

FINANCING ISSUES FOR THE LANDMARK VAN DORN PLAN

LANDMARK VAN DORN PLAN ADVISORY GROUP

March 17, 2008

- A. What needs to be financed to implement redevelopment?
 - a. Private sector properties
 - b. Public infrastructure and services
 - i. Transit, roads, bridges
 - ii. Streetscape, utility undergrounding
 - iii. Sanitary and storm sewers
 - iv. Open space
 - v. Parking
 - vi. Public facilities

- B. How financed?
 - a. Private sector investment
 - b. Land use incentives
 - c. Tax and regulatory incentives
 - d. Public sector investment

- C. Public Finance
 - a. General municipal coffers
 - b. Bonded or cash financed
 - c. Targeted levies and fees
 - i. Commercial transportation tax
 - ii. Sanitary sewer fees
 - iii. Special district levies
 - d. Tax revenues generated from redevelopment

- D. Tax Increment Financing (TIF)
 - a. Project-based economic development tool
 - b. Originated in California in 1951
 - c. In place in 49 states and D.C.
 - d. Utilized in situations where market economics would not result in desired redevelopment (i.e., rate on investment negative, or below market expectations)
 - e. Tool for retail redevelopment, given competitiveness, low retailer margins coupled with sales tax generation for municipality
 - f. Allows access to tax-exempt bond financing's advantaged interest rates
 - g. Bond rating and debt burden implications to municipality

- h. “But for” and “Show me” tests
 - i. Private sector funding at multiples of public funding
 - j. Typically uses future project-related incremental tax revenues
 - k. Entails use of current tax structure and/or special tax levies
 - l. Typically involves municipal bonding for upfront investment
 - m. Typically used for significant (re)development that has major economic development potential for municipality
- E. Virginia-laws and practices
- a. TIF
 - b. Community Development Authority (CDA)
 - c. Special Tax Districts
 - d. General municipal coffers
 - e. Virginia Examples: TIF, CDA, and other financing methods
 - i. Virginia Beach Town Center (\$85 million)
 - ii. York County (\$33 million)
 - iii. Hampton (\$93 million)
 - iv. Hanover County (\$38 million)
 - v. Henrico County (\$25 million)
 - vi. City of Chesapeake (\$325 million)
 - vii. Loudoun County-Dulles Town Center (\$37 million)
 - viii. Fairfax County and Loudoun County – Route 28 (\$139 million)
 - ix. Fairfax County-Springfield (under discussion)
 - x. Arlington-Ballston Common Mall, Pentagon City Mall
 - f. A Few Other Examples:
 - i. Houston, TX - Transit (\$324 million)
 - ii. Holladay, UT -Cottonwood Mall
 - iii. Indianapolis, IN – Circle Centre Mall (\$187 million)
 - iv. Minneapolis, MN – Nicollet Mall (\$62 million)
 - v. California since 1951 – 400 projects (\$3 billion+)
 - vi. Washington, D.C. – 10 projects (\$168 million)
 - 1. DC USA retail (\$42 million)
 - vii. Arlington Heights, IL – Downtown redevelopment (\$27 million)
 - viii. Montgomery County, MD- Downtown Silver Spring
 - ix. Madison, WI (\$68 million)
- F. Conclusion

