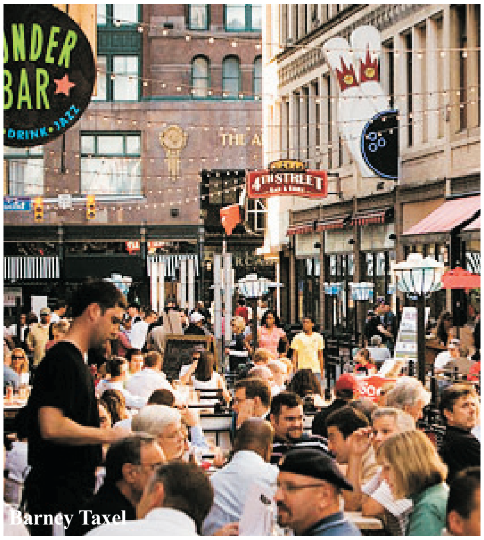
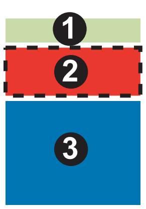
Closing Equity Gaps Making Projects Happen Through Public Private Partnerships (PPP)

by Charles Rulick with contributors listed below



Current Credit Environment



Prototypical Capital Stack
for Real Estate Projects

1) Other Equity

2) Blend of PPP Funds

3) Senior debt - 60% or less

New TIF Markets

Today 49 states and the District of Columbia have enabling legislation for tax increment financing. Arizona is now the only state without a tax increment financing law. While some states, such as California and Illinois, have used TIF for decades, many others have only recently passed or amended state laws that allow them to use this tool.

* **Arkansas (2000)**
* **Washington (2001)**
* **New Jersey (2002)**
* **Delaware (2003)**
* **Louisiana (2003)**
* **North Carolina (2005)**

Why Public/Private Partnerships?

Cities and towns throughout America have seen dramatic declines in new development since 2008. This has created pressure on the public sector to spur economic development - create jobs and spur growth. Public/private partnerships can jump start new growth opportunities where demand exists but project feasibility may not.

Across America, urban markets provide existing dense populations of shoppers that often spend dollars elsewhere. Throughout the last suburban expansion many urban development opportunities were foregone because of the complexity and financial barriers to getting deals done. Today, these markets represent new opportunities for growth. In light of the decline of new suburban development, the barriers seems less daunting and cities and towns are now more eager to partner by providing financial assistance to see projects happen - creating jobs and spurring growth.

This makes sense too. As demographics and housing preferences continue to shift away from the previous suburban model, mixed-use walkable communities in urban locations are projected to see increased demand.

Tax Increment Financing (TIF)

TIF is a tool that captures future gains in tax revenues created by development to finance current project costs. It is the leading economic development finance tool nationwide and works by promoting development of commercial, industrial, and residential sites across a city through public/private partnerships. **TIF proceeds generally represent 10 – 15% of total project costs, and in some cases more.** Think of it as a non-recourse loan that is forgiven so long as the tax revenues from the project are sufficient to retire the debt.

Currently, thousands of TIF districts operate nationwide, from small and mid-sized cities, to the State of California, which invented tax increment financing in 1952. California maintains hundreds of TIF districts and leads the nation in debt issued through tax increment financing. As example, The City of Chicago runs 131 districts with tax receipts totaling upwards of $325 million per year, or about one-third of the city's total property tax revenue.

Cities and towns across America have the power to leverage public assets to enter into public/private partnerships - and will - to create jobs, spur development and fuel growth. Get in on the action.

Eligible Uses

TIF proceeds may be used by developers for a variety of costs, including costs associated with land acquisition, site improvements, environmental remediation, public and on site utilities, and demolition.

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