History of Land-Secured Financing in the U.S.

- **Initial financings in 19th century**
  - 1887 - Irrigation districts created for California's Central Valley
- **Major growth in response to California's Proposition 13 in 1978**
  - Similar to Proposition 2-1/2 in Massachusetts
  - Means to finance infrastructure in era of constraints
- **Since 2000 –**
  - More than 2,000 issues nationwide
  - More than $27 billion
  - Used in 38 states

Investors

- Primarily, tax-exempt bond funds, e.g.
  - Fidelity
  - Putnam
  - Massachusetts Financial Services
- Casualty insurance companies
- High net-worth individuals

Bond Security

- **Assessment**
  - Aggregate amount equal to bond debt service plus expenses
  - Allocated among all parcels
    - Each parcel responsible for its share only
    - Allocation generally based upon square footage or number of units that can be developed
- **Combination with DIF**
  - Pledge of all or a portion of incremental regular property taxes
  - Assessments are a backup
  - Assessments payable to the extent that incremental property taxes are insufficient to meet parcel's share of debt service
  - Assessments generally required during development period only

What Investors Look For

- **Completed development**
- **If not completed, high expectation that the development will be built**
  - Experienced developer
  - Strong market study
  - All discretionary approvals in place
  - Financing in place
- **High value-to-lien**
  - Generally at least 3:1 for new development
  - Often 10:1 for completed development
- **Skin in the game**
- **Diversity of ownership a plus**

Role of the Municipality

- **Create the district**
- **Levy the benefit assessments**
  - Determine the Maximum Assessments
  - Determine how they will be allocated
    - Typically, by developable square foot or unit
    - Can be by front foot or assessed value
  - Determine if any DIF revenues will be contributed
- **Bring it to MassDevelopment for financing**
- **Collect the benefit assessments**
  - Assessment consultant typically advises on allocations
- **Foreclose if there should be a default**

Case Studies

Harbor Point Infrastructure Improvement District (Stamford, CT)

Bond Issues: $145,000,000 Harbor Point Infrastructure Improvement District Special Obligation Revenue Bonds, Series 2010A and 2010B

Location: South end of Stamford, CT business center, adjacent to Metro North/Amtrak station – a true transit oriented development

Development:
6 million sq. ft. office of mixed use space
400,000 sq. ft. retail space
200,000 sq. ft. hotel space
300,000 sq. ft. office space
4,000 housing units rental and for-sale (10% to be affordable)

Developers:
Lubert Adler;
Building and Land Technology

Use of Proceeds: Backbone public infrastructure

Primary Security: Special assessments on the private lands with a pledge of 50% of incremental ad valorem taxes generated by the development

Special Features:
- Several prior stalled efforts to redevelop the area
- Largest transaction of its kind done since the credit crisis

STIFEL

Annapolis Junction Town Center (Howard County, MD)

Bond Issue: $17,000,000 Howard County, MD, Special Obligation Bonds (Annapolis Junction Town Center Project) Series 2014

Location: Project is located midway between Baltimore, MD and Washington D.C., off Route 32 at the Savage MARC Station. Nearby is NSA, Fort Meade and National Business Park

Development: Commuter parking garage (704 spaces)
416 apartment units
100,000 square feet of office
14,000 square feet of retail
150 room hotel

Developer: Somerset Construction Company

Use of Proceeds: To finance the construction of a Public Parking Garage and other infrastructure improvements at a commuter rail station located between Baltimore, MD and Washington, DC

Primary Security: Incremental ad valorem County and State property taxes and a backup special tax to cover any shortfalls.

Special Features:

- No vertical development at time of bond issuance
- Hotel Purchase and Sale Agreement in place at closing with Turnberry Development
- Signed Letter of Intent with COPT for development of office building at closing.
- Lack of new housing supply in area according to market study, nearby occupancy is approximately 95%

STIFEL

Harbor Point Development (Baltimore, MD)

Bond Issue: $36,000,000 City of Baltimore, MD, Special Obligation Bonds (Harbor Point Project), Series 2014

Location: Located between the Fells Point and Harbor East neighborhoods in southeast Baltimore

Development: 27 acres containing approximately 6 Million square feet of mixed-use development, composed of office, residential and retail space

Developer: Beatty Development Group, LLC

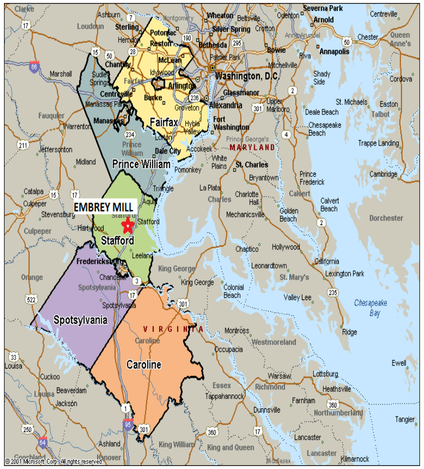
Use of Proceeds: Public infrastructure improvements including new public roads, parks, sidewalks, a pedestrian bridge and expansion and enhancement to a nearby charter school.

Primary Security: Incremental ad valorem property taxes along with a backup special tax to cover any shortfalls.

Special Features:

- Development just underway at time of issuance
- The site was the former home to the Allied Signal chromium processing facility & required that all construction occur above the existing asphalt cap on the site (essentially building the site up on average ten feet above its existing grade)
- Development will be anchored by the new 23-story regional headquarters of the Exelon Corporation, which is expected to employ over 1,400 people at that site
- TIF bonds will be issued by the City and purchased by the Developer who will then pledge them as collateral back to the Lender providing the infrastructure loan.

Embrey Mill (Stafford County, VA)



Bond Issue: $21,000,000 Embrey Mill Community Development Authority Special Assessment Refunding Bonds, Series 2013

Location: Stafford County, VA - Northern Virginia, 25 miles south of Washington, D.C. and seven miles from Quantico Marine Corps Base

Development: 869 acre mixed-use, master planned residential community consisting of approximately 1,827 units

Developers: Newland Homes and North America Sekisui House

Use of Proceeds: Public infrastructure improvements including roads, ponds and parks

Primary Security: Special Assessment Revenues

Special Features:

- No vertical construction at time of bond sale
- Contracts with six home builders at bond sale including K. Hovnanian, Brookfield, Integrity, Miller & Smith and Richmond American. No homes sold.
- Lack of new housing supply in area according to Market Study
- Value to Bonds, 3:1
- North America Sekisui House is a wholly-owned subsidiary of Sekisui House, Japan's largest homebuilder
- Initially planned to price bonds in June. Large municipal bond fund outflows reduced buyers in the market and increased yields to highest levels in previous twelve months. Timing of developer's cash flows necessitated bond sale. Stifel successfully sold bonds to two mutual funds on July 18.

Disclaimer

<u>Full Disclosure for Client Materials – MA General Information & UW/PA G23</u>

These materials have been prepared by Stifel, Nicolaus & Company, Incorporated ("Stifel") for the client or potential client to whom such materials are directly addressed and delivered (the "Issuer") for discussion purposes only. All terms and conditions are subject to further discussion and negotiation. Stifel does not express any view as to whether financing options presented in these materials are achievable or will be available at the time of any contemplated transaction. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by Stifel to provide or arrange any financing for any transaction or to purchase any security in connection therewith. Where indicated, this presentation may contain information derived from sources other than Stifel. While we believe such information to be accurate and complete, Stifel does not guarantee the accuracy of this information. This material is based on information currently available to Stifel or its sources and are subject to change without notice. Stifel does not provide accounting, tax or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and /or counsel.

Stifel's Public Finance Department has prepared the attached materials to provide you with general information (as that term is defined in the SEC's Municipal Advisor Rule) and we are not providing you with any advice or making any recommendation concerning the structure, timing or terms of any issuance of municipal securities or municipal financial products. To the extent that we provide any alternatives, options, calculations or examples in the attached information, we are not intending to express any view that you could achieve those results in any municipal securities transaction and those alternatives, options, calculations or examples do not constitute a recommendation that you should effect any municipal securities transaction. Stifel does not act as your municipal advisor.

Stifel is providing information for discussion purposes and is declaring that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, to the issuer for this proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm's- length commercial transaction. Serving in the role of underwriter Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.