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Public-Private Partnerships: Tools for Infrastructure and Financing

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NAOIP Presentation - July 12, 2011

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Agenda

- Infrastructure Needs/Economic Realities
 - Status of Infrastructure
 - Funding Challenges
- Financing Tools
 - Special Assessment Districts (SADs)
 - Public Improvement Districts (PIDs)
 - Tax Increment Districts (TIDs)
- How the Funding Works
- A New Tool- IDZs
- IDZ Success Stories
 - Implementations
 - New Mexico Tools - Combined Approach





Infrastructure Needs

- Aging infrastructure
 - Communities dealing with long term budget cuts and revenue reductions
 - New Mexico no different than other parts of the country
 - Real estate market slow to recover
 - Need for rehabilitation of existing facilities; continuing needs for additional infrastructure
- Market uncertainties
 - Nervous investors
 - Make only the most certain of projects happen
 - Has impacted tax exempt financing
- Continued demand for amenities and infrastructure





Financing Tools

- Public Improvement Districts (PIDs)
 - More streamlined formation process and flexible use than SADs
 - Revenues generated by benefit assessments may be pledged as security for bonds
 - *ad valorem* property taxes may also be imposed within PID
 - Revenues from infrastructure facilities may also be pledged as security for bonds
 - City/County forms governing body of PID
 - Allows for corporate voting and weighted voting in formation, based on land ownership
 - Uses a general plan, development agreement with local government and rate and method of apportionment as guiding documents
 - Many current applications in New Mexico





Financing Tools

- Tax Increment Development Districts (TIDDs)
 - Uses the delta between gross receipt and property taxes generated prior to improvement and those tax revenues generated from development to pay for infrastructure
 - A tool for economic development and revitalization
 - Current examples include Mesa del Sol, Las Cruces and Rio Rancho
 - Each jurisdiction imposing GRT or property tax from which tax increment revenue is derived must consent to dedication of revenue to the TIDD
 - More state-level oversight involved than in other types of infrastructure financing districts





A New Tool: IDZs

- Industrial Development Zones (IDZs)
 - Background
 - Legislation passed in 2009
 - Similar to Special Districts in Colorado
 - Formation
 - Need identified
 - Petition
 - Service plan created and approved
 - Election
 - Implementation
 - Powers
 - Ad Valorem property
 - Governed by tax paying electors





IDZ Success Stories

- Nearly 2,000 in Colorado
- Wide variety of improvements funded
- Reasons for extensive use:
 - Relative independence
 - Tax exempt debt
 - Protects city/county treasury
 - Local control





Implementations

- Light Rail and TOD Developments
 - Lincoln Station
- Residential
 - Highlands Ranch
- Mixed use
 - RidgeGate
- Commercial
 - Denver Tech Center
- Retail
 - Park Meadows Mall
- Resort
 - Vail / Beaver Creek





How the Funding Works

- Cost of public infrastructure funded by governmental entity versus private

A comparison of three approaches:

Developer Funding

- Property value increases
- Owner pays for improvements
- No income tax deduction
- No debt on county or city ledger
- Debt is recorded on developer ledger





How the Funding Works

Assessment District (PIDs, SADs)

- Property value increases
- Owner pays for allocable portion of improvements
- income tax deduction allowed for interest portion of annual assessment (if specifically broken out in assessment bill)
- Debt not shown on county or city ledger
- Debt is not on developer ledger (unless contribution agreement is in place during absorption)





How the Funding Works

Infrastructure Development Zone

- Property value increases
- Owner pays for improvements
- income tax deduction for annual IDZ tax
- Debt not shown on county or city ledger
- Debt is not on developer ledger (unless contribution agreement is in place during absorption)





New Mexico Tools: Combined Approach

- Layering of tools
 - PID/TID/IDZ/Other public or quasi public entities
- Intergovernmental cooperation
 - Agreements/MOUs/etc
- Public Private Partnerships
- Public Public Partnerships – Regional cooperation





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