Hallandale Beach Community Redevelopment Agency – Issuance Overview

Redevelopment Revenue Note, Series 2020

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Executive Summary

- New capital needs for the Hallandale Beach CRA total approximately $40 million, pursuant to the CRA's Financing and Implementation Plan for FY 2020-2027
  - The CRA has capacity to issue a new financing note in order to fulfill the plan

- The CRA has two outstanding loans:
  - CRA Redevelopment Revenue Note, Series 2015
    - $10,330,000 outstanding, currently pre-payable with make-whole provision
  - Capital Improvement Refunding Bonds, Series 2016
    - $18,635,000 outstanding, with a 10-year par call on April 1, 2026
    - This is a City loan (non-AV security) of which the CRA pays 77% of debt service

- The working expectation is that the CRA would issue a new financing secured by future tax increment revenues
  - Estimated capacity between $40 and $70 million, depending on the potential extension of the CRA

Financing Methods

- The two most common ways that issuers raise capital through borrowing are publicly-offered bonds and privately-placed bank loans

- Each of these methods provides different benefits and drawbacks, and often one type of issuance makes the most sense for a particular issuer

Publicly-Offered Bonds

- Publicly-offered bonds are a common way for issuers to gain access to capital
- In this type of offering, the issuers sell bonds to investors which they reach by using an intermediary, the underwriter
- The capital market (securities markets) is the market for securities, where companies and the government can raise long-term funds
  - The capital markets consist of the primary market, where new issues are distributed to investors, and the secondary market, where existing securities are traded
  - The capital markets can be contrasted with other financial markets such as the money market which deals in short term liquid assets, and the derivatives market which deals in derivative contracts
- A bond issued by a public sector entity may give tax advantages to its owners, with interest earnings not subject to federal income tax

Publicly-Offered Bonds

Type of Financing	Pros	Cons
Publicly-Offered Bonds	• Very efficient for longer term transactions – 20-30 years (rates fixed for entire term) • Can accommodate innovative and creative financial solutions beneficial to the issuer • Flexible call features (10-year par call is standard) • Risk of future changes in tax laws passed on to investors (i.e., no “gross up” language)	• Highest cost of issuance • Debt rating and/or credit enhancement (bond insurance) may be required • Funding of Debt Service Reserve Fund required for some credits • Initial disclosure requirements (official statement) can be burdensome • Continuing disclosure required after bonds are sold

Privately-Placed Loans

- Many institutions that have traditionally borrowed through public offerings of fixed or variable rate debt are using bank lending for some or all of their debt
- Unlike with publicly-offered bonds, privately-placed bank loans are loan obligations to a single entity (the bank), not a group of investors
- Due to the nature of a bank loan, there is inherently less documentation and disclosure work, making bank loans an attractive choice for smaller or infrequent issuers
- In order to attract bids for bank lending services, the issuer or financial advisor typically sends out a request for proposals

Bank Lenders

- The universe of bank lenders is expansive, and has continued to grow over the last several years
- Local and other lending institutions can participate in the process as requested by the issuer

Privately-Placed Loans

Type of Financing	Pros	Cons
Privately-Placed Bank Loans	• Does not require that transaction be rated or insured • No offering documents or registration required • Banks usually do not require a debt service reserve fund • Disclosure usually limited to receipt of CAFR and budget (no official statement) • Minimal cost of issuance • The purchase of tax-exempt loans by non-bank subsidiaries and affiliates of commercial banks has resulted in more efficient pricing	• Term lengths beyond 15 years typically get very limited responses • Requires careful document negotiation with lenders to ensure that the covenants do not become onerous • Depending on the credit type and term sought, certain lenders may not participate

Financing Summary

- Based on the existing loans and the forecasted increment revenues, the CRA has capacity for approximately $40 to $70 million of additional borrowing
- The greater capacity figure assumes an extension of the CRA to 2035
- The information in the tables is subject to change depending on market conditions and credit quality at time of sale
  - Tax increment revenues are based on the CRA's forecast
  - Revenues after 2027 are limited to the City's allocation and are held constant for purposes of this analysis

Hallandale Beach CRA
Debt Service Coverage based on Financing and Implentation Plan Revenues

	Tax Increment Revenues	**New Principal**, Sized Under Proposed Bond Debt Service Constraint[1]	**New Interest,** @ 3.50% Interest Rate Assumption	**New Annual Debt Service**	Aggregate Debt Service, **Including Estimated New** Issuance and Existing	Estimated Debt Service Coverage Ratio (Minimum: 1.35x)
2020	15,335,757		757,400	757,400	2,046,816	7.49
2021	16,120,602	3,545,000	1,452,763	4,997,763	7,716,188	2.09
2022	17,535,491	4,690,000	1,308,650	5,998,650	8,487,278	2.07
2023	18,116,730	5,365,000	1,132,688	6,497,688	8,988,096	2.02
2024	18,859,811	6,065,000	932,663	6,997,663	9,484,701	1.99
2025	19,442,722	6,790,000	707,700	7,497,700	9,986,093	1.95
2026	20,040,208	7,540,000	456,925	7,996,925	10,483,709	1.91
2027	20,652,631	9,285,000	162,488	9,447,488	11,143,851	1.85
	146,103,952	43,280,000	6,911,275	50,191,275	68,336,730	

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2020	15,335,757	-	-	-	1,289,416	11.89
2021	16,120,602	1,665,000	3,334,400	4,999,400	7,717,825	2.09
2022	17,535,491	2,750,000	3,246,100	5,996,100	8,484,728	2.07
2023	18,116,730	3,375,000	3,123,600	6,498,600	8,989,008	2.02
2024	18,859,811	4,020,000	2,975,700	6,995,700	9,482,738	1.99
2025	19,442,722	4,695,000	2,801,400	7,496,400	9,984,793	1.95
2026	20,040,208	5,425,000	2,571,875	7,996,875	10,483,659	1.91
2027	20,652,631	7,190,000	2,256,500	9,446,500	11,142,863	1.85
2028	11,029,883	4,330,000	1,968,500	6,298,500	6,298,500	1.75
2029	11,029,883	4,550,000	1,746,500	6,296,500	6,296,500	1.75
2030	11,029,883	4,785,000	1,513,125	6,298,125	6,298,125	1.75
2031	11,029,883	5,030,000	1,267,750	6,297,750	6,297,750	1.75
2032	11,029,883	5,290,000	1,009,750	6,299,750	6,299,750	1.75
2033	11,029,883	5,560,000	738,500	6,298,500	6,298,500	1.75
2034	11,029,883	5,845,000	453,375	6,298,375	6,298,375	1.75
2035	11,029,883	6,145,000	153,625	6,298,625	6,298,625	1.75
	146,103,952	70,655,000	29,160,700	99,815,700	117,961,155	