

# Financing LIDs and RIDs

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# Organizing for financing

- Put the financing team together
- Clear the financing hurdles
- Pass the reimbursement resolution
- Estimate the LID costs

# Put the financing team together

- Typical team members
  - Finance Officer
  - Bond Counsel
  - Consulting Engineer
  - Financial Advisor
  - MAI Appraiser – if needed
  - Underwriter (lender) – if needed

# Clearing the financing hurdles

Investors are seeking high quality investments

Make sure the LID can be financed

- Property values vs. estimated assessments
- Assessment distribution
- Property owner affluence
- Stage of Development
- Guaranty fund

# Determining the type of financing

- Typical LID
- Developer LIDs
- ULIDs
- Consolidation of LIDs

# Obtaining financing

- Changing credit markets
- Reimbursement resolution
- Credit Enhancements
- Estimate the costs

# Credit markets have changed

- Underwriters have changed
- Investors have changed
- Economy has changed

# Reimbursement resolution

- Must be adopted to get tax exempt funding
- Pass it before hard cost expenditures
- Finance long term debt within 18 months of project completion
- Your bond counsel will prepare it



# Credit Enhancements

- Determine the need for and the amount of enhancements
  - Property owner provided – put in place before borrowing
    - Letters of Credit
    - Accelerated foreclosure agreement
    - Corporate guaranty
  - Municipality provided
    - Guaranty Fund

# Estimated LID costs

- Construction
- Engineering
- Administration
- Financing
- Don't leave anything out except by choice

# Construction funding

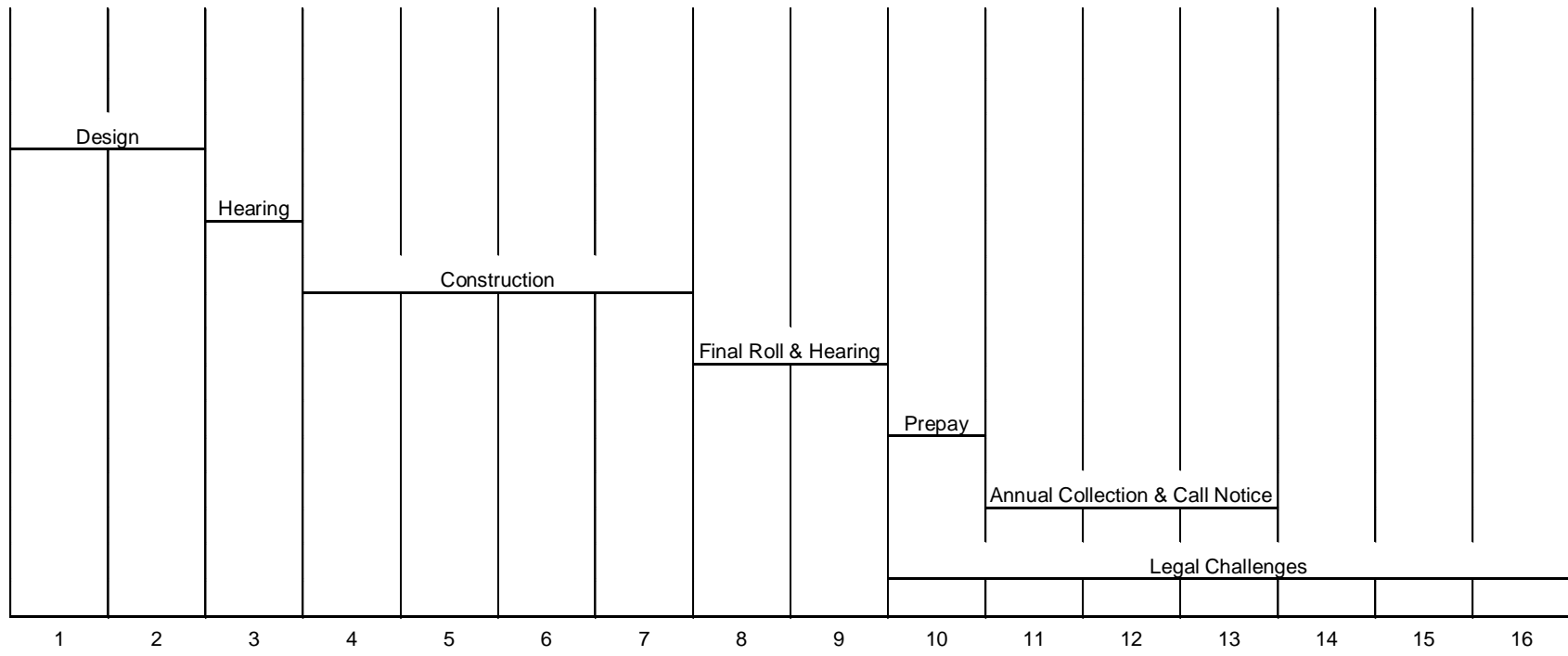
- Internal or external financing
- Estimate term generously
- Take out funding commitment

# Internal or external financing

Don't do internal if it doesn't make economic sense

- Draw Schedule
- Return on Investment
- Liquidity of Funds

# Estimate term generously



Time Line

# Take out funding commitment

- May be required by construction lender
  - Low value to assessment
  - Few property owners
  - Undeveloped
  - High assessment – low means

# Bonds or loan

- Bonds better
  - Larger financing
  - Longer term
  - Underwriter must understand LIDs - not all do
- Loans Better
  - Smaller financing
  - Shorter term

# When to issue

- 60 to 90 days after prepay ends
- After significant legal challenges are resolved
- Within 18 month after project is placed in service