

CDFA – Stifel Nicolaus Innovative Deals Webcast Series: Retail

The Broadcast will begin at 1:00pm (EDT).

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November 12-13, 2013
Daily: 12-5pm (EST)

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**Fundamentals of
Economic Development
Finance WebCourse**



January 29-30, 2014
Daily: 12-5pm (EST)

**CDFA-Stifel Nicolaus
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Innovative Deals: Retail

Katie Kramer

**Director, Education & Programs
Council of Development Finance Agencies
Columbus, OH**



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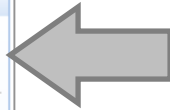
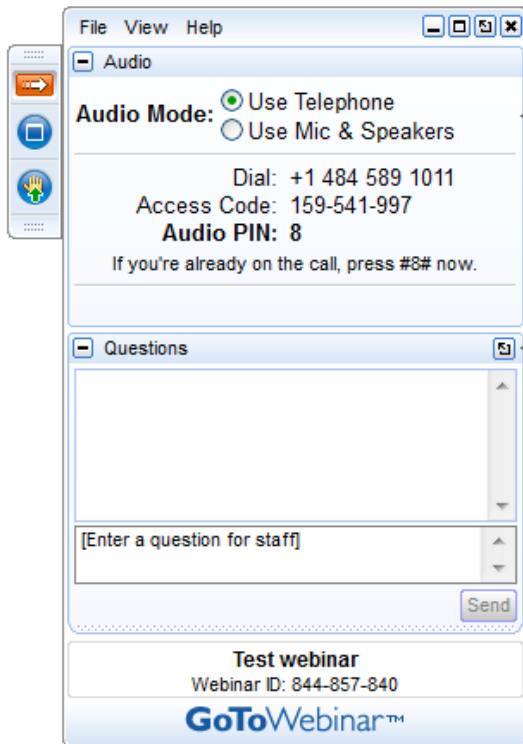
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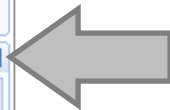


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Innovative Deals: Retail



Using your telephone will give you better audio quality.



Submit your questions to the panelists here.

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Innovative Deals: Retail Speakers

Laura Radcliff, *Moderator*
Stifel Nicolaus & Company

Ketan Gada
Office of the Deputy Mayor for
Planning & Economic Development

Ken Krombeen
City of Grandville, MI

Tammy Hopman
City of Grandville, MI

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STIFEL

Innovative Deals: Retail

Laura Radcliff

**Senior Vice President
Stifel Nicolaus & Company, Inc.
St. Louis, MO**



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Innovative Deals: Retail

Ketan Gada

Supervisory Project Manager

District of Columbia

Office of the Deputy Mayor for Planning & Economic Development

Washington, DC

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District of Columbia



Innovative Retail Deals

Ketan Gada
Supervisory Project Manager

**Office of the Deputy Mayor for Planning and Economic
Development**

District of Columbia

October 17, 2013



District of Columbia

Presentation Overview

- Overview
- The Downtown TIF Area
- City Market at O Street Project
- Project Financing



District of Columbia

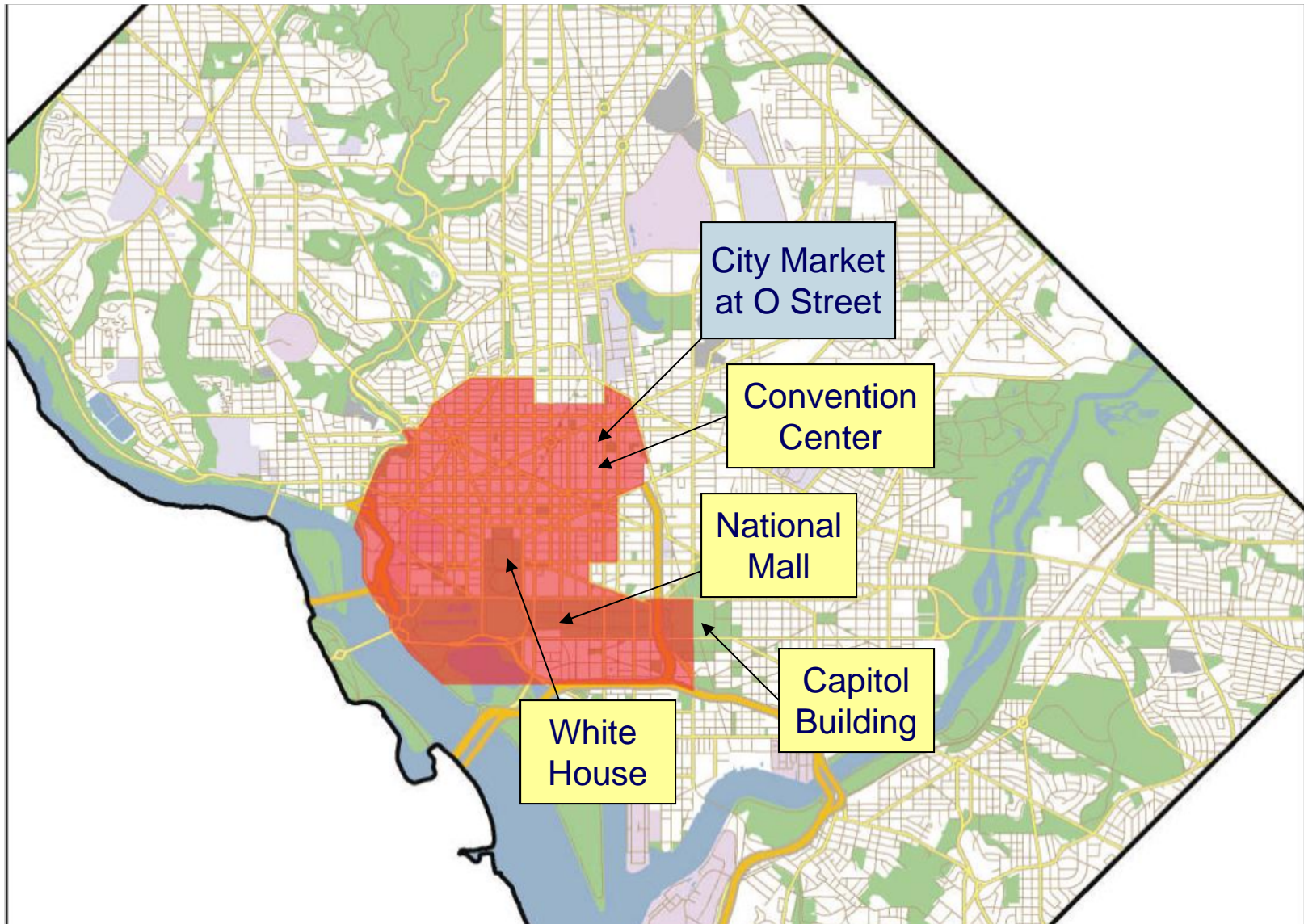
Overview: History & Legislative Framework

- TIF Act passed in 1998 created to support Gallery Place Project
- District Council enacted the emergency resolution in 2001 that designated the Downtown TIF Area.
- Initial authorization by DC Council to issue up to \$300 million in TIF bonds.
- Additional Downtown Retail Incentive Act passed in 2004.
- Individual projects approved by resolution under the Act.
- District Council enacted the Neighborhood Investment Act of 2004 that directed the Mayor to develop a neighborhood investment plan for target areas.
 - Georgia Avenue from Kenyon Street to Upshur Street, NW;
 - H Street, NE from 2nd to 17th Street, NE;
 - Martin Luther King (MLK), Jr. Avenue in three segments;
 - Shaw neighborhood from O Street to Barry Place and from 11th to 5th Street, NW.



District of Columbia

Downtown TIF Area Map





Order of Priority of Use of Revenues for the Downtown TIF Area

Tax revenues generated from commercial properties in the area of the Downtown TIF are allocated in the following order of priority:

- 1) Base-year revenues flow to the District for general use.
- 2) Portion of real property tax revenues applied to District G.O. Bonds:
- 3) Portion of prepared food and beverage and hotel sales tax revenues dedicated to Convention Center bonds: \$62 million in 2010.
- 4) To Priority Project bonds:
 - a) Gallery Place (\$5.2 million annual Budgeted Reserve)
 - \$74 million issued for 11-story mixed use retail, entertainment and office project.
 - b) Mandarin Hotel (\$4.5 million annual Budgeted Reserve)
 - \$46 million issued for a full service luxury hotel in 2002.



District of Columbia

Order of Priority of Use of Revenues for the Downtown TIF Area (continued)

- 5) To Parity Project bonds on a parity with each other (to the extent that debt service is not covered by revenues from the footprint of the related projects):
 - a) City Market at O Street
 - b) Verizon Center: \$50 million note issued for arena improvements, backed by an additional tax on tickets and merchandise
 - c) Arena Stage: \$10 million note toward the construction cost of theater renovation.
 - d) Capper/Carrollburg: \$29 million bond anticipation notes for infrastructure improvements associated with the DC Housing Authority's Hope VI redevelopment in the District's Southeast quadrant.
 - e) Howard Theatre: \$4 million note for renovation of historic, District-owned theatre near the District's U Street corridor and Shaw neighborhood with planned restaurant operator.
 - f) Rhode Island Metro Plaza : \$7.2 million note for construction of 274 apartments, 70,000 square feet of retail and a transit authority parking garage at the Rhode Island Metro station in Northeast DC.
 - g) Southwest Waterfront: \$198 million of TIF/PILOT bonds for the redevelopment of the waterfront area in the Southwest quadrant, including over 2 million square feet of office, hotel, residential and commercial property.



District of Columbia

Downtown TIF Carve-outs

- The District has the ability to carve-out tax increment of TIF areas located within the Downtown TIF Area in order to pledge this increment for support of a new project.
- The carve-outs for footprints of individual projects are currently:
 - Real property tax increment for Gallery & Mandarin
 - Sales tax increment for Gallery, Mandarin, & Verizon Center
 - Convention Center Hotel
 - City Market at O Street
 - No additional carve-outs have been approved or are contemplated at this time; the other projects supported by the Downtown TIF are either outside of Downtown or not carved out.



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City Market at O Street Project



City Market at O Street Project



Aerial Map

District of Columbia

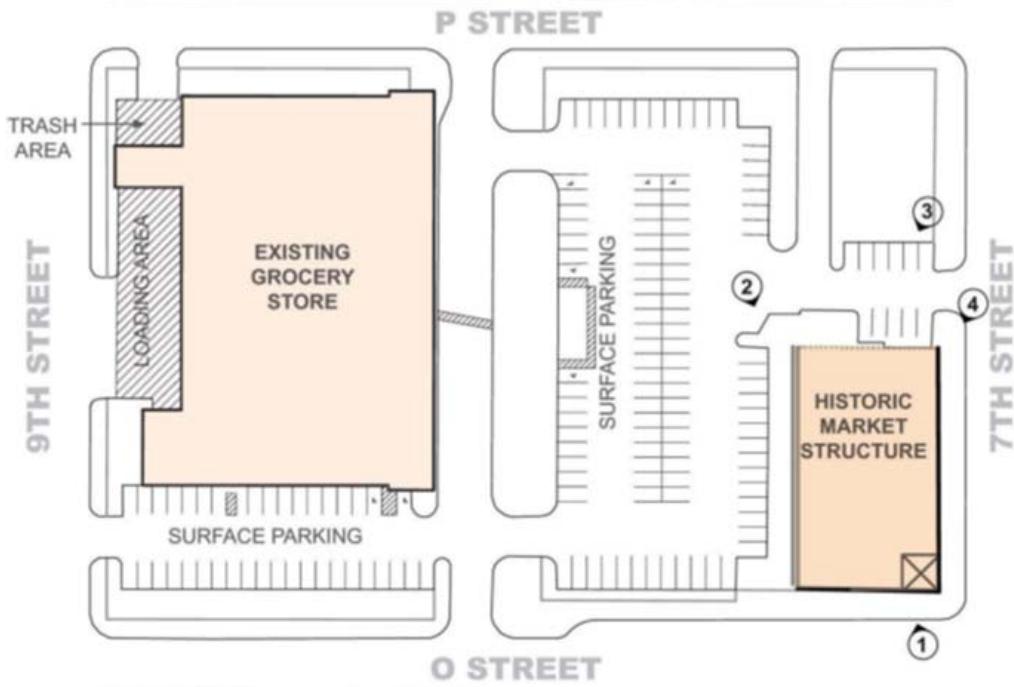


City Market at O Street Project



District of Columbia

Site Plan Compared



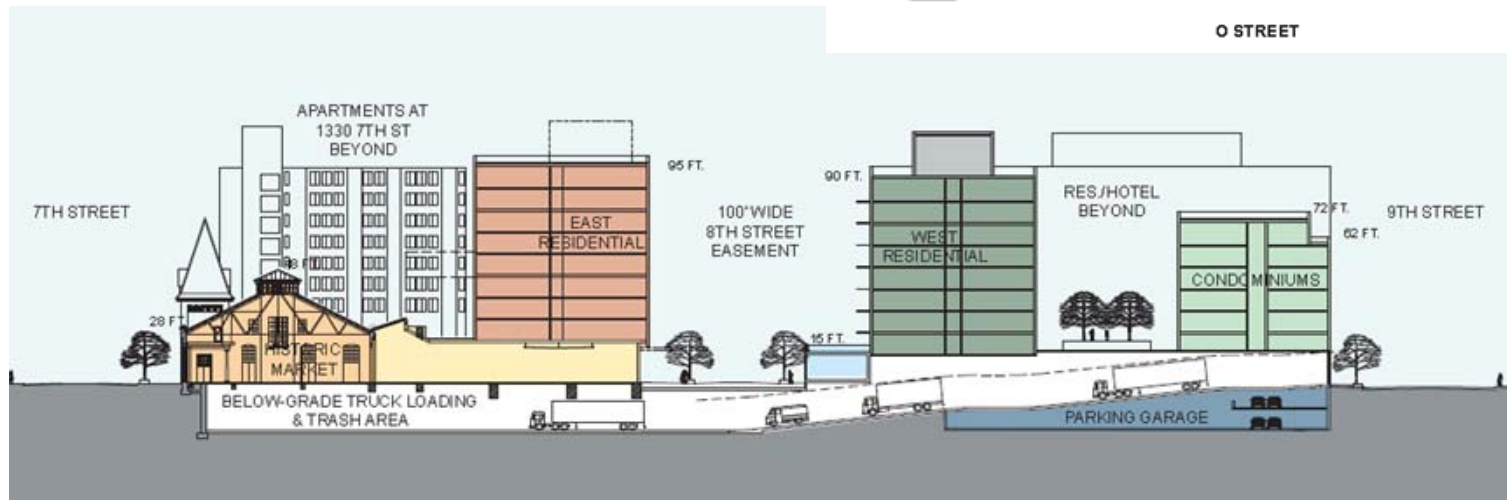
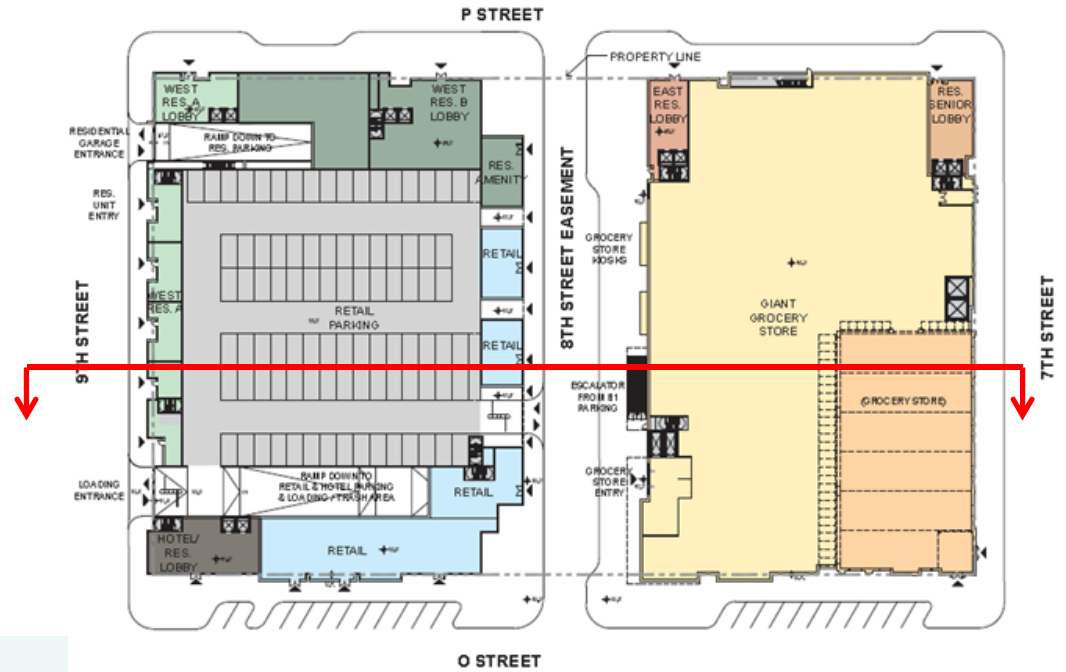
Old Site Plan



New Site Plan



District of Columbia



Cross Section



Project Overview

District of Columbia

- **Developer:** Roadside Development, LLC
- **Location:**
 - One block from the Washington Convention Center
 - Two city blocks bounded
- **Planned Components of Phase I:**

Retail

- New, 80,000 square-foot Giant Food store
- 7,000 square feet of additional retail space including small shops and an 4,000 square-foot restaurant

Apartments

- 400 residential apartments

Hotel

- Eight-story, 182-room Cambria flag hotel, an upscale brand of Choice Hotels

Garage

- 563 parking spaces 2 floors below grade

Planned Components of Phase II:

- An 90-unit affordable senior housing building (podium to be included in Phase I)
- A 145-unit residential building proposed as condos

O Street Market

Proposed Land Use





District of Columbia

“But For” Test and Project Benefits

Public Purpose Benefits

- Project will be a catalytic project in the Shaw neighborhood.
- Restoration of the closed 8th Street right-of-way to pedestrian and vehicular activity
- Restoration and reconstruction of the historic O Street Market,
- Returning the market to its original function as part of the new 80,000-square foot Giant Food Store,
- All loading and servicing of the project located in below grade truck court to avoid any traffic impact and enhance the pedestrian experience,
- Site design will reweave the project back into the community and provide needed street activity and density to the neighborhood,
- The provision of new retail space on O Street and 7th and 8th Streets, NW increases pedestrian activity, creates a lively residential experience, and an improved urban streetscape
- Each of the new buildings will have a distinct identity with a variation of materials and work well both functionally and aesthetically within Shaw.
- 90 units dedicated to affordable senior housing for residents earning less than 60% of AMI.
- Construction workers are expected to infuse \$6 million in indirect economic benefits in the form of retail spending in DC.
- Project is expected to generate approx. \$3 MM in new real estate taxes and new sales taxes for the District on annual basis once stabilized.



District of Columbia

“But For” Test and Project Benefits

Employment

- Executed a First Source Employment Agreement with 51% of its new hires to be District residents,
- Giant commitment to recruit and hire Shaw residents,
- Developer commitment to recruit and hire Shaw residents,
- Apprenticeship programs for all contractors,
- Approximately 689 construction job opportunities,
- New full-time equivalent job creation:
 - Approx. 168 in Retail jobs (includes jobs from Giant Food, retail and sit-down restaurant),
 - Approx. 70 in Hotel jobs, and
 - Approx. 150 in Multifamily Housing jobs.

Community Outreach: Developer and District has done significant community outreach over a 3 year period

District Council: Developer had done significant District Council lobbying to get the TIF approved by the Council.

- District Council approved “City Market at O Street Tax Increment Financing Act of 2008” legislation and authorized a TIF Bond issuance in an amount not to exceed \$46.5 MM.



District of Columbia

Project Financing

Total Development Cost: +260 millions

Phase 1 Development Costs & Funding Sources (\$219 MM):

- Approx. \$32 MM in net TIF Bond proceeds from the District
- Approx. \$2 MM in predevelopment grants from the District
- Approx. \$128 MM in construction funds from HUD
- Approx. \$ 20 MM in Developer Equity
- Approx. \$ 12.5 in GIANT funds
- Approx. \$6 MM in Hotel Equity
- Approx. \$22 in Hotel construction funds

Phase 2 Development Costs & Funding Sources (\$40 MM):

- \$3 MM in TIF note supported by the tax revenues from the project alone
- Developer Equity
- Construction financing



District of Columbia

TIF Structure

- District of Columbia issued approximately \$39 million of Tax Increment Revenue Bonds on November 17, 2011:
 - Provide financing for development costs of Phase I of the project
 - Fund a capitalized interest reserve

- The sources of repayment of the Bonds are:
 - First
 - Real property tax increments generated from the City Market at O Street TIF Area
 - Sales tax increments generated from the City Market at O Street TIF Area
 - Second (Credit enhancement),
 - Real property tax increments generated from the Downtown TIF Area
 - Sales tax increments generated from the Downtown TIF Area

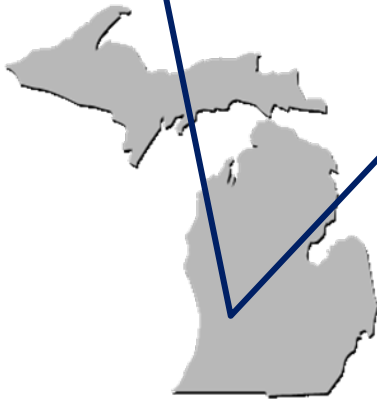
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Ken Krombeen

City Manager
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Grandville, MI

Tammy Hopman

Treasurer/Finance Director
City of Grandville
Grandville, MI



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DOWNTOWN
GRANDVILLE

DDA Streetscape

- Goals of the DDA
 - Retain and attract private investment and new business.
 - Create a sense of place downtown
 - Make the downtown a more interesting, attractive and vital place.
- Ways to Obtain Goals
 - Improve safety, walkability and way-finding
 - Improve aesthetics
 - Remove overhead utilities
 - Re-introduce on-street parking

Downtown Prior to Streetscape



Downtown After Streetscape



Project Financing

	Estimated Amounts	Actual Amounts
DDA Cash	\$2,073,919	\$1,498,835
Bonding	\$1,785,000	\$1,785,000
TE Grant	\$945,170	\$744,893
Major Street Funds	\$250,000	\$249,920
Total Project	\$5,054,089	\$4,278,648

New/Improved Business



Innovative Deals: Retail

Audience Questions



Fundamentals of Development Finance
Bond Finance
Tax Increment Finance
Tax Credit Finance
Revolving Loan Fund Finance
Federal Financing Programs
State & Local Financing Programs

Energy Finance
Innovation Finance – Seed, Angel & Venture Capital
Brownfield Finance
Transportation Finance
Access to Capital Finance
Special District Finance
Public-Private Partnership Finance

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Next Webcast

CDFA – BNY Mellon Development Finance Webcast Series
Tuesday, October 22, 2013 @ 1:00pm Eastern

CDFA – Stern Brothers Renewable Energy Finance Webcast Series
Thursday, November 14, 2013 @ 1:00pm Eastern

CDFA-Stifel Nicolaus Innovative Deals Webcast Series
Thursday, December 5, 2013 @ 1:00pm Eastern

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