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
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 months after project is placed in service