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Hanover County

Board Of Supervisors Meeting

June 25, 2014

Lewistown Commerce Center

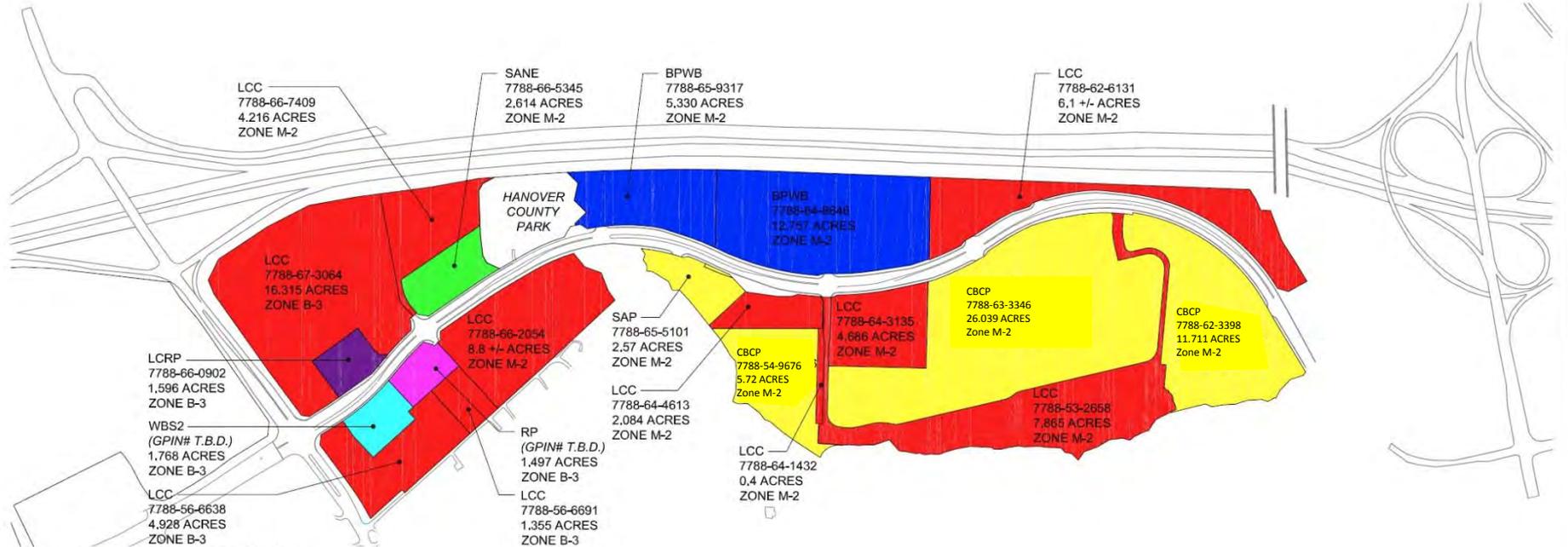
Community Development Authority

Proposed 2014 Restructuring Summary

Lewistown Commerce Center Community Development Authority \$37,675,000 Revenue Bonds, Series 2007

- CDA created October 2006
- Bonds issued September 2007
- Bond-financed improvements built (roads, water, sewer, etc.)
- Improvements help attract Bass Pro
- Recession begins 2008
- Bond Default in March 2014
- Holders: USAA (\$ 17,175,000), Wells Fargo (\$13,000,000),
Oppenheimer Funds (\$5,000,000), PIMCO (\$1,250,000), Others
(\$1,250,000)... Total : \$37,675,000

CDA LAND OWNERSHIP:



- Lewistown Commerce Center LLC
- SAP and CBCP Parcels
- Bass Pro Shops
- Country Inn Suites
- Shoppes I
- Shoppes II
- BoJangles



LEWISTOWN COMMERCE CENTER
COMMUNITY DEVELOPMENT AUTHORITY (CDA)

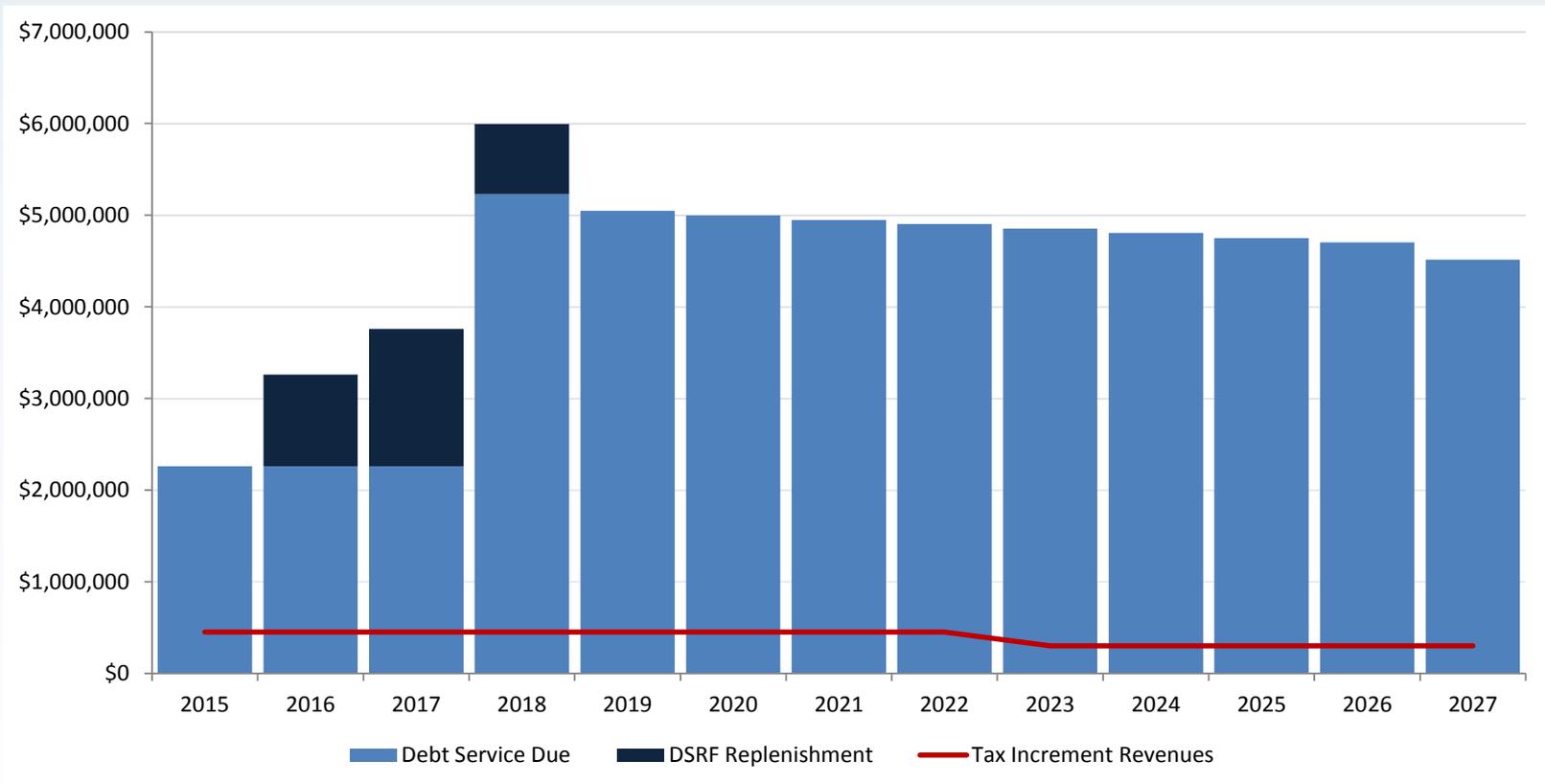
HANOVER COUNTY, VIRGINIA

ACREAGE & PARCEL ID PLAN

02-21-13

W/NO RESTRUCTURING BOND PAYMENTS GO UP 265% OVER NEXT 4 YEARS:

- Reserve Reimbursement (calendar year's 2015-2017)
- Principal Amortization (bond year 2018)
- Pledge Drops 75% to 50% in the end of calendar year 2021



RESTRUCTURING GOALS:

- Reduce complexity of CDA for marketing
- Spur development by reducing CDA assessment debt to \$100,000/acre (average)
- Enable full repayment of Bonds
- Increase Tax Revenues to County

PROPOSED RESTRUCTURING:

- \$37,575,000 Old Bonds exchanged for \$37,575,000 New Bonds
 - \$ 12,300,000 Series A Assessment Bonds Secured by Land
 - \$ 25,275,000 Tax Increment Revenue Bonds
 - \$6,045,000 Series B (1st Lien)
 - \$19,230,000 Series C (2nd Lien)
- County Pledge of Tax Increment from CDA to Bonds
 - Payment towards Series C is capped at \$59.0 million
 - Pledge %: 2015-31: 75%, 2032-36: 70%, 2037-41: 65%, 2042-46: 60%, 2047-51: 55%, 2052-54: 50%
 - County pledge ends 2054 at latest (unlike current pledge)

COMPARISON	CURRENT BONDS	RESTRUCTURED
Total Bonds	\$37,675,000	\$37,675,000 In 3 series
Bonds Secured Only By Land	\$0	\$12,300,000
Bonds Secured By Increm. Tax Revenues	\$37,675,000	\$25,275,000
% of Pledged Tax Revenues (Increm.)	75% declining to 50% in 2022, pledged until fully paid off	75% declining to 50% in 5% increments until 2054
Limit of County Pledge	Perpetual – however long until all P & I are paid	Earlier of (a) Bond payoff, (b) 40 years, (c) \$59M paid in

RESTRUCTURING FAQ #1:

Is “CDA Assessment” the same as the County RE tax assessment?

No, the CDA Assessment is entirely separate from the County real estate tax assessment. When the CDA bonds were issued property inside the CDA district was assessed (charged) a total of \$37,675,000. This “charge” is the “CDA Assessment”. With 123 acres of property inside the CDA, the average assessment was \$306,300. The actual amount on each parcel varies because assessments were allocated based on the benefit each parcel receives from the public facilities. This approximately \$300,000/acre charge for the debt is what we refer to as the “CDA Assessment”.

RESTRUCTURING FAQ #2:

Does each parcel owner inside the CDA district pay approximately \$300,000/acre every year to the CDA?

No, the CDA Assessment of approx. \$300,000/acre is better described as a type of mortgage debt. The \$306,300 /acre assessment on a parcel is like a mortgage loan: it can be paid off in full at any time, or paid off over a period of years. If paid over time, the annual levy (which includes 6.05% interest) increases from an average of \$18,530/acre this year (which is interest-only) to an average of about \$40,000/acre per year from 2018 to 2027.

RESTRUCTURING FAQ #3:

Can parcel owners inside the CDA pay a one-time “payoff” and no longer be subject to ongoing CDA assessments?

A CDA assessment may be paid-off at any time by a property owner. However, the current CDA pay-off amount of \$306,300/acre (average) typically is higher than the current land value. Under the proposed restructuring, the pay-off amount would become \$100,000/acre (average). Even with this “payoff”, property owners are subject to a Special Tax of 10 cents per \$100 of assessed value. This cannot be paid off until the Revenue Bonds are paid off.

RESTRUCTURING FAQ #4:

In the event of bond default, is the property within the CDA district then subject to a recorded lien of (on average) \$300,000/acre?

The parcels inside the CDA district are already subject to that recorded lien; the bond default has not changed that status. In terms of this lien, each parcel stands on its own, and parcels inside the CDA district with delinquent assessment levies incur an immediate 10% penalty plus ongoing interest charges of 10% per annum. Therefore, delinquent parcels get further financially-underwater over time.

RESTRUCTURING FAQ #5:

What happens next in terms of the CDA bonds being in default?

The process forward presents a challenge, as there may be no clear way to complete a foreclosure sale. Other CDA defaults have resulted in foreclosure sales that failed to free up the land for a new start. Parcels inside the CDA district that are paying their County taxes and CDA assessment levies are not directly affected by a neighbor parcel's delinquency. However, the inability to develop default parcels will adversely affect the viability of the Winding Brook development going forward if left unresolved.

RESTRUCTURING FAQ #6:

What are the consequences for Hanover County from the CDA bonds being in default?

The CDA bonds are not County bonds. The County's revenue-sharing role would remain in perpetuity until the CDA bonds are retired. The CDA being in default means that area becomes further paralyzed in terms of new development potential; there will be little or no additional development of underwater-property in the foreseeable future. Also, the County will incur administrative/legal time and expense dealing with the default-related issues, and the messaging of the default story will negatively impact Hanover's image.

RESTRUCTURING FAQ #7:

What are the CDA bondholders proposing to give up/sacrifice as part of this proposed restructuring?

Bondholders are reducing their primary security from \$306,300/acre to \$100,000/acre. The balance of the CDA debt will be secured by existing Tax Revenues and will only be repaid IF new development successfully occurs. Bondholders are also giving up about a year's interest (\$2,250,000), extending the repayment term from 2027 to 2054 (although repayment may occur earlier), and giving up the County "Perpetual Pledge". Bondholders are paying 50% of the bond restructuring costs (the developer is paying the remaining 50%).

RESTRUCTURING ENABLES DEVELOPMENT:

Currently bonds are in default, these consequences have yet to play out fully barring a restructuring.

RESTRUCTURING:

- Heads off further default issues
- Reduces cost of site investment
- Reduces complexity that has clouded marketing efforts
- Reduces CDA burden per acre from \$300K to \$100K
- More commercial development increases tax revenues

ORDINANCE 14-07

REQUEST:

Approval of a Proposed Ordinance Amending the Special Assessment for Lewistown Commerce Center Community Development Authority and Approving an Amended and Restated Special Assessment Agreement

🎯 QUESTIONS?

