

DAVENPORT & COMPANY LLC®

Est. 1863 • Member: NYSE • SIPC



James E. Sanderson Jr.
Vice President

One James Center
901 E Cary Street Ste 1100
Richmond, VA 23219-4037
T. 804.697.2912
F. 804.697.2910
jsanderson@investdavenport.com

Community Development
Authorities

Virginia Government Finance Officers' Association

2006 Fall Conference



Davenport Overview

Key Statistics:

Founded:	1863
Employees:	415
Client Assets:	\$6.7 Billion
Firm Capital:	\$27 Million

Major Business Concentrations:

- Public Finance
- Asset Management
- Investment Consulting
- Retail Brokerage
- Equity Research

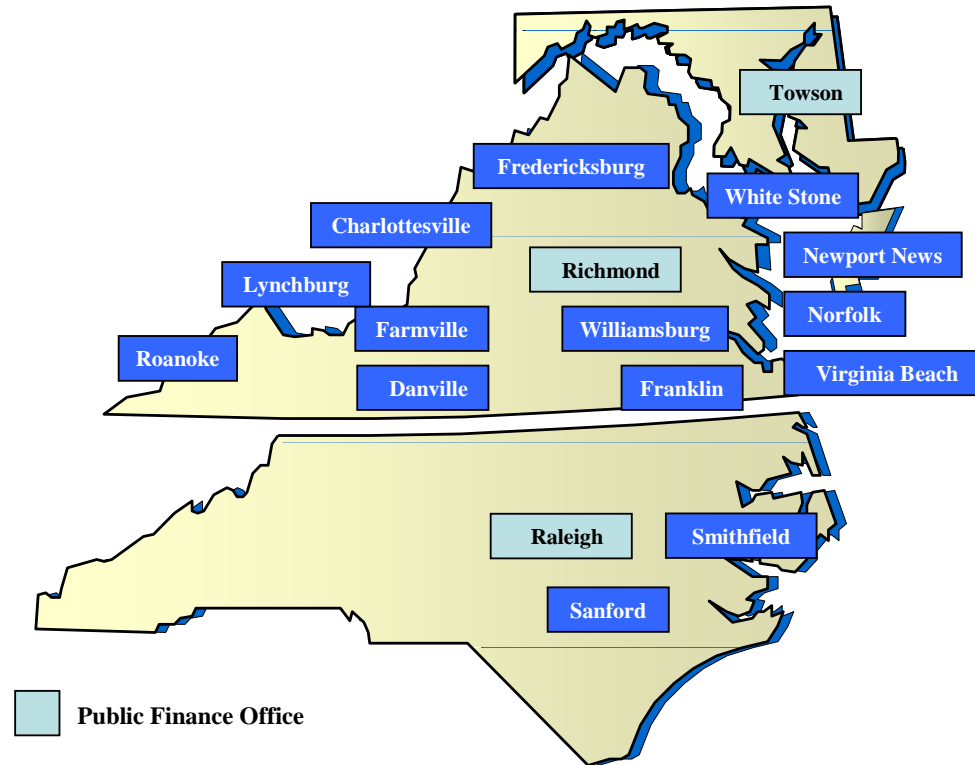
Public Finance Information:

Professionals:	14
Headquarters:	Richmond, VA
Footprint:	VA, NC & MD

Public Finance Concentrations:

- Government Infrastructure
- Transportation
- Utilities
- Colleges and Independent Schools
- 501 (c)(3) Not-for-Profits

Office Locations



CDA Engagements

- City of Chesapeake
- City of Hampton
- Henrico County
- Loudoun County
- Nelson County
- Westmoreland County
- New Kent County
- Prince Edward County
- City of Richmond
- Spotsylvania County
- City of Williamsburg

Executed Virginia CDA Financings

<u>Year</u>	<u>Name</u>	<u>Location</u>	<u>Amount</u>
2006	Farms of New Kent CDA	New Kent County	\$ 85,666,000
2006	Celebrate Va. South CDA	Stafford County	\$ 25,000,000
2006	New Port CDA	City of Newport News	\$ 16,240,000
2004	Poplar Hill CDA	Prince Edward County	\$ 8,800,000
2003	Bell Creek CDA	Hanover County	\$ 15,980,000
2003	Broad Street CDA	City of Richmond	\$ 66,740,000
2003	Celebrate Va. North CDA	City of Fredericksburg	\$ 31,000,000
2003	Short Pump Town Center CDA	Henrico County	\$ 25,500,000
2003	Va. Gateway CDA	Prince William County	\$ 7,040,000
1999	Heritage Hunt CDA	Prince William County	\$ 10,715,000
1998	Dulles Town Center CDA	Loudoun County	\$ 36,560,000

What are CDAs?

- Political Subdivision of a Municipality.
- Formed to fund improvements in a defined district through the issuance of revenue bonds.
- Practical tool to finance development in limited areas.
- Assessments or special taxes are charged only on properties in the District which derive benefit from the projects financed.
- No direct burden to the larger community or tax base.

Powers of CDAs

- To finance infrastructure improvements including but not limited to:
 - roads, bridges, parking facilities, curbs, gutters, sidewalks, traffic signals, storm water management and retention systems, gas and electric lines, and street lights within or serving the district;
 - parks and facilities for indoor and outdoor recreational, cultural and educational uses; entrance areas, security facilities, fencing and landscaping improvements throughout the district;

Powers of CDAs (cont.)

- fire prevention and control systems, including fire stations, water mains and plugs, fire trucks, rescue vehicles and other vehicles and equipment;
- school buildings and related structures, which may be leased, sold or donated to the school district for use in the educational system when authorized by the locality and the school board; and
- infrastructure and recreational facilities for age-restricted active adult system communities with a minimum population approved under local zoning laws of 1,000 residents.

Powers of CDAs (cont.)

- To issue revenue bonds and refunding bonds secured by assessment or special tax.
- To request annually that the locality levy and collect a special tax.
- To finance services and facilities provided to abutting property within the district by special assessment.

Procedure to Create a CDA

- Cities are automatically eligible to consider petitions to create a CDA.
- Towns and Counties must first adopt an ordinance after public hearing electing to consider petitions.
- Locality must adopt ordinance/resolution creating CDA not inconsistent with petition.
- Ordinance/Resolution may contain statement that locality may not pay CDA debt from any sources other than special tax/assessment.

Procedure to Create (cont.)

- Petition- owners of at least 51% of land area or assessment value must submit petition including, among other things:
 - A description of the services and facilities proposed to be undertaken by the CDA;
 - A proposed plan for providing and financing such services and facilities; and
 - A description of the benefits expected from the provision of such services and facilities.

Procedure to Create (cont.)

- Approve Articles of Incorporation of CDA, which set forth the names of CDA Board members, purpose of CDA, and preliminary estimates of the projects.
- Recording of ordinance in land records for each tax parcel in the CDA.

How Does a CDA Work?

- Bonds are issued to finance capital projects, reserve funds and cost of issuance.
- Bonds are secured only by assessment/special taxes levied in the CDA.
- Capital projects financed will be owned by a governmental entity.
- Annual assessment/special taxes equal to annual debt service are levied on properties in the CDA and collected by the locality along with regularly collected real estate taxes.

How Does a CDA Work? (cont.)

- Bondholders have no access to General Fund or general property tax revenues of municipality.
- The special taxes are collected at the same time and in the same manner as the locality's taxes are collected.
- Special Assessments will be a first lien on property along with real estate taxes.
- Unpaid Special Assessments become delinquent at the same time and bear the same penalties and interest as do real estate taxes.

How Does a CDA Work? (cont.)

- Va. Code does not require or specify any particular priority for the application of foreclosure proceeds between local real estate taxes and Special Assessments.
- The tax proceeds are to be kept in a separate account and may be used only for CDA's purposes.
- All revenues received by the locality from the special tax must be paid over to the CDA for its use, subject to annual appropriation.
- No other funds of the locality may be loaned or paid to the CDA without initial approval of the local governing body.

How Does a CDA Work? (cont.)

Two methods to pay for debt service on Revenue Bonds:

(1) Special Tax

- Limited to .25/\$100 of assessment value, unless 100% of landowners in CDA District agree to increased rate.
- Limited use with CDA financings due to limited security to Bondholders.

(2) Special Assessment

- Full amount of assessment is levied on all property based on equitable apportionment.
- Paid back up to 40 years in an annual amount calculated to cover debt service and administration costs.

Benefits of CDAs

- Practical tool for development of limited areas by charging only those that benefit from projects financed.
- No direct burden to larger community or tax base.
- No use of general fund money.
- Potential to encourage infrastructure development and increase the tax base.

Benefits of CDAs (cont.)

- Quicker build-out of infrastructure - developer can provide projects up front instead of piece meal.
- Can assist in meeting municipality's future plans.
- Developer can borrow at lower tax-exempt, fixed rates for a longer time than in the commercial market.

Considerations of CDAs

- Growth can strain municipal resources- accelerate residential growth and implications of that growth.
- Credit Considerations
 - CDA debt will be considered overlapping debt and can be a credit concern to rating agencies and private lenders.
- Impact on Bank Qualified Debt
- Locality will be required to collect special assessments/taxes on behalf of the CDA and may require additional staff.

Considerations of CDAs (cont.)

- Residential versus Commercial development
 - Historically, most Va. CDAs have been commercial developments. Some included minor residential components.
 - Current trend has been to utilize CDAs for major residential developments.
 - Two limitations imposed on CDAs relating to Residential Use
 - (1) Allow No Residential Property in a CDA District
 - (2) Require Prepayment of Assessments on Residential Property

Considerations of CDAs (cont.)

- Practical concern of some governing bodies, include: (1) CDA landowners may become vocal when problems occur in the future and complain about the assessments on a more slowly developing project, and (2) lack of support for general obligation debt of the jurisdiction.
- Concern over security of development and repayment of CDA debt, in particular during the early stages of the development.
- Local governing bodies should provide for competent finance and bond counsel professionals to advise them in the structuring of the CDA, the financing methods, the concerns and potential problems of feasibility studies, etc. to try to avoid the over-leveraged or highly speculative development.

Tools to Assist Locality on Creation and Approval

➤ Policy Guidelines

- General Policies - Set forth procedures for consideration of CDAs, prevents burden on staff time.

➤ Education of Officials/Unbiased Oversight of CDA Financing Process

- Legal counsel
- Financial Advisor to locality/CDA

➤ Professional Partners Involved in CDA Financing:

Municipal Attorney

Developer

Financial Advisor

Bond Counsel

CDA Legal Counsel

Underwriter

Trustee

Underwriter's Counsel

~~Trustee Counsel~~