Capital Project Financing

DAVID J. ROBINSON, MONTROSE DEVELOPMENT ADVISORS, LLC
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Montrose Development Advisors, LLC Wrote the Book on Economic Development
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- Opportunity Zones
- EDA Public Infrastructure Grants
- Downtown Redevelopment Districts
- State Budget Community Projects
- Tax Increment Financing
- JobsOhio Revitalization Loan Program
- Special Improvement District
- PACE
- Ohio Water Development Authority
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Launching an Opportunity Zone

- **Develop Site Plans & Infrastructure Finance Strategies**: Opportunity Zones are attractive to investors with strong site development plans that outline target industries and infrastructure finance strategies.

- **Enact Land Use Entitlements & Tax Incentives**: Opportunity Zone sites need required zoning, water and sewer agreements and local and state tax incentives to make the site operational and attractive to investment.

- **Advocate for an Opportunity Zone Policy Agenda**: Opportunity Zone success will result if state and local leaders align government tax policy and tax incentives to support development in Opportunity Zones.

- **Market the Opportunity Zone**: Whether as a single site, regional sites, statewide or nationally, Opportunity Zones need a strong marketing package attractive to investors.

- **Seek Professional Guidance**: Launching and operating and making investments in an Opportunity Zone fund involve federal tax and securities law and other accounting issues that require professional help.
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#### Opportunity Zone Process

<table>
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<tr>
<th>Opportunity Zone Fund</th>
<th>Apollo Opportunity Fund</th>
<th>Rich Moneybags aka Taxpayer</th>
<th>Apollo Opportunity Fund</th>
<th>Rich Moneybags</th>
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<tbody>
<tr>
<td>Site Certified by US Treasury as an Opportunity Zone Site Development Plan Site Prospectus</td>
<td>Organized as a corporation or partnership for an eligible Opportunity Zone Certified by US Treasury as a Qualified Opportunity Fund Invests 90% of its investments in Opportunity Fund Property/Business</td>
<td>Person recognizes gains from individuals, C or S corporations, mutual funds, real estate investments, partnerships, trusts &amp; estates from an unrelated Person Realizes $1 M capital gain and immediately invests capital gain in Apollo Opportunity Fund</td>
<td>Immediately invests in Opportunity Zone Business/Property Rex Tile, Inc.</td>
<td>Designates investment for land acquisition, construction of a building &amp; expenses necessary for the project 50% of gross income from OZ</td>
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<td>Retains investment for 10 years Permanent exclusion of capital gains</td>
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EDA Public Works Program

- $100,000-$3,000,000 grants
- Public agencies, not for profits, universities
- Economically distressed communities
- Create jobs, leverage private capital, encourage economic development, and strengthen America's ability to compete in the global marketplace
- Funds construction, non-construction, planning, technical assistance, and revolving loan fund projects
- EDA award may not exceed 50 percent of the total cost of the project
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EDA Public Works Program Examples

- Water and sewer system improvements
- Industrial parks
- High-tech shipping and logistics facilities
- Workforce training facilities
- Business incubators and accelerators
- Brownfield redevelopment
- Technology-based facilities
- Wet labs
- Multi-tenant manufacturing facilities
- Science and research parks
- Telecommunications infrastructure
- Development facilities
Ohio Downtown Redevelopment District Program Basics

- Three DRD Program Requirements
  - Based upon a DRD economic development plan
  - DRD is a continuous district no larger than 10 acres with a historic building in the DRD
  - Up to 70% of increase in assessed valuation in DRD may be exempted from real property taxation and used to fund historic & non-historic building and infrastructure redevelopment projects, fund for operations and capital projects related not for profit economic development corporations, and provide loans/grants for technology companies in an Innovation District as well as non-technology companies in the entire district for up to 30 years with school district approval or up to 10 years without
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Downtown Redevelopment District Program Process

- Historic Preservation Certification or Identification
- DRD and Innovation District Economic Development Plan
- Adopt a DRD Financial Model
- Build a DRD Innovation District
- DRD District Ordinance & Public Hearing
- DRD Agreements & Annual Reporting
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JobsOhio Revitalization Program Loan and Grant Fund

- Challenging redevelopment site with 20 or more jobs created
- Targeted industry sectors
- Capital investment
- Businesses, non-profits or local governments eligible
- Business and financial plan for site
- Abandoned or under-utilized contiguous property eligible
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State of Ohio Community Budget Project

- Every year
- Operating Budget on odd numbered years
  - $55 B with diverse state agency funding sources
- Capital Budget on even numbered years
  - $150-$200 M
  - Capital in nature
  - Connection to state government agency
  - Economic development, arts, historic, sports, infrastructure, health care
The purpose of using a TIF is to generate payments in lieu of taxes (PILOTs) to pay for public infrastructure improvements. All existing taxes are unaffected. County treasurer collects PILOTs along with real estate taxes. PILOTs are in the same amount as otherwise applicable taxes. Parcel TIF versus Incentive District TIF. School District and overlapping taxing district issues, public notice and compensation. TIF Agreement

More traditional governmental projects such as roads, water & sewer lines, storm water, parking. Redevelopment projects (e.g. land acquisition, land preparation, environmental remediation and demolition). New development projects and related infrastructure improvements, e.g. gas, electric and other utility type services, e.g. communication, cable, etc. Projects can sometime be located on privately owned properties.
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Special Improvement District

- Public improvements or services beyond the level currently provided
- Area of land or district within which owners of real property pay special assessments for designated services or improvements
- Creation is initiated in one of two ways
  - Owners of at least 60% of front footage (excluding church or government property) petition appropriate legislative authority
  - Owners of at least 75% of land area within the proposed SID petition for improvements
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SID Basics

- The petition includes a plan that details improvements or services to be included as part of the District.
- District is governed by a non-profit corporation and the composition of the board of trustees is governed by statute.
- The levy and collection of special assessments may be used to support debt service charges on improvements benefiting the districts.
- Credit issues such as discussed with TIFs and developer funded projects are applicable.
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Energy Special Improvement District or Property Assessed Clean Energy (PACE)

• Created by petition of 100% of the property owners desiring to develop within the ESID a special type of improvement called a “special energy improvement project.”

• Special Energy Improvement Projects include solar photovoltaic project, a solar thermal energy project, a geothermal energy project, a customer-generated energy project, or an energy efficiency improvement, whether such real or personal property is publicly or privately owned.
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PACE ESID

- The Plan developed by the ESID board of trustees provides authority for the levy and collection of special assessments to pay costs of services and ESID projects included in the ESID’s Plan.
- Special assessment levied and collected same as special assessments under ORC 727 and the revenues can secure or pay debt service on bonds issued to pay the costs of the special energy improvement projects.
- Credit issues for the ESID include revenues derived not only from the ESID project but also from the generation of electricity or savings from implementation of energy conservation measures.
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- Drinking Water Projects
- Sewage and Water Pollution Control Projects
- Storm Water Projects
- Low Interest Financing
- Community Assistance
- Village Capital Improvement
- Interim Financing
- Industry-Related Financing
- Local Economic Development
- Tax Exempt Bonds for Privately Owned Facilities
- Emergency Assistance
- Emergency Relief
- Brownfield Loan Program
- Alternative Stormwater Infrastructure Loan Program
- Lake Erie Coastal Erosion Control Projects
- Dam Safety Projects
- Solid Waste Projects
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LOCAL ECONOMIC DEVELOPMENT

- Loans to local governments for water and wastewater projects are recommended and requested by the Ohio Development Services Agency based upon expected economic development benefits. The limit is a maximum of $5,000,000 to any local government for any one project.
- The rate of interest is based upon the recommendation of the Ohio Development Services Agency.

BROWNFIELD LOAN PROGRAM

- Below-market rate loans are offered to assess and clean up brownfield properties.
- Open to both public and private entities that may use the funds to pay for Phase II assessments, demolition, cleanup, and consultant costs.
- Up to $500,000 is available for assessments, and up to $5,000,000 is available for cleanup.
- By making these funds available to a variety of stakeholders, the economic development potential of the property is maximized and these once dormant properties can be brought back to beneficial use.
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Questions

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