History of Land-Secured Financing in the U.S.

- **Initial financings in 19th century**
  - 1887 - Irrigation districts created for California’s Central Valley

- **Major growth in response to California’s Proposition 13 in 1978**
  - Similar to Proposition 2-1/2 in Massachusetts
  - Means to finance infrastructure in era of constraints

- **Since 2000 –**
  - More than 2,000 issues nationwide
  - More than $27 billion
  - Used in 38 states
Investors

- **Primarily, tax-exempt bond funds, e.g.**
  - Fidelity
  - Putnam
  - Massachusetts Financial Services
- **Casualty insurance companies**
- **High net-worth individuals**
Bond Security

- **Assessment**
  - Aggregate amount equal to bond debt service plus expenses
  - Allocated among all parcels
    - Each parcel responsible for its share only
    - Allocation generally based upon square footage or number of units that can be developed

- **Combination with DIF**
  - Pledge of all or a portion of incremental regular property taxes
  - Assessments are a backup
  - Assessments payable to the extent that incremental property taxes are insufficient to meet parcel’s share of debt service
  - Assessments generally required during development period only
What Investors Look For

- **Completed development**
- **If not completed, high expectation that the development will be built**
  - Experienced developer
  - Strong market study
  - All discretionary approvals in place
  - Financing in place
- **High value-to-lien**
  - Generally at least 3:1 for new development
  - Often 10:1 for completed development
- **Skin in the game**
- **Diversity of ownership a plus**
Role of the Municipality

- **Create the district**
- **Levy the benefit assessments**
  - Determine the Maximum Assessments
  - Determine how they will be allocated
    - Typically, by developable square foot or unit
    - Can be by front foot or assessed value
  - Determine if any DIF revenues will be contributed
- **Bring it to MassDevelopment for financing**
- **Collect the benefit assessments**
  - Assessment consultant typically advises on allocations
- **Foreclose if there should be a default**
Case Studies
## Harbor Point Infrastructure Improvement District (Stamford, CT)

<table>
<thead>
<tr>
<th>Bond Issues:</th>
<th>$145,000,000 Harbor Point Infrastructure Improvement District Special Obligation Revenue Bonds, Series 2010A and 2010B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location:</td>
<td>South end of Stamford, CT business center, adjacent to Metro North/Amtrak station – a true transit oriented development</td>
</tr>
</tbody>
</table>
| Development:| 6 million sq. ft. office of mixed use space  
400,000 sq. ft. retail space  
200,000 sq. ft. hotel space  
300,000 sq. ft. office space  
4,000 housing units rental and for-sale (10% to be affordable) |
| Developers: | Lubert Adler;  
Building and Land Technology |
| Use of Proceeds: | Backbone public infrastructure |
| Primary Security: | Special assessments on the private lands with a pledge of 50% of incremental ad valorem taxes generated by the development |
| Special Features: |  
- Several prior stalled efforts to redevelop the area  
- Largest transaction of its kind done since the credit crisis |
### Annapolis Junction Town Center (Howard County, MD)

**Bond Issue:** $17,000,000 Howard County, MD, Special Obligation Bonds (Annapolis Junction Town Center Project) Series 2014

**Location:** Project is located midway between Baltimore, MD and Washington D.C., off Route 32 at the Savage MARC Station. Nearby is NSA, Fort Meade and National Business Park

**Development:**
- Commuter parking garage (704 spaces)
- 416 apartment units
- 100,000 square feet of office
- 14,000 square feet of retail
- 150 room hotel

**Developer:** Somerset Construction Company

**Use of Proceeds:** To finance the construction of a Public Parking Garage and other infrastructure improvements at a commuter rail station located between Baltimore, MD and Washington, DC

**Primary Security:** Incremental ad valorem County and State property taxes and a backup special tax to cover any shortfalls.

**Special Features:**
- No vertical development at time of bond issuance
- Hotel Purchase and Sale Agreement in place at closing with Turnberry Development
- Signed Letter of Intent with COPT for development of office building at closing.
- Lack of new housing supply in area according to market study, nearby occupancy is approximately 95%
Harbor Point Development (Baltimore, MD)

Bond Issue: $36,000,000 City of Baltimore, MD, Special Obligation Bonds (Harbor Point Project), Series 2014

Location: Located between the Fells Point and Harbor East neighborhoods in southeast Baltimore

Development: 27 acres containing approximately 6 Million square feet of mixed-use development, composed of office, residential and retail space

Developer: Beatty Development Group, LLC

Use of Proceeds: Public infrastructure improvements including new public roads, parks, sidewalks, a pedestrian bridge and expansion and enhancement to a nearby charter school.

Primary Security: Incremental ad valorem property taxes along with a backup special tax to cover any shortfalls.

Special Features:
- Development just underway at time of issuance
- The site was the former home to the Allied Signal chromium processing facility & required that all construction occur above the existing asphalt cap on the site (essentially building the site up on average ten feet above its existing grade)
- Development will be anchored by the new 23-story regional headquarters of the Exelon Corporation, which is expected to employ over 1,400 people at that site
- TIF bonds will be issued by the City and purchased by the Developer who will then pledge them as collateral back to the Lender providing the infrastructure loan.
### Embrey Mill (Stafford County, VA)

<table>
<thead>
<tr>
<th>Bond Issue:</th>
<th>$21,000,000 Embrey Mill Community Development Authority Special Assessment Refunding Bonds, Series 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location:</td>
<td>Stafford County, VA - Northern Virginia, 25 miles south of Washington, D.C. and seven miles from Quantico Marine Corps Base</td>
</tr>
<tr>
<td>Development:</td>
<td>869 acre mixed-use, master planned residential community consisting of approximately 1,827 units</td>
</tr>
<tr>
<td>Developers:</td>
<td>Newland Homes and North America Sekisui House</td>
</tr>
<tr>
<td>Use of Proceeds:</td>
<td>Public infrastructure improvements including roads, ponds and parks</td>
</tr>
<tr>
<td>Primary Security:</td>
<td>Special Assessment Revenues</td>
</tr>
<tr>
<td>Special Features:</td>
<td>• No vertical construction at time of bond sale</td>
</tr>
<tr>
<td></td>
<td>• Contracts with six home builders at bond sale including K. Hovnanian, Brookfield, Integrity, Miller &amp; Smith and Richmond American. No homes sold.</td>
</tr>
<tr>
<td></td>
<td>• Lack of new housing supply in area according to Market Study</td>
</tr>
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<td>• Value to Bonds, 3:1</td>
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<tr>
<td></td>
<td>• North America Sekisui House is a wholly-owned subsidiary of Sekisui House, Japan’s largest homebuilder</td>
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<tr>
<td></td>
<td>• Initially planned to price bonds in June. Large municipal bond fund outflows reduced buyers in the market and increased yields to highest levels in previous twelve months. Timing of developer’s cash flows necessitated bond sale. Stifel successfully sold bonds to two mutual funds on July 18.</td>
</tr>
</tbody>
</table>
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