



Musings on Economic Development

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Propaganda

- Hall Render
 - 2nd Largest Health Care Practice in the Country
 - Clients in 44 States
- Commercial, Health Care and Public Finance Practice
 - Less Health Care Concentration
 - Bond, Bank, Securities, Developer and Project Finance Lawyers
 - Significant Public/Private Project Finance Practice



More Propaganda

- Jerimi J. Ullom
 - Bond Lawyer
 - Bank Lawyer
 - Securities Lawyer
 - Developer Lawyer



Rules of Lawyer Competence

- There exists in nature an inverse relationship between the number of syllables used by a lawyer and his/her actual competence.
- The use of citations and references to statutes or regulations serves as further evidence of one's lack of understanding.
- Clients should actually understand their transactions.
- A Lawyer's goal is not be to make his/her clients depend upon him/her.



Agenda

- Historical Drivers of Development
- Today's Drivers of Development
- Evolution of Economic Development
 - Economic Development 1.0
 - Economic Development 2.0
 - Economic Development 3.0
 - Including Structures and More Structures!
- What's Next



Evolutionary Drivers

- Great Recession
 - Market Upheaval
 - No Construction Lending
 - Greater Equity Requirements
 - Capital Crunch
- Property Tax Caps
 - Race to the Cap
 - Local Governments Need New Revenue Sources

■ ■ Historical Drivers of Economic Development Incentives

- Macro Competition
- Infrastructure
- Policy = Conditions for Growth

■ ■ Today's Drivers of Economic Development Incentives

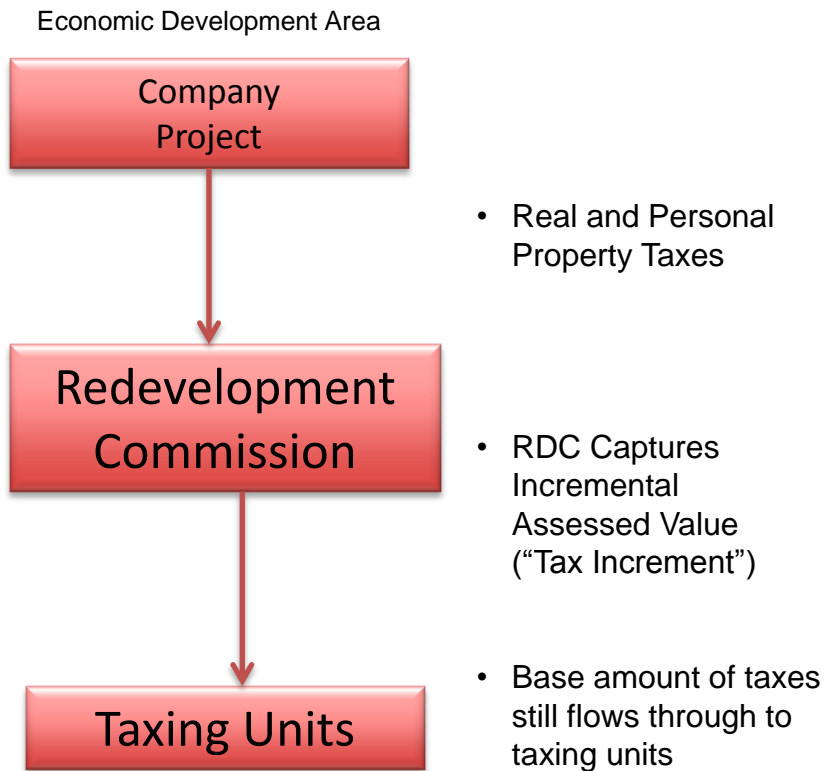
- Micro Competition
- Acceleration – Timing
- Return on Investment
- Local Participation
- Policy = Drive, Control and Enhance Development
- Policy 2 = Fund Local Projects
- Policy 3 = Find New Revenue Sources

■ ■ Evolution of Economic Development Incentives

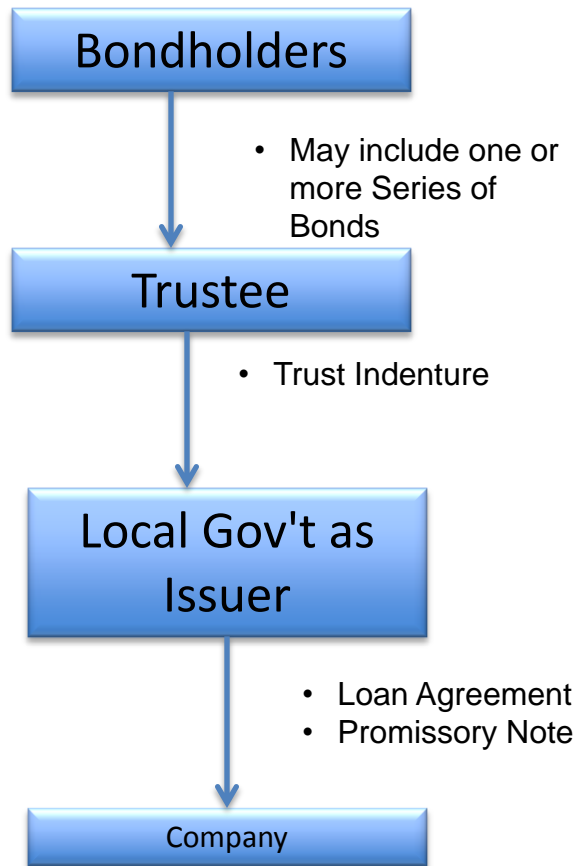
- Version 1.0 (dial-up)
 - Conditions for Growth
 - Tax Abatement
 - TIF / Local Provision of Infrastructure
 - Economic Development Revenue Bonds

TIF Allocation Area

- TIF Established by Redevelopment Commission and Fiscal Body
- Incremental Assessed Value "captured" by RDC
- For Use In or Physically Connected to Area
- May be Pledged to EDRBs



Economic Development Revenue Bonds

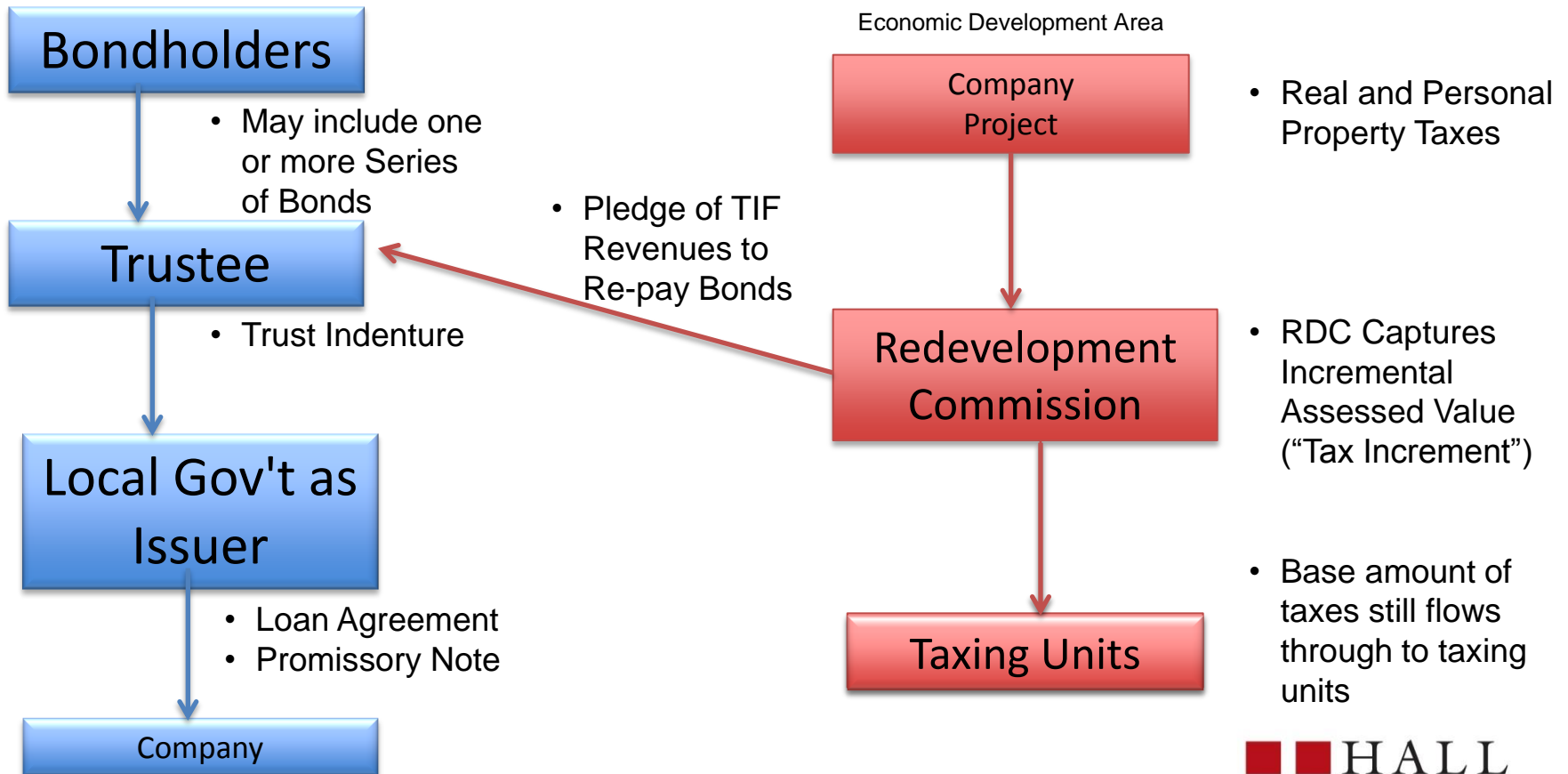


- Local Gov't is "conduit" issuer
 - No Credit Liability of Local Gov't
 - Approval of EDC and Fiscal Body
- Bonds Secured by Company Payments

■ ■ Evolution of Economic Development Incentives

- Version 2.0 (Broadband)
 - Economic Development Revenue Bonds with TIF Pledge
 - TIF Revenue Dedicated to Project

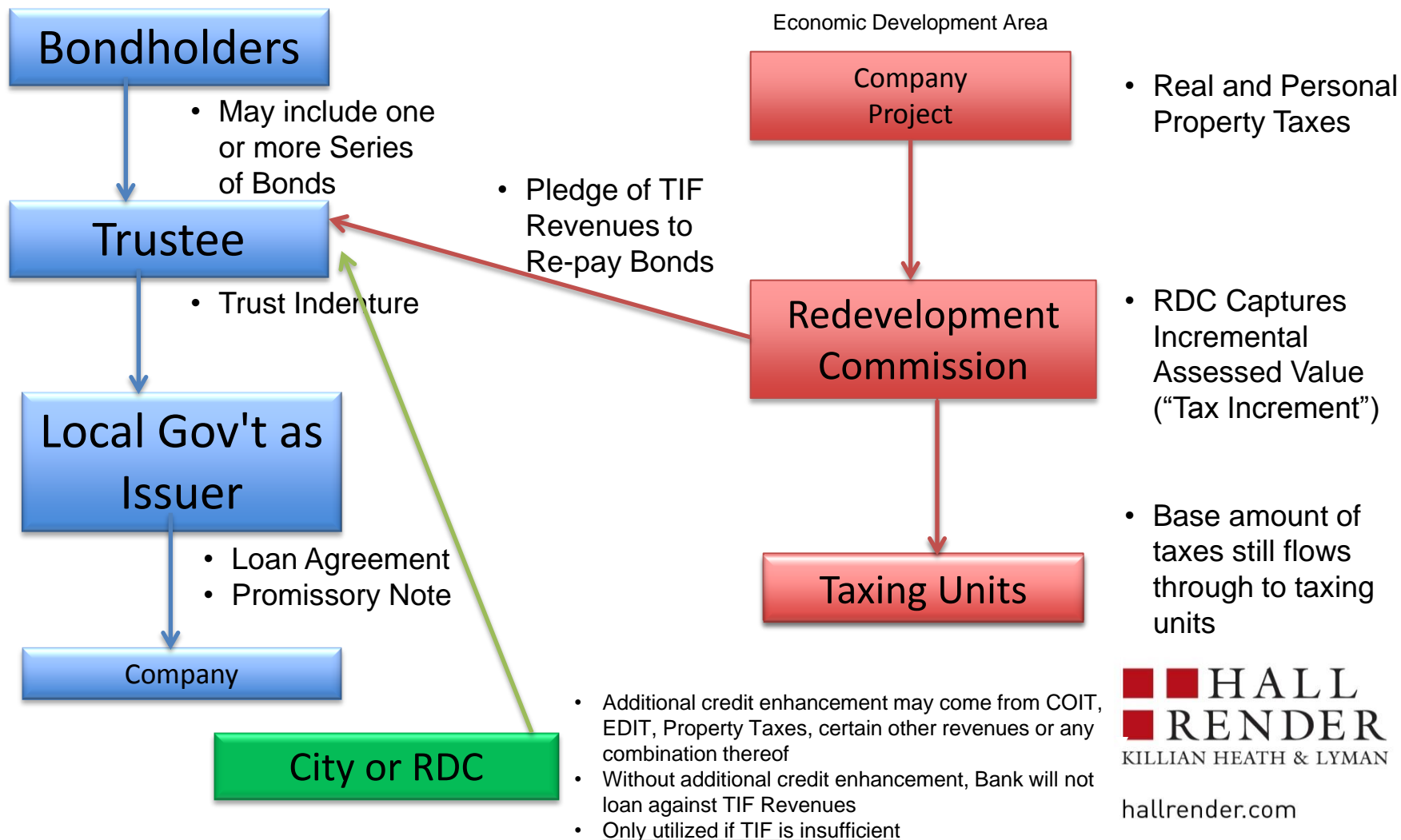
■ ■ EDR Bonds + Tax Increment Pledge



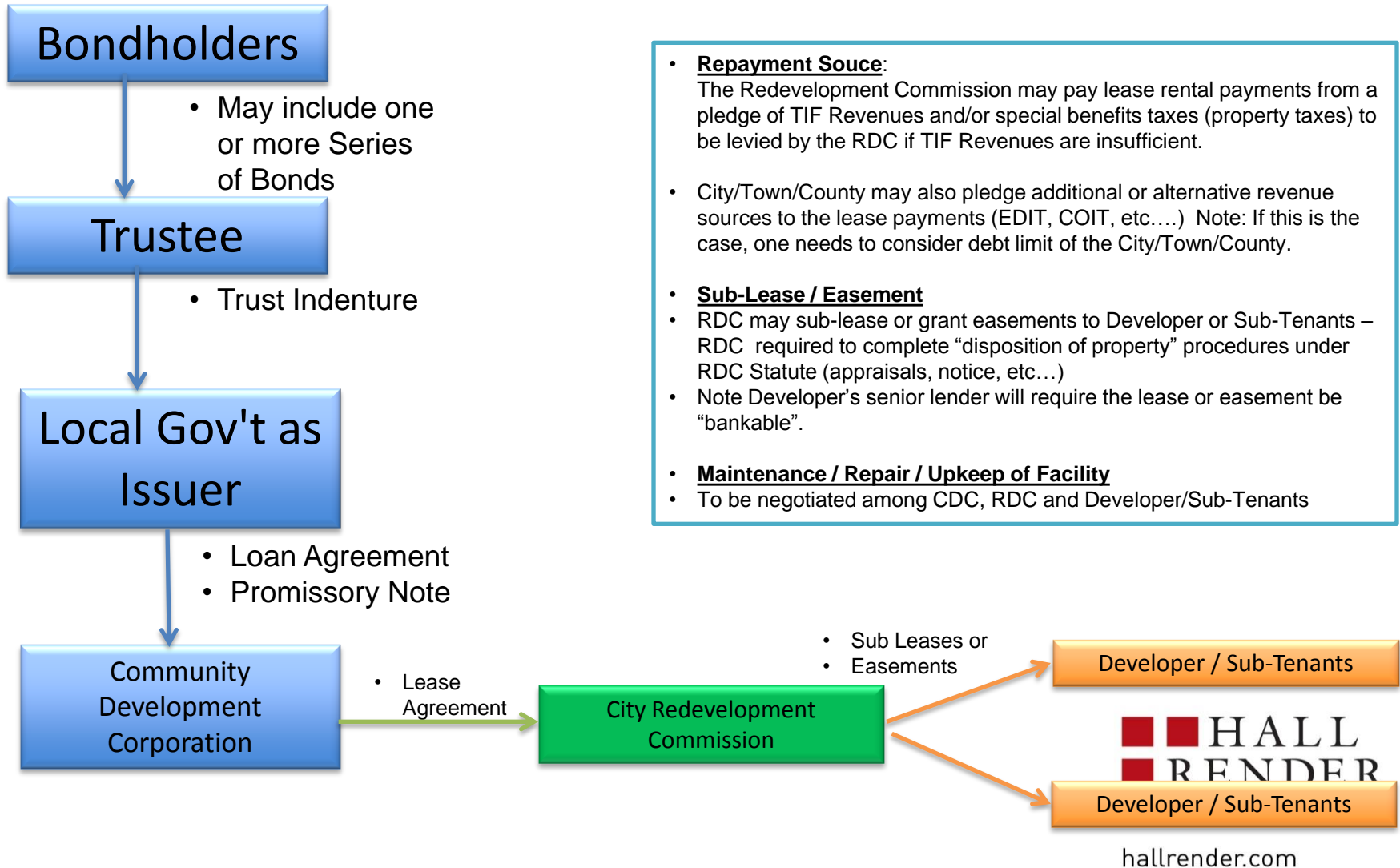
■ ■ Evolution of Economic Development Incentives

- Version 3.0 (Mobile)
 - Credit Enhancement
 - Local Participation

EDC BOND + TIF + Credit Enhancement



EDC Bond + City Credit Enhancement





Construction Loan with Redevelopment Commission Support

Repayment Source:

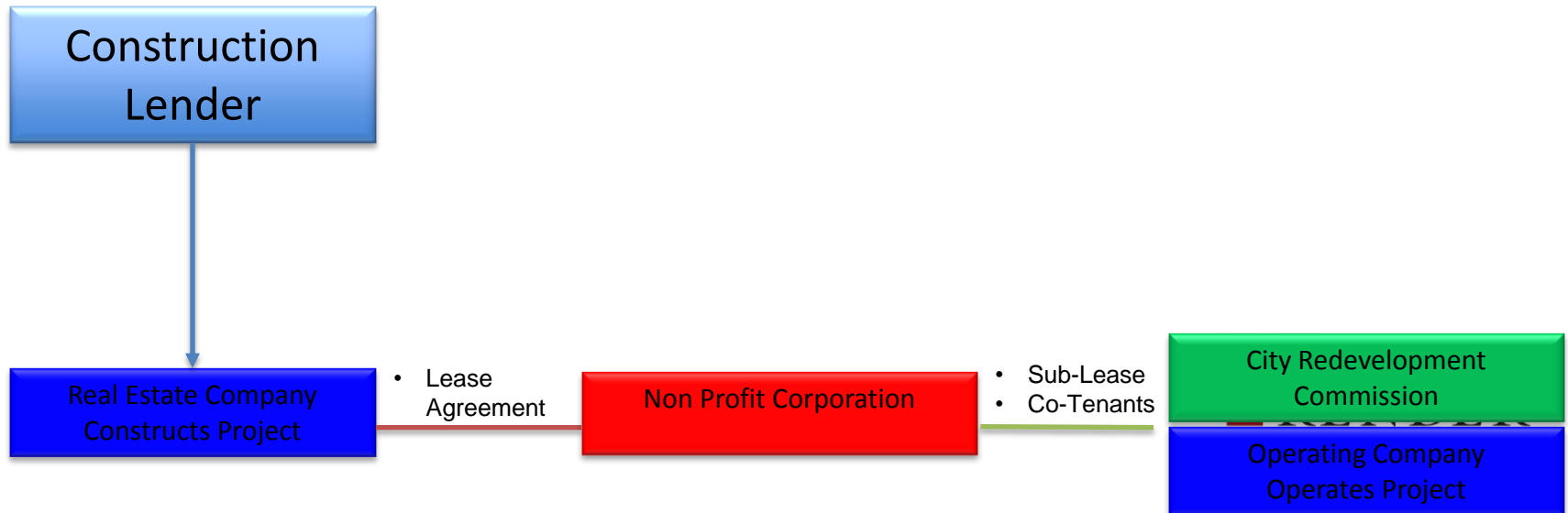
- The Loan is payable from Lease Payments made under the Sub-Lease to the Non Profit and Assigned to the Lender.

Pledge of Special Benefits Taxes by RDC:

- The RDC will make Lease Payments special benefits taxes (*ad valorem* property taxes) in the event the Company is unable to do so.
- Indiana law provides that local governments must pay debt service and lease rentals FIRST – before operating or other expenses.

Upon Stabilization

- Lease Agreement with the Non Profit and Sub-Lease with RDC will terminate and structure will collapse into a simple Real Estate Holding Company owning Fee Simple and leasing to an Operating Company. Real Estate Holding Company and Operating Company are expected to be co-borrowers in permanent financing.





Sources of Repayment

1. TIF Revenues generated by the Project
2. Company Revenues generated by the Project

Project TIF

Company Revenues

-
3. Additional TIF Revenues (if in larger area)
 4. Other Available Sources – COIT, EDIT, Gaming Revenue, Food & Beverage, Innskeepers, Etc...
 5. Special Benefits Taxes / Property Taxes

Additional TIF

Other Revenues

Any amounts paid “below the green line” are to be reimbursed by the Company and are secured in some manner

Project Reimbursement



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Risk Mitigation / Safeguards

- Levels of Protection
- Underwrite the Projects
- Reserve Funds
- Oversight of Project
- Limit in Time – Get Out
- Remedies / Recoup Payments



What's Next?

- Variations on a Theme
 - Reserve Replenishment Agreements
 - Contingent Grant Agreements
 - Stand-by Purchase or Lease Agreements
 - Installment Purchase Agreements
 - Credit Tenant Lease Structures
 - On and on.....
- Monetization of Single – Site TIF



New Mindset

- Local Government as a True Partner
 - Market Pricing
 - Risk vs. Rewards
- Think Like...
 - A Developer
 - A Bank
 - A Private Equity Fund



THANK YOU

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