New Partners for Smart Growth
Benefits of Special District Financing
About DPFG

Organization:
DPFG Founded in 1991

Business Purpose
- Financing public improvements
- Reducing public infrastructure costs
- Mitigating Risk

Personnel:
60 team members in 12 offices in 9 states.

Performance
Directly or indirectly involved in over 2,100 special taxing districts
Approximately $15 billion in bonds issued
Development Financing Challenges

• Commercial banks continue to shy away from land development projects.

• Creating a huge “gap” in the financing of public infrastructure.

• Gap must be filled with expensive equity financing (3 to 5 time more expensive) rendering many projects unfeasible.

• Another Problem – The excess infrastructure capacity from “boom days” is eroding, requiring additional public facilities.

• Question – What will fill the “Gap”?
What are Special Purpose Taxing Districts?

- Special purpose districts are established by municipalities and counties.
- Encompass a specific boundary.
- Districts issue tax exempt bonds.
- To acquire/construct eligible public improvements.
- Typically no financial liability to jurisdiction.
- Great way to have “growth pay for growth”.
### Special Purpose Taxing Districts – Examples

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<thead>
<tr>
<th>Description</th>
<th>Arizona</th>
<th>California</th>
<th>Colorado</th>
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Special District Financing Trends

Number of Special Districts by State

- CA - CFD
- AZ - CFD
- NV - SID
- CO - Metro
- TX - MUD
- FL - CDD

Year:
- 2000
- 2005
- 2010
- 2014

Number of Districts in State:
- 0
- 500
- 1,000
- 1,500
- 2,000
- 2,500
- 3,000
Special District Financing Trends

Total Bonds Issued

- Categories: CA - CFD, AZ - CFD, NV - SID, CO - Metro, TX - MUD, FL - CDD
- Bonds Issued (Millions): 0, 500, 1,000, 1,500, 2,000, 2,500, 3,000
Financing Trends

• Bond financing filling the “Gap” left by commercial banks at tax exempt interest rates (3 to 6.5%).

• Underwriting criteria is loosening up (CA – 100% build out now < 50%).

• Lower interest rates (was 6% now mid 3%).
Private Sector Benefits

- Non-recourse financing.
- Long term financing (up to 30 years).
- Lower interest rates (3% to 6%).
- Reduces third party borrowing.
- 100% debt financing (no equity requirement).
- Interest reserves (borrow up to 3 years).
- No acceleration provisions.
Public Sector Benefits

• New source of capital funding.
• Faster than development impact fees.
• Acceleration of public infrastructure construction.
• Preserves bonding capacity of jurisdiction.
• Off balance sheet financing for jurisdiction.
• Fulfillment of public policy objectives.
• Provision of additional public amenities.
• “Growth pays for growth”.
End User Benefits

- Lower home prices.
- Additional public amenities.
- Lower HOA fees (non-tax deductible).
- Accelerated public infrastructure construction.
CID - $300,000 special assessment bond, 30 year term, 7% interest rate, street construction.
SID - $29,500,000 special assessment bond, 20 year term, 4.81% interest rate, funded streets, water, sewer.
Treasure Island – San Francisco, CA

- **CFD / Tax Increment** – $1.5 billion, streets, water, sewer, parks (In process).
Carter Froelich, CPA
Managing Principal
(602) 381–3226 ext. 10
carter.froelich@dpfg.com

Development Planning & Financing Group, Inc.
3302 East Indian School Road
Phoenix, AZ 85018
www.dpfg.com