-out” – 226-unit owners elected to leave and be paid out by December 31, 2022
 - “Opt-in” – 138-unit owners elected to remain throughout the redevelopment
- Revenue from the sale of land parcels A, B, and C proposed to pay portion of “Opt-out” owners, entitlement costs, professional fees, and replacement reserves
- Revenue from the sale of land parcels A, B, and C, net of payment to “Opt-out” owners, is insufficient to cover first phase infrastructure costs
- HC team requested the CDA issue bonds to fund infrastructure for development using TIF revenue to pay debt service
- CDA / TIF Financing of Phase 1 infrastructure costs of approximately **\$26.4m** meets **“But for”** Test since residual land sale proceeds are insufficient to cover those costs
- Infrastructure costs for Phases 2 and 3 to be borne by HC

Preliminary Financing Summary

- Bonds issued by the HC CDA for publicly (CDA) owned or benefitted infrastructure for Phase 1
- County has no legal liability for the bonds - General fund not pledged for repayment
- Bonds assumed to be sold as non-investment grade bonds (e.g., no bond rating); translates to higher interest rate & debt service
- Debt service would be paid from County appropriations of:
 - TIF Revenues generated within the CDA
 - Special Assessments collected when TIF Revenues do not cover debt service
 - Special Tax levied if Special Assessments are determined legally unenforceable
- Bonds would also be secured by a Debt Service Reserve Fund and a Capitalized Interest Fund
- Unlike Mosaic, special assessments will need to be collected during Phases 1 and 2 to pay debt service in full until Phase 2 TIF Revenues are fully realized
- Mix of tax-exempt and taxable infrastructure costs is TBD, a driver of interest cost

Project Updates

- Termination Agreement
 - HC asked unit owners to vote on an extension of the Termination Agreement from December 31, 2022, to December 15, 2023
 - Needed 80% approval to implement extension
 - HC reported it achieved **82% approval on December 12, 2022**
- Petition to Form CDA
 - HC team responsible for property owner consent and for delivering to County a request for formation of a CDA via a formal Petition
 - Petition must be signed by the owners of at least 51% of the assessed value in the proposed District (statutory minimum)
 - HC reported it achieved **61%** signoff from owners as of November 9, 2022.
 - Submitted to the County on December 22, 2022
- LDS – submission of plans and initial reviews continues

Follow On – Information Requests

- Requested HC set aside \$5 million – amount estimated in December by County’s advisors to equal the first four years of estimated potential Special Assessment.
 - **Update - HC has preliminary indication of interest letter from Sandy Spring Bank that would set aside a majority of this estimated funding.**
 - **HC will also allocate \$1 million from its reserves. Not used as collateral for other associated loans. To be memorialized in financing documentation.**
 - **Actual amount of special assessment to be determined at pricing of the bonds in the Fall**
- Requested HC plan and strategy leading to a commitment to the \$15m loan to cover the remaining opt-in mortgages.
 - **Update - HC has preliminary indication of interest letter from Sandy Spring Bank that would, if finalized, address the remaining opt-in mortgages.**

Follow On – Information Requests Continued

- Requested draft of new disclosure to opt-in owners (in advance of distribution) related to final opportunity to change election.
 - **Update - tentative plan for this document to go out in the spring.**
 - **Last chance to Opt in or Opt out.**
- Requested updated construction costs from HC.
 - **Update – February figures provided by HC reflect \$36.6 million construction cost, \$7.5m (25%) increase from the County’s \$29.1 million estimate in December.**
 - **Impact of inflation, supply chain issues, material specifications changes from review comments and scope changes based on more detailed plans.**
 - **Results in higher debt service costs and higher special assessment.**
 - **County can consider minor bond structure adjustments to bring potential special assessment closer to the \$5m range, subject to market conditions.**
 - **County reserves right to require additional financial assurances from HC.**

Projected Impact & Assumptions*

Item	July 2022	December 2022	March 2023
Total Sources of Funds – Includes original issue discount, costs of issuance, reserve fund, capitalized interest, underwriter’s discount	\$40m	\$45m	\$55m
Net Bond Proceeds – Phase 1 Infrastructure	\$26.4m	\$29.1m (MuniCap estimate with 10% inflationary estimate)	\$36.6m per updated HC figures
Capitalized Interest Period	3 years	3 years	3 years
Term of Bonds (After Capitalized Interest Period)	20 years	20 years	20 years
Interest Rate (Estimated)	6.00-7.00%	7.25-8.00%	7.25-8.00%
Debt Service	\$3.1m to \$4.5m (escalating)	\$3.3m to \$5.5m (escalating)	\$3.9m to \$6.6m (escalating)

Source: MuniCap report 3/6/2023

*Preliminary and subject to change

Special Assessment Impact – Phase 1 Only

	Phase 1 December 2022	Phase 1 March 2023
HC Special Assessment less assumed TIF revenue credit*	\$29.6 million	\$44 million
Special Assessment Collection Duration*	Full term of the Bonds	Full term of the Bonds
Estimated Average Annual Special Assessment Collection Per HC Opt-In Owner*	\$11,300	\$16,800
Estimated Total Average Special Assessment Paid Per HC Opt-In Owner*	\$215,000	\$319,000

*Preliminary and subject to changes - Assumes 138 opt in out of 364 total current owners;

Source: MuniCap report 3/6/2023 and assumptions contained therein including, but not limited to, interest rate, public improvement budget, development program, and forecasted TIF revenue.

Special Assessment Impact – Phase 1 and 2

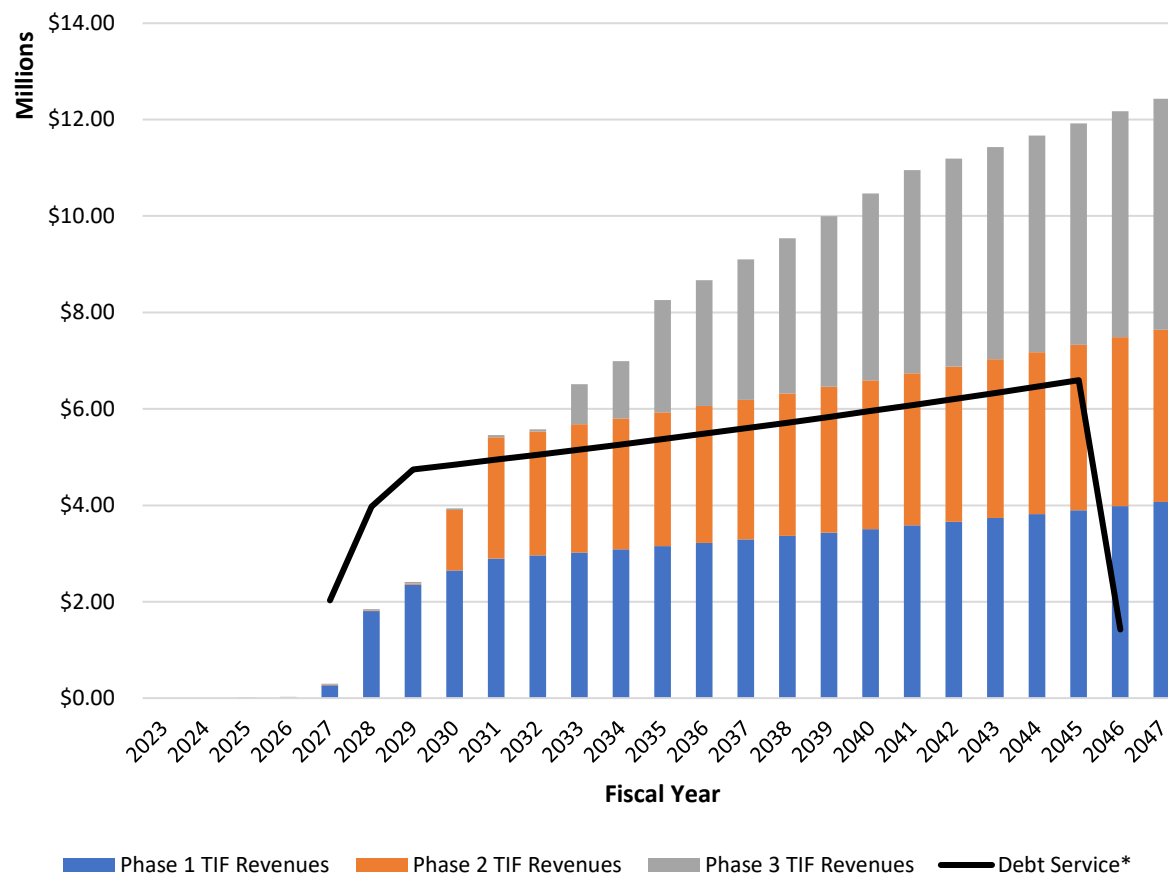
	Phase 1, 2 December 2022	Phase 1, 2 March 2023
HC Special Assessment less assumed TIF revenue credit*	\$5.0 million	\$7.2 million
Special Assessment Collection Duration*	4 Years	4 Years
Estimated Average Annual Special Assessment Collection Per HC Opt-In Owner*	\$8,000	\$13,000
Estimated Total Average Special Assessment Paid Per HC Opt-In Owner*	\$32,000	\$52,000

*Preliminary and subject to changes - Assumes 138 opt in out of 364 total current owners;

Source: MuniCap report 3/6/2023 and assumptions contained therein including, but not limited to, interest rate, public improvement budget, development program, and forecasted TIF revenue.

Projected Impact & Assumptions

Projected Revenue Impact*



- Phase 1 Development only - TIF revenues alone do not cover debt service annually for the full term of the bonds.
- **Requires collection of special assessment annually to cover the shortfall.**
- Phase 1 and Phase 2 Development – TIF revenues do not cover debt service for initial four years.
- **Requires collection of special assessment during each of those four years to cover the shortfall.**
- If Phase 2 Development is delayed beyond current assumptions, shortfalls and corresponding special assessments will continue past the initial four years.

Source: MuniCap report 3/6/2023 and assumptions contained therein including, but not limited to, interest rate, public improvement budget, development program, forecasted TIF revenue, and mix of tax-exempt and taxable bonds.

*Preliminary & subject to change.

Risks

- Debt Service Repayment Risks
 - Phase 1 TIF revenues currently estimated at 59% of debt service in every year through final maturity of the bonds
 - Special assessments will need to be collected to cover the shortfall until Phase 2 is completed
 - Special assessments likely to be collected from owners of undeveloped property, including the “Opt-in” owners
 - Need for special real estate tax back-up if special assessment held to be legally unenforceable
 - The “opt-in” property owners must be prepared to make these annual payments
 - HC identified sources up to \$5 million, which may not be sufficient depending upon timing of Phase 2 development and final debt service costs
 - If special assessment or special tax not paid, foreclosure occurs
 - TIF revenue is forecasted to cover debt service (without a special assessment) after Phase 2 development comes online, estimated in FY 2031

Benefits / Considerations

- Condo termination - unique situation
- Potential for increased assessed values and real estate tax revenue
- Furthers Transit-Oriented Development
- Project would not occur without CDA/TIF

County Team - Themes

- Open to adjusting the structure of the bonds to offset the increased infrastructure costs, but special assessment will continue to be a moving target.
 - *County reserves right to require additional financial assurances from HC*
- Underwriting team engaged from County underwriter pool
- Project risk can be reduced but not eliminated.
 - Project costs will continue to fluctuate and are not final.
 - Contractor price to be determined via Guaranteed Maximum Pricing (GMP) spring/summer.
 - Market factors – weak credit profile, volatile interest rates, constrained investor appetite.
 - Project delays of any kind and impact on assessed value, including on time delivery of Phase 2 development.
- Condo Association to ensure proper disclosure to all HC owners.

Target Timeline*

Date	Item
March 14, 2023	<ul style="list-style-type: none"> Economic Initiatives Committee – Follow-Up Huntington Club Discussion
April 11, 2023	<ul style="list-style-type: none"> BOS Meeting - Administrative Item – Advertisement of a Public Hearing on Ordinance to create Huntington Central Community Development Authority (HC CDA)
May 9, 2023	<ul style="list-style-type: none"> BOS Meeting – Public Hearing on Adoption of Ordinance to create HC CDA; adoption deferred to May 23rd
May 23, 2023	<ul style="list-style-type: none"> BOS Meeting - Adoption of Ordinance to create HC CDA
June 2023	<ul style="list-style-type: none"> HC CDA Organizational meeting – elect officers, adopt bylaws, reimbursement resolution
July 2023	<ul style="list-style-type: none"> HC CDA Organizational meeting - consider resolution and all bond financing documents
September 12, 2023	<ul style="list-style-type: none"> BOS Meeting – Administrative Item Authorizing Advertisement of Public Hearing of an Ordinance Imposing Special Assessment and if needed Special Tax in CDA District
October 10, 2023	<ul style="list-style-type: none"> BOS Meeting – Action Item to Approve Bond Documents BOS Meeting - Public Hearing and Adoption of Ordinance Imposing Special Assessment and if needed Special Tax in CDA District
Mid/Late October 2023	<ul style="list-style-type: none"> Prep / Marketing for CDA Bond Sale CDA Bond Sale
November 2023	<ul style="list-style-type: none"> Closing CDA Bond Sale

*Preliminary, subject to change.

Staff Request

- Proceed with establishing the CDA
- Continue working on the deal
- Review timeline for potential adjustments

Questions?