

# KEY PLANNING CONSIDERATIONS FOR DEVELOPING NEW CAMPUS FACILITIES

November 7 | 11:05 AM – 12:00 PM  
Thursday Program – Session II



# PRESENTERS

## SPEAKER

**Matt Bleakley**  
Senior Project Manager  
Whiting-Turner

**David Mahler**  
Head of School  
The Out-of-Door Academy

**Christopher Wienk**  
Principal  
Wye River Group

**Michael Wiener, Esq.**  
Partner  
Holland & Knight

## TOPICS

### PROJECT DEVELOPMENT

### PROJECT FUNDING

### PROJECT LEGAL MANAGEMENT



Holland & Knight



# KEY PROJECT DEVELOPMENT QUESTIONS

QUESTION	TASK	RESOURCE
1) What are my school's facility needs and priorities?	<ul style="list-style-type: none"> <li>• Master plan</li> </ul>	<ul style="list-style-type: none"> <li>• Educational facility planner, Architect, Engineer</li> </ul>
2) How much do the high priority projects cost?	<ul style="list-style-type: none"> <li>• Preliminary project scope</li> <li>• Preliminary project estimate</li> </ul>	<ul style="list-style-type: none"> <li>• Architect</li> <li>• Contractor/Estimator</li> </ul>
3) What can my school afford?	<ul style="list-style-type: none"> <li>• Fundraising feasibility assessment</li> <li>• Debt capacity analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Fundraising Consultant</li> <li>• Financial Advisor</li> </ul>
4) How do I organize a school project development effort?	<ul style="list-style-type: none"> <li>• Project plans &amp; specifications</li> <li>• Development plan</li> <li>• Finance plan</li> </ul>	<ul style="list-style-type: none"> <li>• Architect</li> <li>• Attorney, Builder, Owner's Rep</li> <li>• Financial Advisor</li> </ul>



# PROJECT DEVELOPMENT

**Matt Bleakley**  
The Whiting-Turner Contracting Company



# THE WHITING-TURNER CONTRACTING COMPANY



## ENR, Mid-Atlantic

# 1st

## Education Maryland Mid-Atlantic

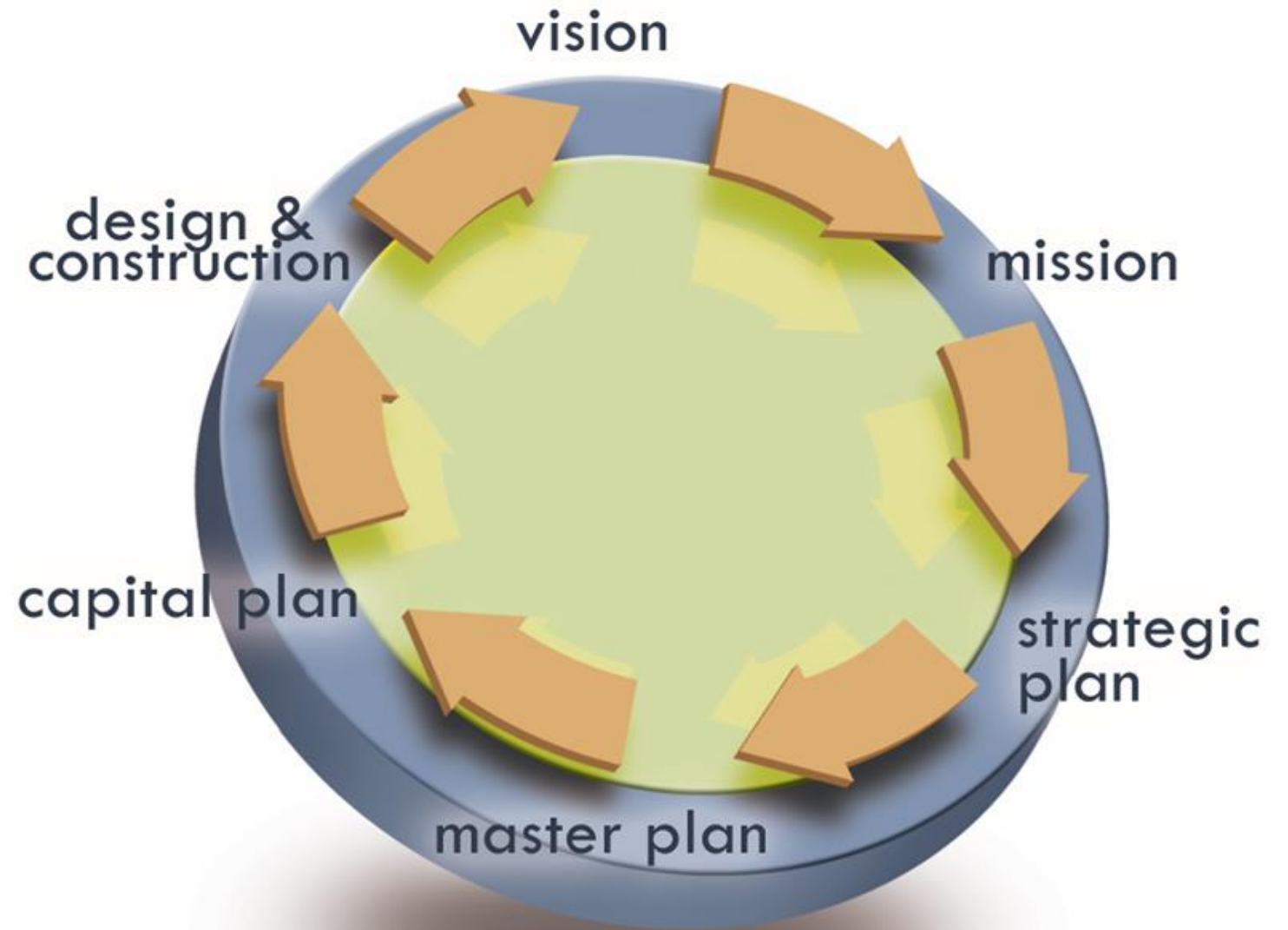


Holland &amp; Knight





# THE PLANNING PROCESS



Holland & Knight



# ASSEMBLE A TEAM



Administrators/  
Board Members



Architects/Engineers



Project Owner's Rep



Construction Manager



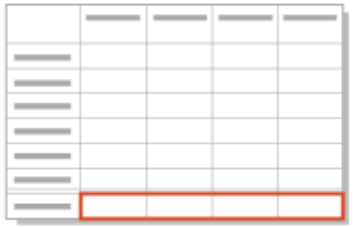
Holland & Knight



# ESTABLISHING A NEED

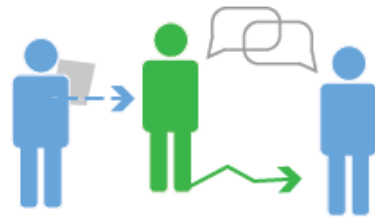
## NEEDS ASSESSMENT PROCESS AND TOOLS

### DATA ANALYSIS



*Analyzing data on usage, satisfaction, and trends to assess future needs*

### INTERVIEWS & OBSERVATIONS



*Guided conversations with users & first-hand observations of how they use spaces*

### FOCUS GROUPS



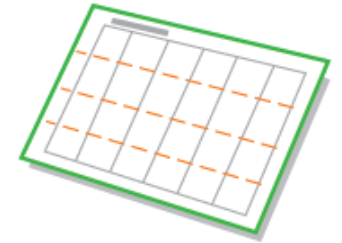
*Interactive sessions to gather input on needs and validate data from other tools*

### PERSONAS



*Creating portraits of representative users using motivations and behaviors*

### USE CASE



*Stories of how a future space will be used -- who, where, why, and how*



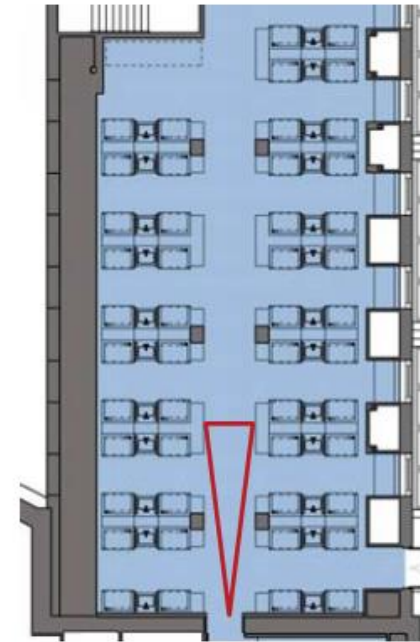
Holland & Knight





## Teaching Environment: Metrics – Former Facilities

	Square Feet / Seat	Lab : Support Ratio
	50 - 80 SF/Seat Ideal Range	3:1 - 6:1 Typical Range
General Biology	40	5 : 1
Biochemistry / Cell Biology	40	4.7 : 1
Genetics & Developmental Biology	47	1.2 : 1
Neuroscience	48	3 : 1
Biophysics	N/A	N/A
Introductory Chemistry	49	9 : 1
Introductory Organic Chemistry	57	14 : 1
Int. / Adv. Organic & Inorganic Chemistry	64	N/A
Physical Chemistry	60	N/A



MERGENTHALER HALL:  
INTRO ORGANIC CHEMISTRY LAB



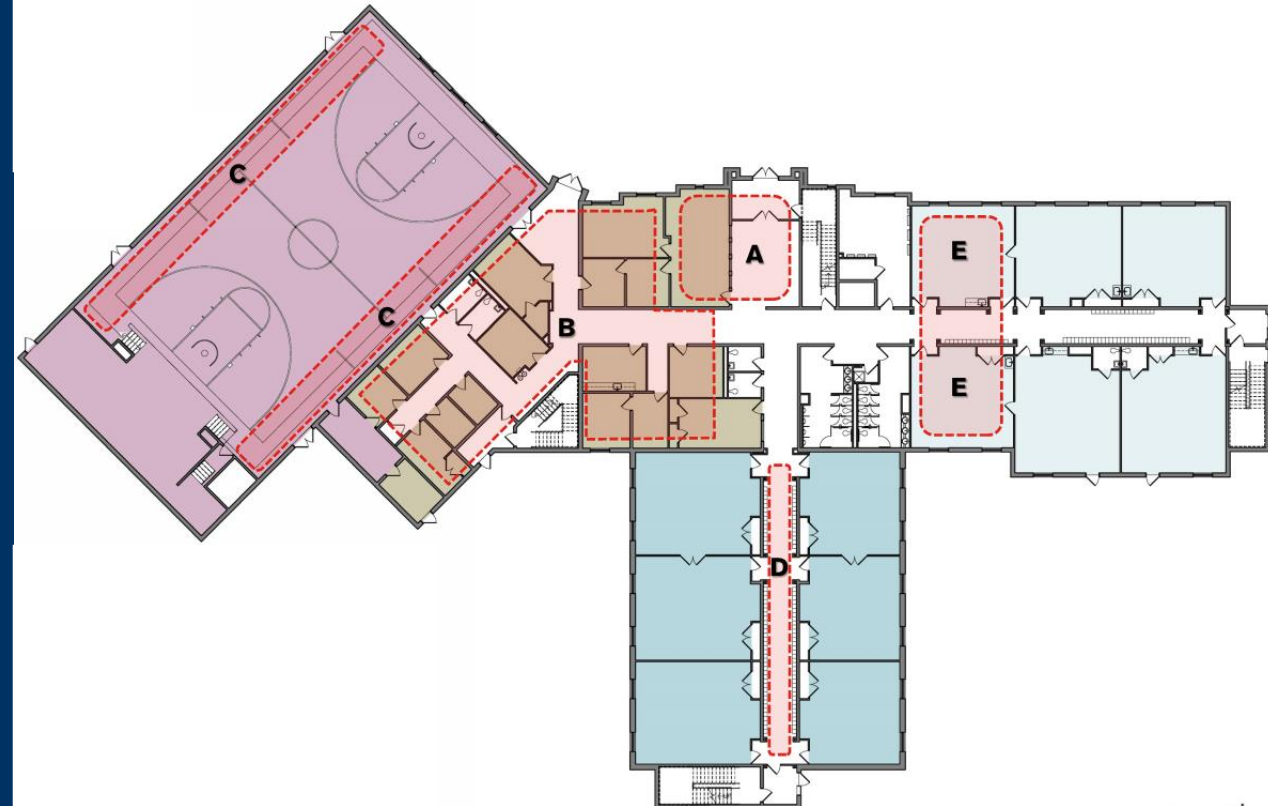
# FACILITY ASSESSMENT

Can existing facilities be modified to fit the needs?

What modifications are required?

- Code
- Maintenance

Or... do you need a new building?



# PROGRAM BUDGET

## Historical Cost Model Spreadsheet Athletic Center Projects The Whiting-Turner Contracting Company

Sidwell Friends Athletic Facility	Mt. St. Joseph Athletic Facility	Odyssey School Gymnasium	Hilton Head Preparatory - New Gymnasium
Washington, DC - Job # 11965 GBSF: 71,000	Baltimore, MD Job # 13135 GBSF: 89,000	Stevenson, MD - Job # 10567 GBSF: 19,558	Hilton Head, SC - Project # 10610 GBSF: 20,500
Site: 1.63 AC / Elevators: 2 Parking: Surface - N/A BLDG Levels: 2 / Deck Height: varies	Site: 2.04 AC / Elevators: 1 Parking: Surface - N/A BLDG Levels: 3 / Deck Height: varies	Site: 0.46 AC / Elevators: 0 Parking: Surface - n/a BLDG Levels: 2 / Deck Height: n/a	Site: 3.0 AC / Elevators: 0 Parking: Surface - n/a BLDG Levels: 1 / Deck Height: n/a
Foundations: Continuous Footings, Spread Footings Structural Frame: Steel	Foundations: Continuous Footings, Spread Footings Structural Frame: CIP	Foundations: Continuous Footings, Slab on Grade Structural Frame: Wood Frame, Masonry Bearing Skin Material: Brick, CMU	Foundations: Augercast Piles, Grade Beams Structural Frame: Pre-Engineered Metal Building Skin Material: Lath & Plaster, Metal Panel, Storefront Mechanical: Multiple Split Systems
Skin Material: Brick, Curtainwall, Glass	Skin Material: Brick, Curtainwall, Glass	Mechanical: Two (2) RTUs, Split System, ATUs Finish Quality: High Union / Non-Union (%): not available	Finish Quality: Average Union / Non-Union (%): 0 / 100

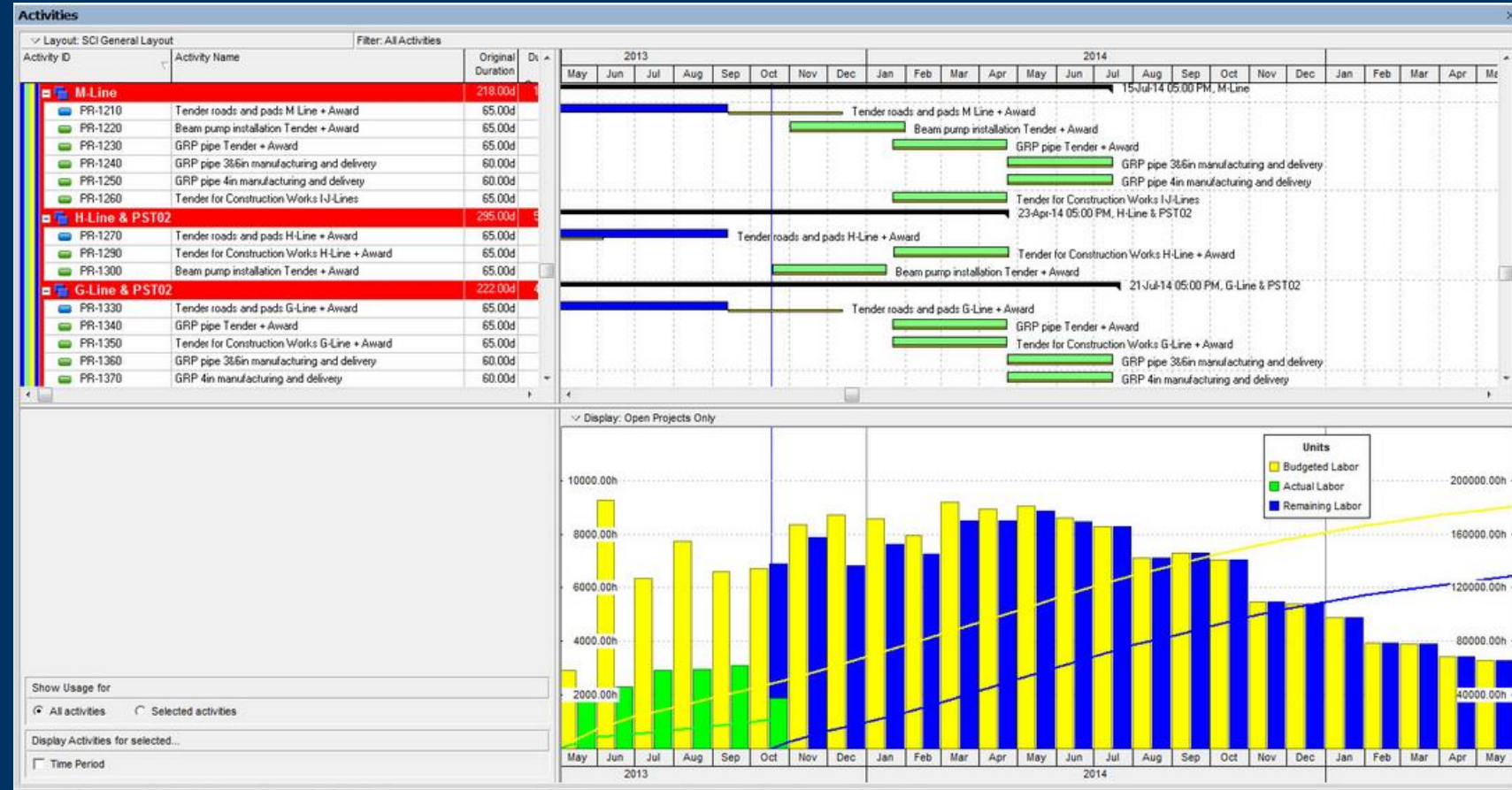
CSI Division	Overall Cost	Sq. Ft. Cost Escalation 2008 to 2013	Overall Cost	Sq. Ft. Cost Escalation 2012 to 2013	Overall Cost	Sq. Ft. Cost Escalation 2005 to 2013	Overall Cost	Sq. Ft. Cost Escalation 2006 to 2012	Average \$/SF Includes "0" Values
Div 1- General Conditions	\$ 1,637,284	\$ 23.06 \$ 24.32	\$ 1,024,670	\$ 11.51 \$ 11.74	\$ 236,733	\$ 12.10 \$ 15.32	\$ 731,847	\$ 35.70 \$ 42.60	\$ 23.49
Div 2- Sitework	\$ 7,008,999	\$ 98.72 \$ 104.10	\$ 1,452,475	\$ 16.32 \$ 16.65	\$ 266,007	\$ 13.60 \$ 17.21	\$ 973,118	\$ 47.47 \$ 56.64	\$ 48.65
Div 3- Concrete	\$ 4,021,974	\$ 56.65 \$ 59.73	\$ 901,830	\$ 10.13 \$ 10.34	\$ 187,922	\$ 9.61 \$ 12.16	\$ 490,276	\$ 23.92 \$ 28.54	\$ 27.69
Div 4- Masonry	\$ 1,347,445	\$ 18.98 \$ 20.01	\$ 1,672,525	\$ 18.79 \$ 19.17	\$ 254,268	\$ 13.00 \$ 16.45	\$ 41,424	\$ 2.02 \$ 2.41	\$ 14.51
Div 5- Metals	\$ 2,830,205	\$ 39.86 \$ 42.03	\$ 1,261,451	\$ 14.17 \$ 14.46	\$ 355,124	\$ 18.16 \$ 22.98	\$ 24,053	\$ 1.17 \$ 1.40	\$ 20.22
Div 6- Wood/Plastics	\$ 539,277	\$ 7.60 \$ 8.01	\$ 181,562	\$ 2.04 \$ 2.08	\$ 403,888	\$ 20.65 \$ 26.13	\$ 180,074	\$ 8.78 \$ 10.48	\$ 11.68
Div 7- Thermal/Moisture	\$ 1,278,727	\$ 18.01 \$ 18.99	\$ 1,152,350	\$ 12.95 \$ 13.21	\$ 413,316	\$ 21.13 \$ 26.74	\$ -	\$ - \$ -	\$ 14.73
Div 8- Doors/Windows	\$ 1,099,559	\$ 15.49 \$ 16.33	\$ 1,339,928	\$ 15.06 \$ 15.36	\$ 55,956	\$ 2.86 \$ 3.62	\$ 131,683	\$ 6.42 \$ 7.66	\$ 10.74
Div 9- Finishes	\$ 805,689	\$ 11.35 \$ 11.97	\$ 1,032,918	\$ 11.61 \$ 11.84	\$ 366,169	\$ 18.72 \$ 23.69	\$ 939,267	\$ 45.82 \$ 54.67	\$ 25.54
Div 10- Specialties	\$ 373,638	\$ 5.26 \$ 5.55	\$ 266,986	\$ 3.00 \$ 3.06	\$ 46,697	\$ 2.39 \$ 3.02	\$ 72,187	\$ 3.52 \$ 4.20	\$ 3.96
Div 11- Equipment	\$ 166,352	\$ 2.34 \$ 2.47	\$ 152,123	\$ 1.71 \$ 1.74	\$ 52,597	\$ 2.69 \$ 3.40	\$ 90,083	\$ 4.39 \$ 5.24	\$ 3.22
Div 12- Furnishings	\$ 153,793	\$ 2.17 \$ 2.28	\$ 147,300	\$ 1.66 \$ 1.69	\$ 2,225	\$ 0.11 \$ 0.14	\$ 76,284	\$ 3.72 \$ 4.44	\$ 2.14
Div 13- Special Construction	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ 541,730	\$ 26.43 \$ 31.53	\$ 7.88
Div 14- Conveying	\$ 195,538	\$ 2.75 \$ 2.90	\$ 80,409	\$ 0.90 \$ 0.92	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ 0.96
Div 15- Mechanical	\$ 4,478,071	\$ 63.07 \$ 66.51	\$ 3,130,500	\$ 35.17 \$ 35.88	\$ 501,847	\$ 25.66 \$ 32.47	\$ 618,478	\$ 30.17 \$ 36.00	\$ 42.71
Div 16- Electrical	\$ 1,797,343	\$ 25.31 \$ 26.69	\$ 1,505,432	\$ 16.91 \$ 17.25	\$ 258,786	\$ 13.23 \$ 16.74	\$ 375,697	\$ 18.33 \$ 21.87	\$ 20.64
Div 17 - Fit-up	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -
Div 18 - Furnishings, Fixtures, & Equipment	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -
Div 19 - Professional Consultants	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ 11,779	\$ 0.60 \$ 0.76	\$ -	\$ - \$ -	\$ 0.19
Div 20 - Insurance (Liab., Builder's Risk)	\$ 220,558	\$ 3.11 \$ 3.28	\$ 59,182	\$ 0.66 \$ 0.68	\$ 41,824	\$ 2.14 \$ 2.71	\$ 47,119	\$ 2.30 \$ 2.74	\$ 2.35
Div 21 - Fee	\$ 835,981	\$ 11.77 \$ 12.42	\$ 460,849	\$ 5.18 \$ 5.28	\$ 103,654	\$ 5.30 \$ 6.71	\$ 164,720	\$ 8.04 \$ 9.59	\$ 8.50
Div 22	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -
Div 23	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -
Div 24	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -
Div 99 - Sustainable/LEED Specialty	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -	\$ - \$ -	\$ -
Total	\$ 28,790,434	\$ 405 \$ 428	\$ 15,822,490	\$ 178 \$ 181	\$ 3,558,792	\$ 182 \$ 230	\$ 5,498,038	\$ 268 \$ 320	\$ 289.80



Holland & Knight



# PROGRAM SCHEDULE



Holland & Knight

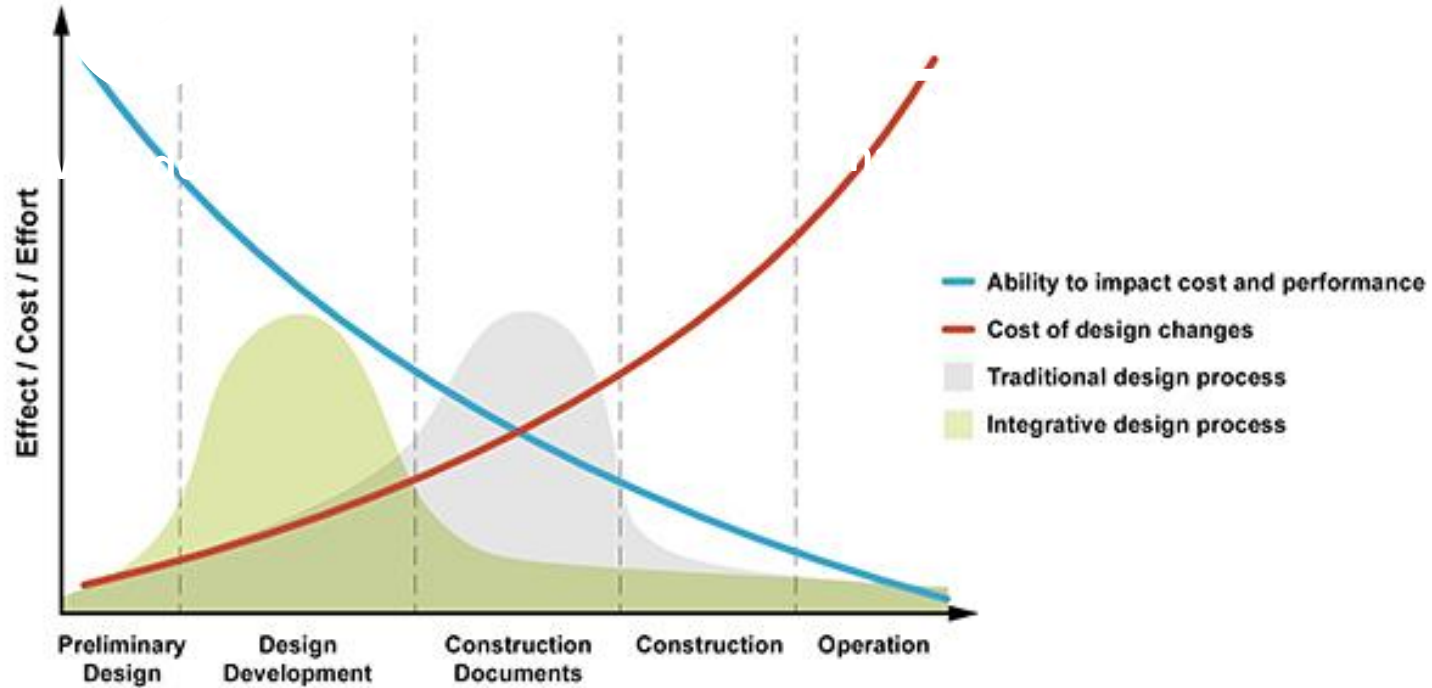




# TARGET VALUE DESIGN



What is it?



What does the alternative cost



# CONTRACTOR AGREEMENTS

Design-Bid-Build

Design-Build

Construction Management

Integrated Project Delivery



Holland & Knight



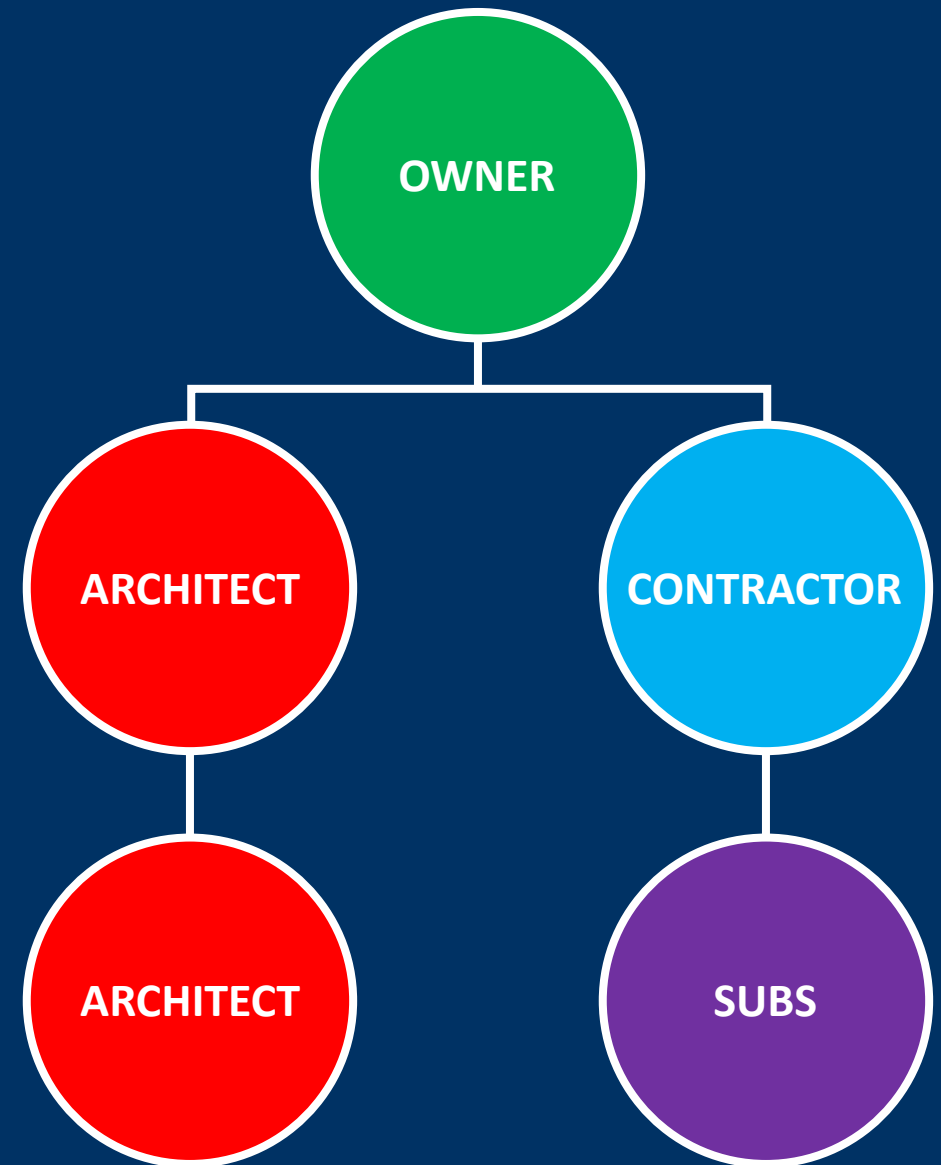
# DESIGN-BID-BUILD

## Advantages

- Complete Control
- Competitive Pricing
- Customized Design

## Disadvantages

- Cost Reliability Deferred Until End of Design
- Adversarial Relationship
- Highest Risk to Client
- Less Control Over Team Selection
- Project Savings to GC



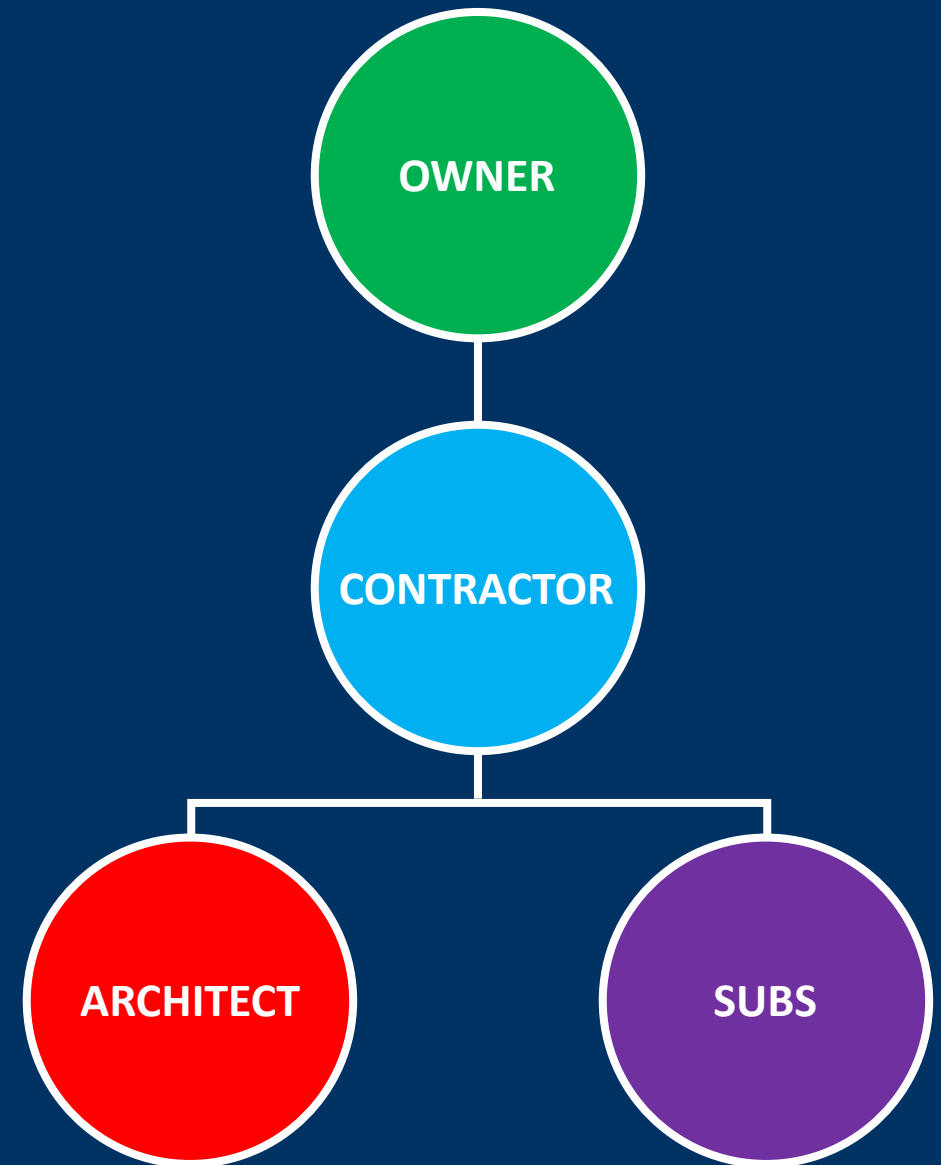
# DESIGN-BUILD

## Advantages

- Cost Targets Established Early in Design Process
- Faster to Complete Project
- “Cost” with GMP
- Turn-key
- Savings Arrangement

## Disadvantages

- Goals of Design-Builder & Owner Not Aligned
- Cost
- Quality
- No Owner Advocate



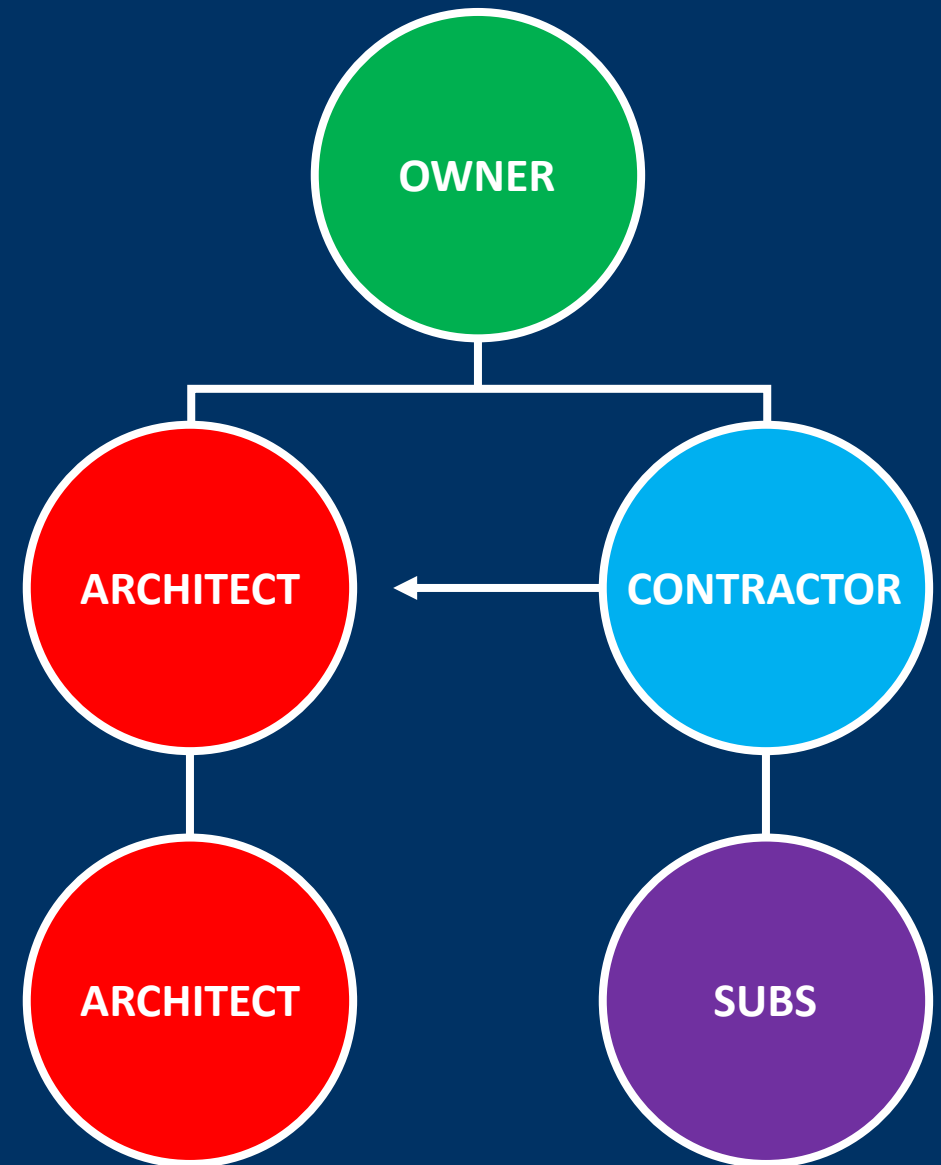
# CONSTRUCTION MANAGEMENT

## Advantages

- Team Approach
- Cost Known Early in Design Process – GMP
- Fast-track
- Turn-key
- Greater Quality
- Lower Ultimate Cost
- Savings Arrangement

## Disadvantages

- Design is Not 100%
- Risk is Shared
- Total Services May Not Subject to Competitive Bids
- CM May Not Have Incentive to Save Time & Money



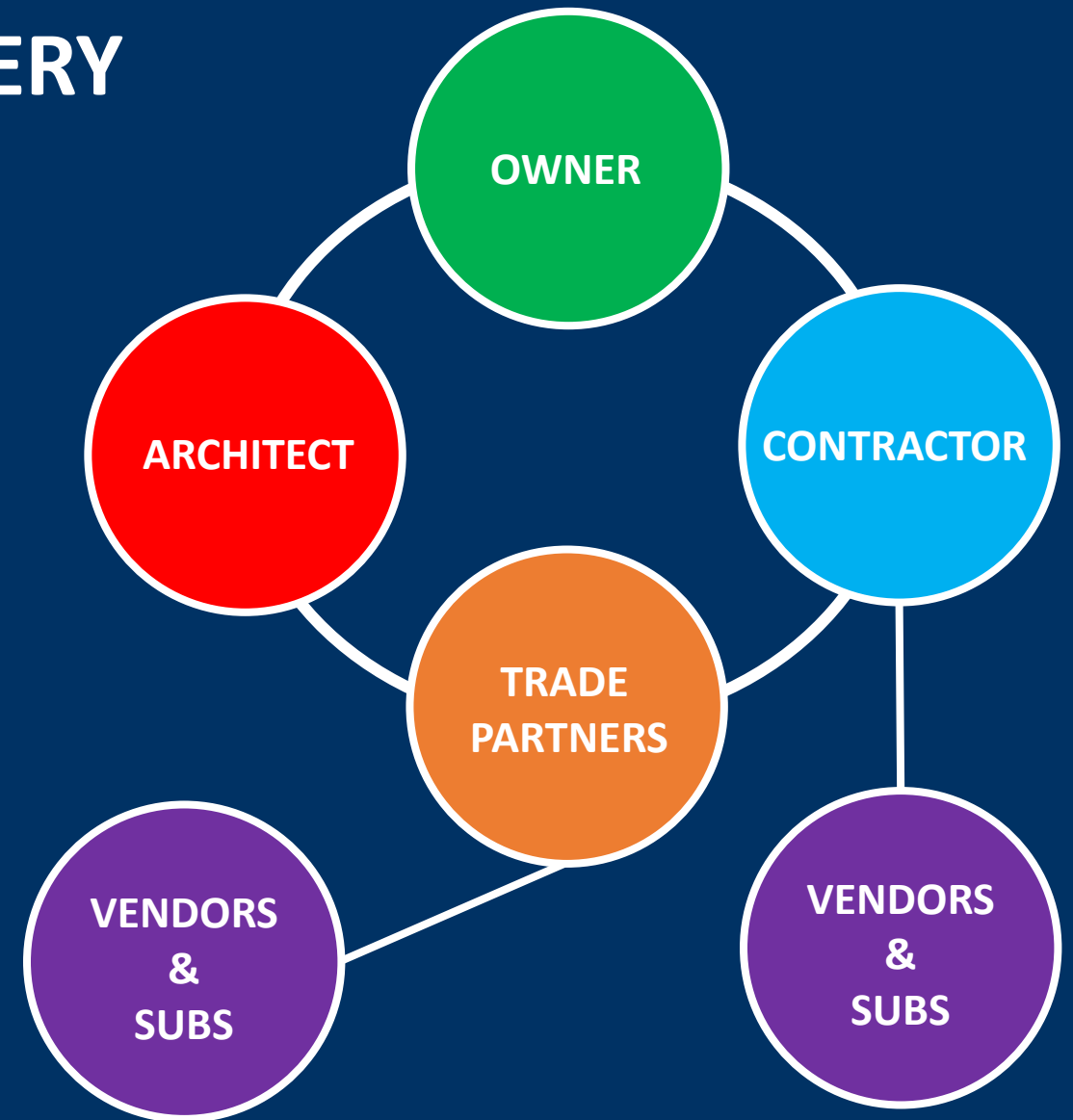
# INTEGRATED PROJECT DELIVERY

## Advantages

- Highly Collaborative
- Cost Known Early in Design Process – GMP
- Extremely Fast-track
- Quality Expectations Defined Early
- Higher Cost Reliability
- Savings Incentives

## Disadvantages

- Risk is Shared
- Total Services May Not Subject to Competitive Bids





# FACILITY DEVELOPMENT – CASE STUDY

David Mahler  
The Out-of-Door Academy



# FACILITY DEVELOPMENT AT ODA: A CASE STUDY

- Mission Driven
- Needs Assessment & Impact on Students
- Campus Master Planning
- Long Range Planning Committee
- Flexibility & 20 Year Test



Holland & Knight





# FACILITY DEVELOPMENT AT ODA: A CASE STUDY

- Planning Timeline
- Vendors & RFP Process
- Target: Opening Day
- Board Strategy on Debt
- Advantages of Bond Financing
- Fundraising Goals & Board Policy



Holland & Knight



# PROJECT FUNDING

Christopher Wienk  
Wye River Group



# THE FINANCING PROCESS

## Phase 1 Financial Planning

Typically 1-2  
Months

- Review the School's financial history and projections, capital campaign information, project budget, development schedule, etc.
- Provide debt capacity analysis and develop consensus on maximum acceptable amount of permanent debt
- Analyze and present key findings, financing alternatives and recommendations to School leadership
- Resolve choice of financing structure and develop definitive Finance Plan incorporating both bridge financing for capital campaign-supported debt as well as permanent financing for all remaining project costs

## Phase 2 Financing Solicitation

Typically 2  
Months

- Develop comprehensive financing solicitation package (including Information Memorandum and Request For Proposals)
- Conduct competitive solicitation including deliberate ongoing follow-up with financing candidates to answer questions, foster interest and optimize the number of proposals received
- Analyze and rank proposals and assist School in the selection of its preferred source of financing
- If requested, conduct solicitation of law firms specializing in tax-exempt debt to serve as borrower's counsel for the School

## Phase 3 Financing Implementation

Typically 2-3  
Months

- Secure, negotiate and finalize a definitive commitment letter
- Organize Finance Team, develop definitive Financing Timetable and confirm document deliverables and working group responsibilities
- Assist with bond issuer application and bond counsel Tax Questionnaire
- Prepare final Plan of Finance, Tax Certificate and IRS Form 8038 calculations as required by bond counsel
- Develop Closing / Flow of Funds Memorandum for the financing
- Assure timely and cost-efficient documentation process and completion of financing



Holland & Knight





# FINANCE PLAN DEVELOPMENT



Collect and Review Key Project Information

Establish Debt Capacity Analysis

Determine Available Sources of Capital

Review Financing Alternatives

Conduct Risk and Policy Assessments

Verify Legal Considerations and Constraints



Holland & Knight



# DEBT CAPACITY ASSESSMENT – METHODOLOGY

## Permanent Financing *(Operations Supported)*

- Based on sustainable levels of operating cash flow
- Maximum capacity assumes conservative level of debt service coverage (e.g. 1.50x)
- Planned repayment over a long period of time (e.g. 25-30 years)
- Either bank-based or capital markets-based financing

## Interim / Bridge Financing *(Fundraising Supported)*

- Capital Campaign objective and fundraising history relative to total Project cost
- Status of the Capital Campaign vs. expected project expenditures
- Expected repayment over a 5-10 year period of time
- Bank financing is most appropriate given flexibility to repay



# DEBT CAPACITY ASSESSMENT – METHODOLOGY

## Primary Metrics Used

- Debt Service Coverage (DSC)
- Unrestricted Cash to Debt (Leverage Ratio)

## Key metrics impacted by the amount of outstanding debt

- Days Cash on Hand (DCOH)
- Operating Cash Flow Margin, Expendable Financial Resource to Debt and Debt to Operating Revenues

## Key Variables Tested

- Interest Rate: 3.50-5.00%
- Amortization Period: 25-30 years
- Targeted DSC: 1.35-1.50x
- Targeted Leverage Ratio: 0.50-0.75x
- Timeframe Analyzed:
  - Historical (3 Years Audits)
  - Projected (5 Year Forecast)



# DEBT CAPACITY ASSESSMENT – SAMPLE

## Derivation of Income Available for Debt Service and Debt Service Coverage Ratio

	2017	2018	2019	Average
Change in Unrestricted Net Assets	316,691	(684,901)	4,078,215	
+ Depreciation and Amortization	1,281,010	1,547,620	1,798,161	
+ Interest Expense	387,889	431,283	439,571	
+ Non-Operating Activity				
Unrealized (Gain) / Loss on Investments	534,793	716,787	(1,813,463)	
Unrealized (Gain) / Loss on Interest Rate Swap	148,646	526,868	(548,414)	
<b>Income Available for Debt Service (A)</b>	<b>2,669,029</b>	<b>2,537,657</b>	<b>3,954,080</b>	<b>3,054,000</b>
Adjustments to “Normalize” Operating Income*	(549,705)	65,963	(1,100,599)	
<b>Adjusted Income Available for Debt Service (B)</b>	<b>2,119,324</b>	<b>2,603,420</b>	<b>2,853,481</b>	<b>2,525,000</b>
Principal	290,032	549,694	663,082	501,000
Interest	387,889	431,283	439,571	420,000
<b>Total Annual Debt Service (C)</b>	<b>677,921</b>	<b>980,977</b>	<b>1,102,653</b>	<b>921,000</b>
<b>DSCR-Actual (A/C)</b>	<b>3.94x</b>	<b>2.59x</b>	<b>3.59x</b>	<b>3.32x</b>
<b>DSCR-Adjusted (B/C)</b>	<b>3.13x</b>	<b>2.65x</b>	<b>2.59x</b>	<b>2.74x</b>

\* For example non-recurring or extraordinary net assets released from restriction



Holland & Knight



# DEBT CAPACITY ASSESSMENT – SAMPLE

## Calculation of Maximum Debt Capacity

				Average
Adjusted Income Available for Debt Service (A)	2,525,000	← Average past three years		
Minimum Targeted DSCR (B)	1.50x			
Maximum Supportable Annual Debt Service (A/B) = C	1,685,000			
Assumed Long Term Cost of Capital (D)	3.50%	5.00%		
Amortization Period (E)	25	25	← Amortization Scenario #1	
<b>Maximum Debt Capacity (F) (Excel Function 1)</b>	<b>27,770,000</b>	<b>23,750,000</b>		<b>25,760,000</b>
Calculated Annual P&I (Excel Function 2)	1,685,000	1,685,000		
Assumed Long Term Cost of Capital	3.50%	5.00%		
Amortization Period	30	30	← Amortization Scenario #2	
<b>Maximum Debt Capacity (F) (Excel Function 1)</b>	<b>30,990,000</b>	<b>25,900,000</b>		<b>28,445,000</b>
Calculated Annual P&I (Excel Function 2)	1,685,000	1,685,000		

### Excel Function 1

=MROUND(-PV(D,E,C),10000))

### Excel Function 2

=MROUND(-PMT(D,E,F),10000)



Holland & Knight





# DEBT CAPACITY ASSESSMENT – SAMPLE

## Derivation of Leverage Ratio and Days Cash on Hand

<i>Fiscal Year Ending June 30</i>	2017	2018	2019	Average
Cash and Cash Equivalents	435,287	4,789,289	4,989,958	
Unrestricted Investments	18,476,008	15,552,728	18,760,623	
<b>Total Unrestricted Cash and Investments (A)</b>	<b>18,911,286</b>	<b>20,342,017</b>	<b>23,750,581</b>	<b>21,001,000</b>
<b>Total Outstanding Debt (B)</b>	<b>17,759,560</b>	<b>18,643,085</b>	<b>17,991,125</b>	<b>18,130,000</b>
<b>Leverage Ratio (A/B)</b>	<b>1.06x</b>	<b>1.09x</b>	<b>1.32x</b>	<b>1.16x</b>
Minimum Targeted Leverage Ratio (C)	0.75x	0.75x	0.75x	
<b>Maximum Debt Capacity (A/C)*</b>	<b>25,220,000</b>	<b>27,120,000</b>	<b>31,670,000</b>	<b>28,000,000</b>
Total Operating Expenses	15,804,194	16,913,207	17,339,834	
(Less) Depreciation	(1,281,010)	(1,547,620)	(1,790,657)	
Net Cash Operating Expenses	14,523,184	15,365,587	15,549,177	15,146,000
Daily Cash Operating Expenses (D)	39,790	42,097	42,600	41,496
<b>Days Cash on Hand (A/D)</b>	<b>475</b>	<b>483</b>	<b>558</b>	<b>505</b>

\* Compares to debt capacity based on Targeted DSCR of \$25.8-28.MM



Holland & Knight

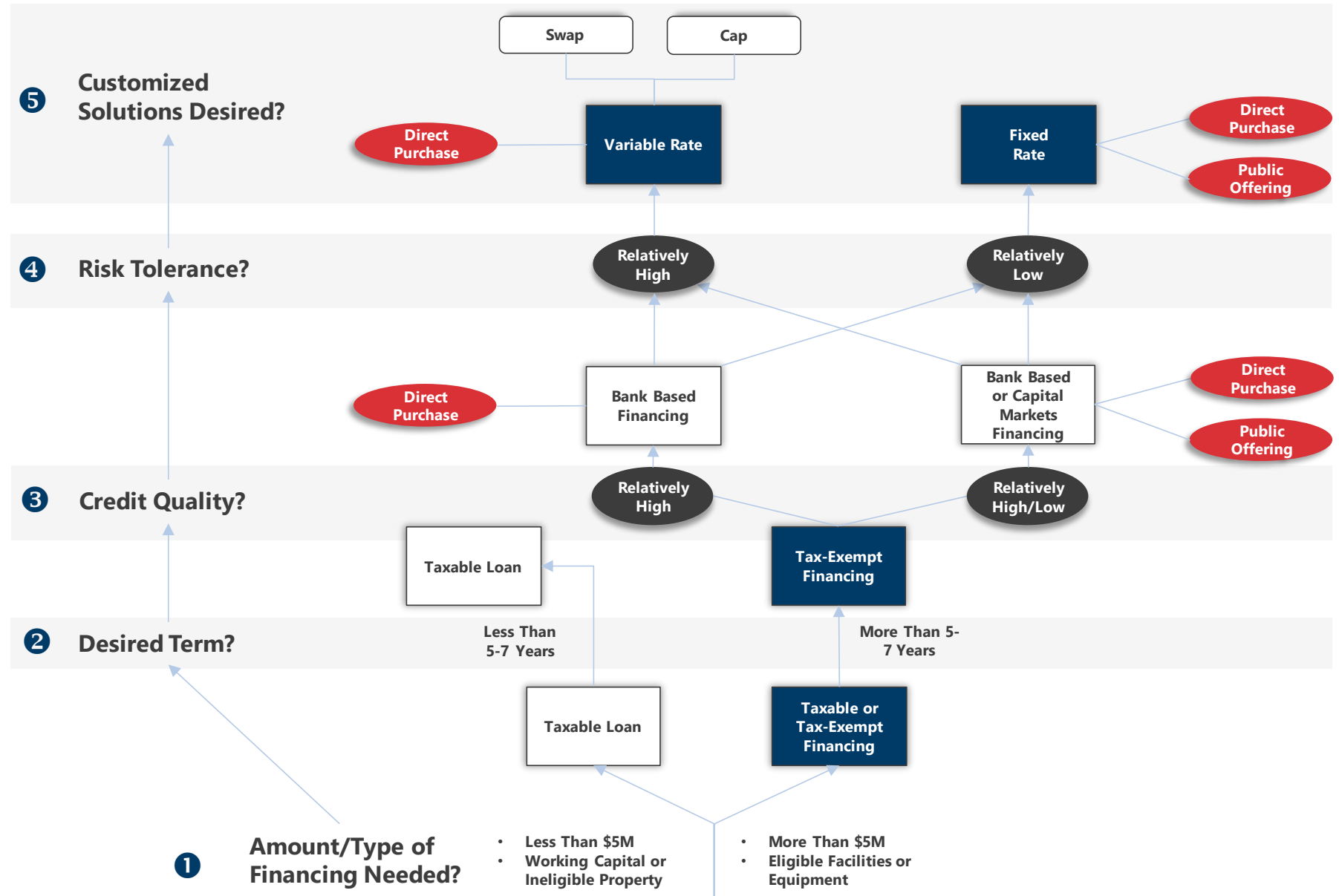


# TAX-EXEMPT FINANCING ALTERNATIVES

	Bank Loan	Public Offering
Rate Commitment Period	Generally up to 15-20 years. Slightly longer terms may be available for exceptional credits	Up to 35 years
Amortization Period	Up to 30 Years	Up to 35 Years
Interest Cost	Fixed: 2.25-2.75% (10/30) Variable: LIBOR + Spread (10/30) 2.30-2.70% Today	3.75%† (Fixed for the Full Term)
Financing Amount	If mortgage required, usually up to 75% loan-to-campus value	Up to 100% of project costs
Prepayment Limitations	Likely "Make-whole" for fixed rate. None for variable rate	7-10 year call protection
Appraisal Requirement	Yes, if mortgage required	Usually No
Transaction Costs	Approx. \$250-300,000	Approximately 0.75% of bond amount plus approx. \$350,000
Funded Debt Service Reserve Requirement	No	Yes (usually sized at Maximum Annual Debt Service or MADS)
Credit Structure	Revenue pledge and possibly mortgage. For stronger credits, no mortgage required	For strong credits, a "general obligation" alone; for medium credits, a revenue pledge. Mortgage usually not necessary
Financial Covenants	Generally More Restrictive <ul style="list-style-type: none"> <li>• Higher DSCR (if applicable)</li> <li>• Higher DCOH or other liquidity test (e.g. Cash to Debt)</li> <li>• Additional Debt Test (usually subject to bank approval with limited exceptions)</li> </ul>	Generally More Liberal <ul style="list-style-type: none"> <li>• Lower DSCR (if applicable)</li> <li>• Lower DCOH</li> <li>• Flexible Additional Debt Test</li> </ul>
Public Disclosure	No	Yes



# DEBT FINANCING DECISION TREE



# PROJECT LEGAL MANAGEMENT

Michael Wiener, Esq.  
Holland & Knight LLP



# DISCUSSION SUMMARY

- 1) Process of Issuing tax-exempt bonds
- 2) Things I wish I thought of before issuing tax-exempt bonds



Holland & Knight





# PROCESS FOR ISSUING TAX-EXEMPT BONDS

- Borrower meets with bond counsel to determine if project eligible for financing
- The financing team
  - Financial Advisor
  - Legal Counsel: Borrower's Counsel; Bond Counsel; Issuer's Counsel; Underwriter's/Lender's Counsel; Trustee's Counsel
- Borrower identifies a bank or underwriter to obtain loan or purchase bonds
- File application with issuer (may incur fees)
- Issuer adopts inducement resolution and holds public TEFRA hearing
- Highest elected official must approve TEFRA; If issued through an IDA may require a separate county meeting to approve
- Documents drafted by bond counsel, bank's/ underwriter's counsel and Borrower's Counsel
- Issuer adopts resolution approving the documents and authorizing the issuance of the bond
- Pre-closing and closing/funding



# THINGS I WISH I THOUGHT OF....

- Organizing your team early
  - Financial Advisor
  - Bond Counsel
  - Borrower's Counsel

***Must Have Experience With Tax-Exempt Financing!***
- Planning ahead – not too early and not too late
  - Selection of conduit issuer  
*(will affect costs at time of issue and post-closing and timing of issue)*
  - Longer lead time for tax-exempt bonds and longer time period if public issue  
*(public issue will be a larger demand on staff to prepare disclosure)*
  - Knowing how much money is needed to finance the project  
*(having a GMP contract in place or other firm price agreements)*
  - Not too early that you don't meet spenddown requirement  
*(must reasonably expect to spend 85% within 3 years to avoid being a "hedge bond")*



# THINGS I WISH I THOUGHT OF....

## REIMBURSEMENT

- Doing a reimbursement resolution to permit reimbursement with tax-exempt bond proceeds of money expended by borrower
  - Borrower can adopt official intent resolution
  - Reimbursement permitted up to 60-days from the date of the resolution
  - No reimbursement resolution needed for preliminary expenditures (engineering, architectural, surveying and similar costs incurred prior to construction)
  - The reimbursement must be made 18 months after the later of (a) the date on which the original expenditure is paid, or (b) the date when the property is placed in service, but the allocation cannot be more than 3-years after the date on which the original expenditure is paid



# THINGS I WISH I THOUGHT OF....

## CAPITAL CAMPAIGN

- Not coordinating capital campaign with the bond issue
  - Restricting donor funds to the project being financed
    - Instead general project description of which it may be used
    - Reliance is important for enforcement of gifts but too narrow a purpose can require the funds to be yield restricted after the project has been completed and used to redeem bonds
  - Naming rights
    - Can give donors name recognition but business related rights could be private use
  - Issuing all fixed rate or swap entire amount of bond limiting ability to redeem bonds if capital campaign contributions exceed expectations



# THINGS I WISH I THOUGHT OF....

## TEFRA

- Not including sufficient bonding amount
  - Limitation on amount if costs increases or project scope increases
- Too narrowly defining TEFRA notice
  - Limitations on projects that can be funded if project scope increases
- Limitations and delays to do a new TEFRA if project cost increases greater than de minimus amount of TEFRA amount
- Limitation on re-allocating project funds if unexpected donations are received





# THINGS I WISH I THOUGHT OF....

## OTHER / MISC.

- Not providing flexibility for private use – ability to allocate equity
  - Management contracts with private companies – book stores or food service
  - Leases to private companies – day camps
  - Federal contracts
- Financing exactly 2% of costs of issuance (no cushion)
  - Allocate equity to costs of issuance to preserve 5% “bad use”
- Short maturity amortized over a longer period of time
  - Using “put rights” with bank loans can save significant future time and expense
- Financing equipment and other short lived assets and cash financing capital projects
  - Maturity of the bonds cannot be greater than 120% of the economic life of the asset purchased or constructed with the bonds



# THINGS I WISH I THOUGHT OF....

## LOVE THY BOND COUNSEL

- Continuing dialogue
- Post issuance issues can often be resolved simply with early conversations (reallocating project costs and remedial actions without affecting tax-exempt status of bonds)
- Communicate with bond counsel (and financial advisor) prior to entering into a swap to fix the rate on variable rate bonds



Holland & Knight

