

TIF & Taxpayer Agreements

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Tax Increment Financing (TIF) Overview



Tax Increment Financing Process

01

New project creates future incremental tax revenue (TIF):

- Vacant Land vs. 200-unit Multifamily Complex

Base Assessed Value:

AV belongs to all other taxing districts within the project area

Incremental AV:

Incremental real property taxes are captured by developer to be used for project costs

Assessed Value After Termination of TIF:

Total AV now belongs to all taxing districts within the project area

Time:

TIF terms typically range from 20-25 years

02

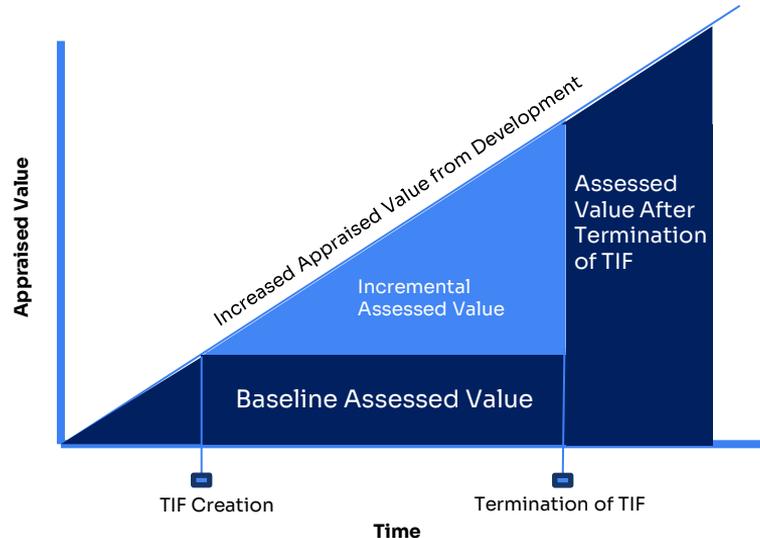
That future TIF can be captured for set number of years:

- Pay-as-you-go structure vs. developer backed structure

03

TIF capitalizes certain project costs to enable development:

- Current interest rate environment and rising construction costs necessitates TIF incentives



TIF Bond Summary

Tax Increment Financing (TIF) bonds capture future incremental property taxes from new development. These bonds are the vehicle of how a developer can monetize their incentives and finance real estate development projects.

TIF bonds on its own, however, lacks market liquidity and access to capital without credit support.

Credit support on TIF bonds can either take the form of municipal credit, or a tax-lien structure.

TIF Bond Fact Sheet:

- 01 TIF bonds have become integral to real estate financing. As an example, in Indiana, from 2002 to 2015, TIF assessed value as a percent of net assessed value tripled from 2.4% to 7.3% (1)
- 02 TIF bonds have traditionally been more actively used in urban areas where underlying commercial real estate values are more stable and liquid. However, that is changing.
- 03 TIF bonds typically range between 10% and 20% of total project cost.
- 04 TIF bonds were originally designed for the municipality to provide funding by supporting the TIF bond. However, municipalities are increasingly shifting to private parties to monetize TIF.
- 05 TIF bonds require credit support for liquidity, either through municipal general obligations (which puts taxpayers at risk), or tax-lien status through a Taxpayer Agreement (private parties at risk).

(1) The Use of Tax Increment Finance by Indiana Local Governments, by Larry DeBoer, Purdue University – December 2016.



Economic Impact – Carmel, IN case

Carmel, Indiana has been recognized as the “best designed suburb in America” by Shortcut Documents. The City’s success is heavily due to its use of TIF, but more specifically through TIF supported by a Taxpayer Agreement.



25 years ago, Carmel was home to 35,000 people. What was primarily farmland vacant strip centers has now become an upscale residential and commercial destination, which has led to numerous amounts of other development within the city’s core. Today, the City is consistently one of the best places to live in the United States, with a strong commercial tax base to support lower residential property taxes.

Carmel’s Goals: Achieved Through TIF

Density – Population of over 100,000

Vibrancy

Strong commercial tax base = lower residential taxes



Taxpayer Agreements

Developer Backed TIF rely heavily on Taxpayer Agreements, which shifts the risk from public taxpayers, to private developers and investors

Purpose:

Taxpayer Agreements ensure private developer/owner pays TIF debt service by creating a property tax-lien based on the TIF Bond debt service.

Mechanics

Taxpayer Agreements create a tax-lien on TIF payments – but only through enabling legislation.

After passage - Developer receives municipally approved incentives and capture future taxes on their project

Developer monetizes future TIF revenues supported by Taxpayer Agreements upfront, by selling to an investor

Developer uses incentives for upfront project cost

Taxpayer Agreements enforce collection of future TIF payments with certainty



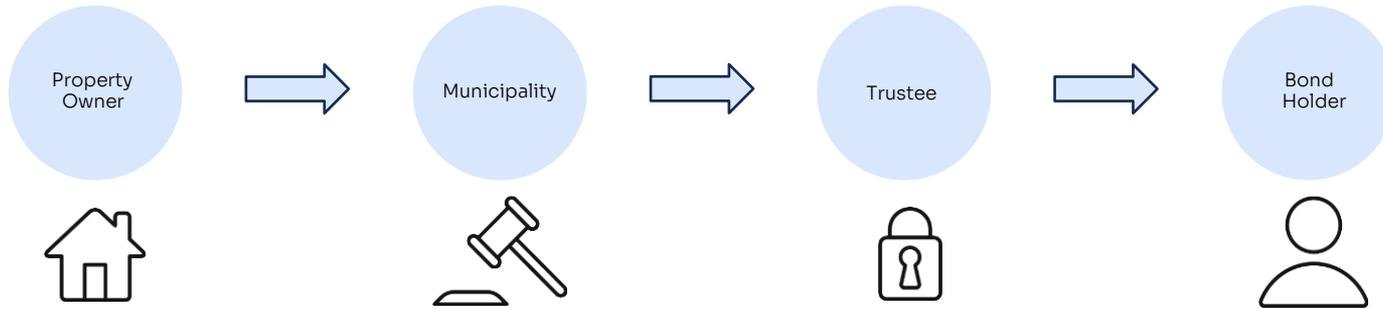
Advantage of Taxpayer Agreements

Characteristics

- Shifts risk to developer, less risk to municipality
- Smoother incentive approval process – approving the TIF split (%) and term of TIF
- Usually, leads to more proceeds than municipal-backed TIF
- Ability to monetize to a private purchaser



Taxpayer Agreement – Legal Summary



How does Taxpayer Agreements enhance TIF transactions?

- a) Minimum Taxpayer Agreement (MTA): Establishes firm payment amounts and dates through setting a floor on the tax payments used to service TIF Bond debt service. Without the MTA, payments can vary based on assessed value changes.
- b) The MTA is recorded against the land, is a tax lien and subjects any subsequent property purchaser to the MTA.
- c) Non-payment of MTA payments create a tax-lien, which in turn, is enforced like any other tax lien.
- d) MTAs ensure payment certainty for financing partners. This in turn creates liquidity for developers to sell their TIF incentives, without providing municipal credit support for the bond instrument.



Why Developers Sell or Hold TIF

Sell

- Fill gaps in capital stack
- Hit targeted return thresholds
- “Cheap Mezz Debt”

Hold

- No inherent need for more equity
- Steady cash flows to offset taxes
- May treat it as separate investment from real estate (i.e. a lot of liquidity)



Bond Structure



Benefits of selling to stakeholders

01

Developer:

- Ability to capture proceeds upfront – often treated as equity in the capital stack
- Allows same amount of equity to be contributed across more projects
- Real estate developers, not bond investors

02

Municipality:

- Zero credit risk – shifted risk to developer with developer-backed structure
- Positive economic impact (job creation, quality assets, etc.)
- Increased tax base at TIF expiration

03

Investors:

- Long term cash flows at a slight return



03

Case Study



Case Study: 220 Meridian

Investment Overview:

Location: Indianapolis, Indiana

Property Type: Multifamily

Investment Description: The redeveloped AT&T Building located one block north of Monument Circle on Meridian Street in downtown Indianapolis. This is one of the first high-rise office buildings to be converted to a mixed-use residential building in Indianapolis. 220 Meridian is a 23-story high-rise building with a parking garage. The building contains 216 luxury residential units and substantial amenities, including a pool on the 11th floor. AT&T occupies 3 floors under an existing commercial lease that was a carryover from when they owned the building.

216 apartments

Appraised Value: \$97,900,000

Mortgage: \$60,500,000

Bond Par: \$9,867,000

Bond Coupon/Yield: 7.75%



Case Study: The Signature

Investment Overview:

Location: Carmel, Indiana

Property Type: Multifamily, Office, Retail & Condominiums

Investment Description: Favorable attributes of the project include strong demand for housing in Carmel, paired with the need for additional development linking Downtown Carmel and the west corridor, where this project sits. Developer projects slightly above average market rent due to the brand-new Class A products.

The Old Meridian and Main Street intersection has historically been a connector between East and West Carmel. Cattycorner to The Signature sits The Olivia, a Class A apartment and retail property built in 2017, which at the time, exceeded rent and lease up expectations. Metrics from The Olivia further justified the investment thesis in The Signature.

295 apartments

8 condos

16,400 square feet of retail

473,000 total square footage

Appraised Value: \$64,700,000

Mortgage: \$45,990,000

Bond Par: \$8,492,000

Bond Coupon/Yield: 6.70%



Appendix A: Hageman Capital Team



Xiao Ou Yuan

President

B.S. Indiana University;
M.P.A. Indiana University

Prior to joining Hageman Capital, Xiao was at a regional investment banking firm, focusing on Fixed-Income debt transactions. Xiao has led Hageman Capital since inception in 2020.



Jay Weddle

Chief Operating Officer & General Counsel

B.S. Indiana University;
J.D. Indiana University

Prior to joining Hageman Capital, Jay was General Counsel and Chief Compliance Officer at US Agriculture, LLC, a privately held investment advisory firm. Jay has been with the firm since 2023.



Susan Huehls

Controller

B.A. Butler University; M.S. Indiana University

Susan is a graduate of Butler University with a B.A. in Political Science and M.S. in Accounting from Indiana University. Susan has been with the firm for approximately 6 months.



Connor Maris

Analyst

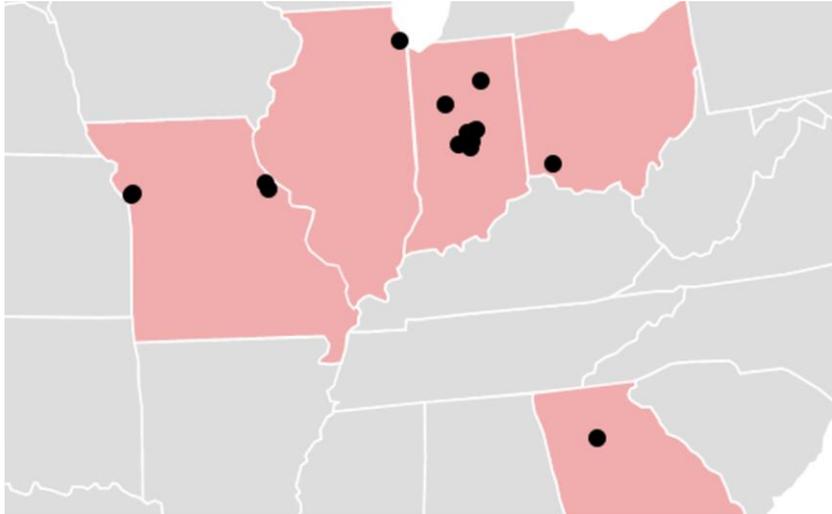
B.S. Indiana University

Connor is a graduate of Indiana University with a B.S. in Finance and Real Estate. Connor has been with the firm for approximately 6 months.



Appendix B: History of the Hageman Group

Hageman Group, LLC, is a privately held family office with deep roots in real estate and agricultural investments. The Hageman family has been invested in real estate and agriculture since the 1940s and founded Remington Seeds, a wholesale seed corn and soybean production company in 1984. Remington Seeds was sold in 2013.



Since the sale, the Hageman family's primary focus of investments has been commercial real estate investing, with a particular focus on multi-family apartments. Hageman Group has a team with decades of experience to manage its real estate investment portfolio at all stages, from development through stabilized asset management. The Hageman family also founded U.S. Agriculture, LLC in 2015, a registered investment advisor with ~\$600 million of AUM to invest in farmland in the United States.

Hageman Group Commercial Real Estate Experience:

- Primarily focused on apartment investments
- Totalling approximately \$600 million in assets (excluding TIF bond investments)
- Experience across Indiana, Missouri, Illinois, Ohio, North Carolina, Georgia



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