



# What to do in an Economic Slump

Monetization of Incentives

# Current Economic Environment

Difficulty of completing development

- New projects have significant challenges related to the current credit environment
  - Pro-Forma income has been reduced in an amount
  - Lenders have tightened underwriting standards
  - Enormous competition for capital
  - Large amount of capital remains on the sidelines



# Current State of Municipal Finance

## Market in Flux

- Elimination of monolines as homogenizer of municipal credits
  - Investors unstaffed and unprepared for task of credit analysis
  - Flight to quality causes large credit spreads
- Market hysteria - Meredith Whitney
  - Claim that there will be hundreds of billions worth of defaults
  - Officials declaring their state or municipalities bankrupt
- Fighting for fewer investor dollars
  - Cyclical outflows
  - Elimination of BAB program



# Current State of Tax Monetization

## Market in Flux

- Florida and California represented approximately 85% of the market from 2005 to 2010.
- With Florida having around 600 community districts , according to Lehman there were 122 defaults and 78 issues on watch list as of March 2010
- Issuance is down approximately 70% since 2006



# Tools to Encourage Development

## Market in Flux

- Redevelopment designations can provide additional density and market driven development composition
- Payment in lieu of Taxes (PILOT) can decrease annual cost to help projects to completion.
- Assist with State incentives, low interest loans, grants tax-credits
- Local grants, lending of credit, public-private partnership



# Immature Market

## Market in Flux

- There have been very few monetizations of tax benefits in the state of New Jersey
  - As a result there is no established market or underwriting criteria
  - Most traditional TIF investors have little or no knowledge of New Jersey's programs.
- Generally TIF deals for districts to have their own taxing power
  - The reimbursement of tax revenues is a variation





# Keys to Monetization

## Market in Flux

- Long lead time to identify and educate investors
- Clearly defined and committed capital stack
- Timing is an issue
- Credit Support adds value

