



Serving Two Masters

How Economic Developers Impact Municipal and Business Finance

Agenda

- Introduction
- Business Finance Basics
- Development Finance/URAs
- Municipal Finance Basics
- Economic Developers – Walking the Line



Our Speakers



- **Mike Van Den Bosch** – Principal – Canary Analytics



- **David Starnes** – Principal & Owner – CIVISTRUCT Strategy + Development



- **Stacy Brown** – Town Manager – Town of Kersey



Introduction

What are we doing here?

Goals

Private Sector (Business)

- Ownership Dependent
- “Maximize Shareholder Value”
 - Grow Revenue AND
 - Control Expenses
- Fulfill Obligations (Bank/Customer)

TAXES



FEES

Public Sector

- Public Health & Safety
- Improve Quality of Life
- Build/Maintain local infrastructure
- Democratic governance
- Manage local resources

SERVICES



COMMUNITY

Measurements

Private Sector (Business)

- Topline Revenue Growth
- Margins (Gross/Net)
- Operating Profits
- Earnings Before Interest Taxes Depreciation & Amortization (EBITDA)
- Free Cash Flow
- Return on Equity
- Earnings Per Share (EPS)
- Generally Accepted Accounting Principals (GAAP)

Public Sector

- Tax Base Growth
- Management of Fiscal Resources
- Public Safety Response Time
- Crime Rates
- Changes in Population
- Vacancy Rates
- Creditworthiness
- Government Accounting Standards Board (GASB)

Conflict

Private Sector (Business)

- Taxes/Fees decrease profitability
- Constantly Changing Needs
 - Attract Top Talent
 - Access to Infrastructure
 - Secure Investments
 - Access to Financial Resources
- Focused Internally (Blinders)



Public Sector

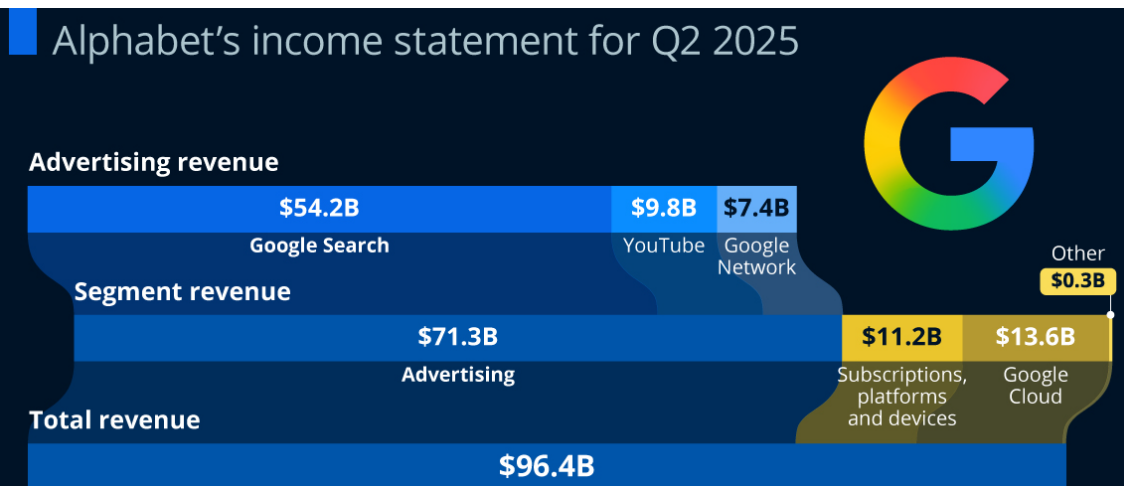
- Taxes/Fees influence ability to achieve goals
- Constantly Changing Demands
 - “Quality of Life” Drivers
 - Capital Improvement Program (CIP) Changes
 - Changing Demands on Public Safety
- Focused Externally (Naïve to Awareness)



Business Finance

How do Economic Developers Influence Business Financials?

How Businesses Make Money



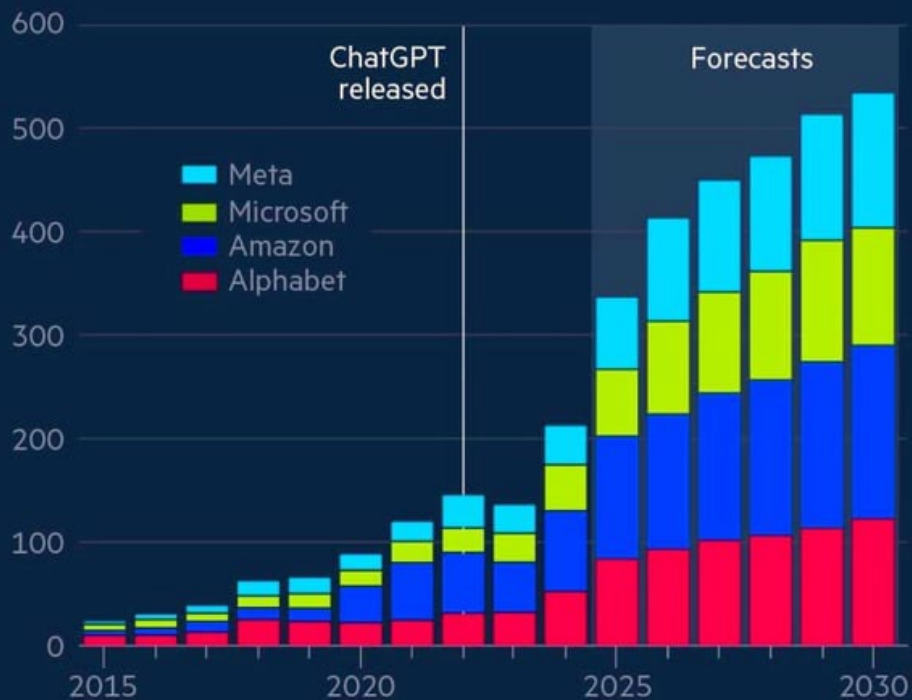
Alphabet Income Q2'25

- **Operating Revenues**
 - Goods/Services
 - Subscriptions
 - Advertising
 - Project-Based Revenue
- **Non-Operating Revenues**
 - Rents/Subleases
 - Proceeds from sale of assets (gains)
 - Interest on Savings
 - Investment Returns
 - Foreign Exchange (gains)

How Businesses Spend Money

How AI upended Big Tech's capital spending

Capital expenditure (\$bn)



Source: 10-K filings, S&P Global Market Intelligence

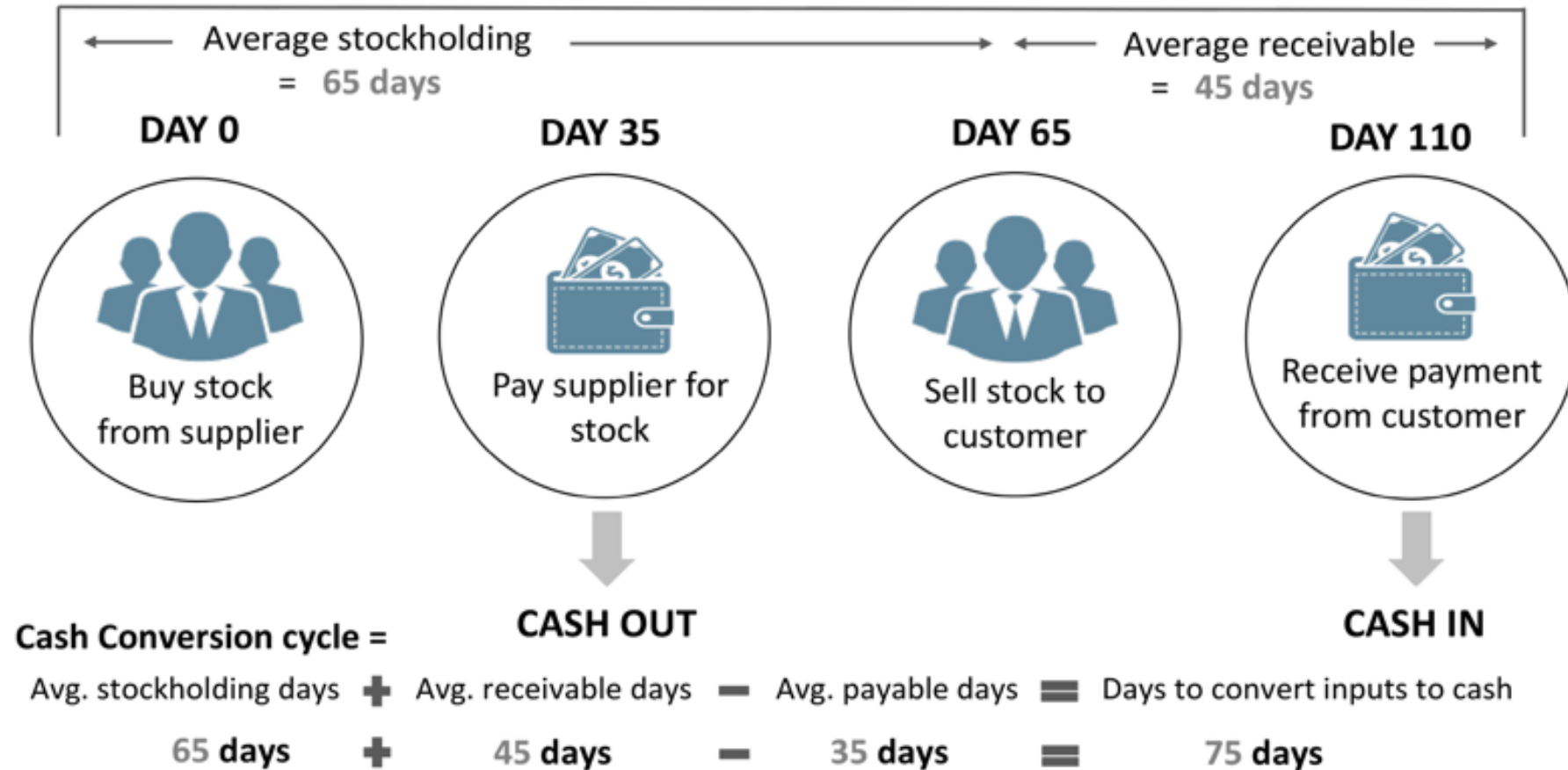
FINANCIAL TIMES

- **Cost of Goods Sold (Variable)**
 - Related to the production of goods or provision of services
 - Laborers
 - Inventory
 - **Operating Expenses (Fixed)**
 - Expenses that a company would incur regardless of sales
 - Advertising
 - Rent & Utilities
 - **Capital Expenses**
 - Tangible
 - Vehicles
 - Real Estate
 - Equipment
 - Intangible
 - Software
 - Patents & Trademarks
 - Borrowing Fees
- Depreciation ↑
Amortization ↓

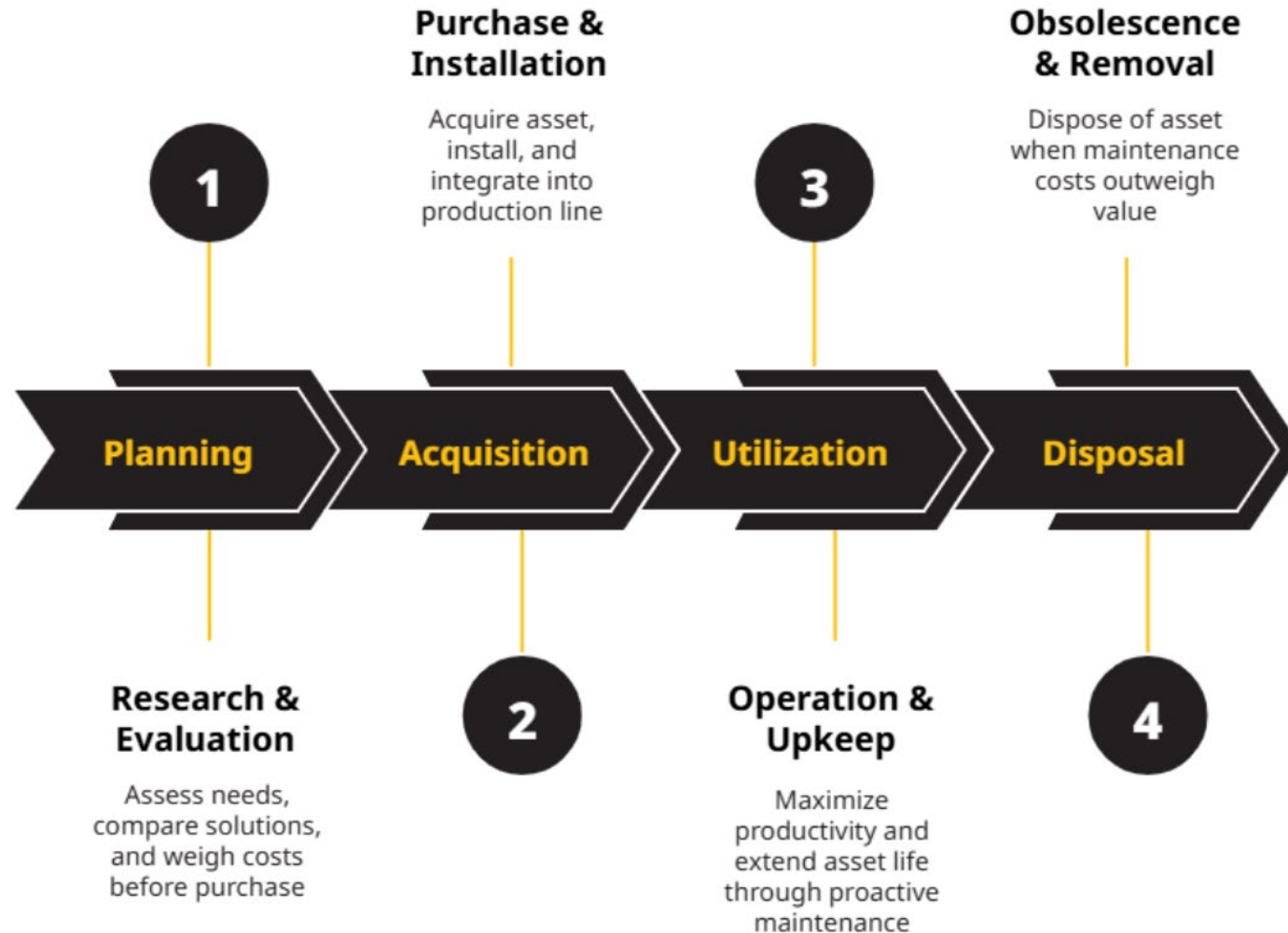
Financial Statements

- **Profit & Loss**/Income Statement/Statement of Earnings (Over Time)
 - Revenues (Operating & Non-Operating)
 - Expenses (COGS/Operating Expenses)
 - **Balance Sheet**/Statement of Financial Position (Point in Time)
 - Assets (Cash/Capital Expenses) – AKA Sources
 - Liabilities & Equity (Loans/Owner Investment/Net Income) – AKA Uses
 - **Cash Flow Statement**/Statement of Changes in Financial Position (Over Time)
 - Operating/Investing/Financing
- Net Income
- Cash Balance

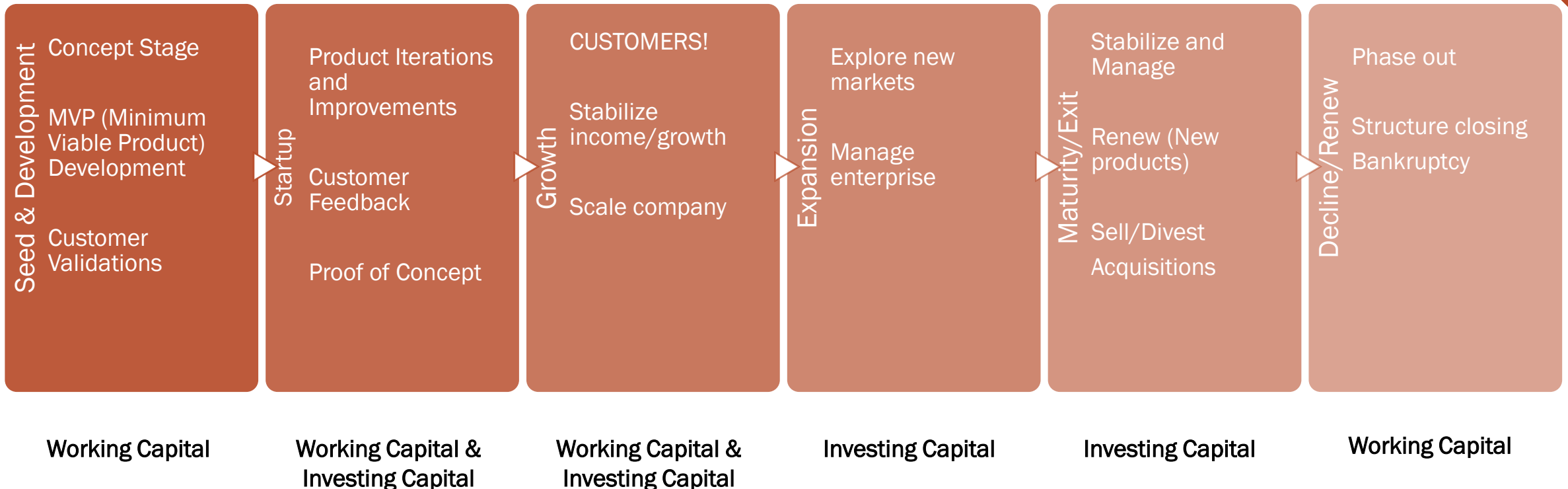
Working Capital



Investing Capital

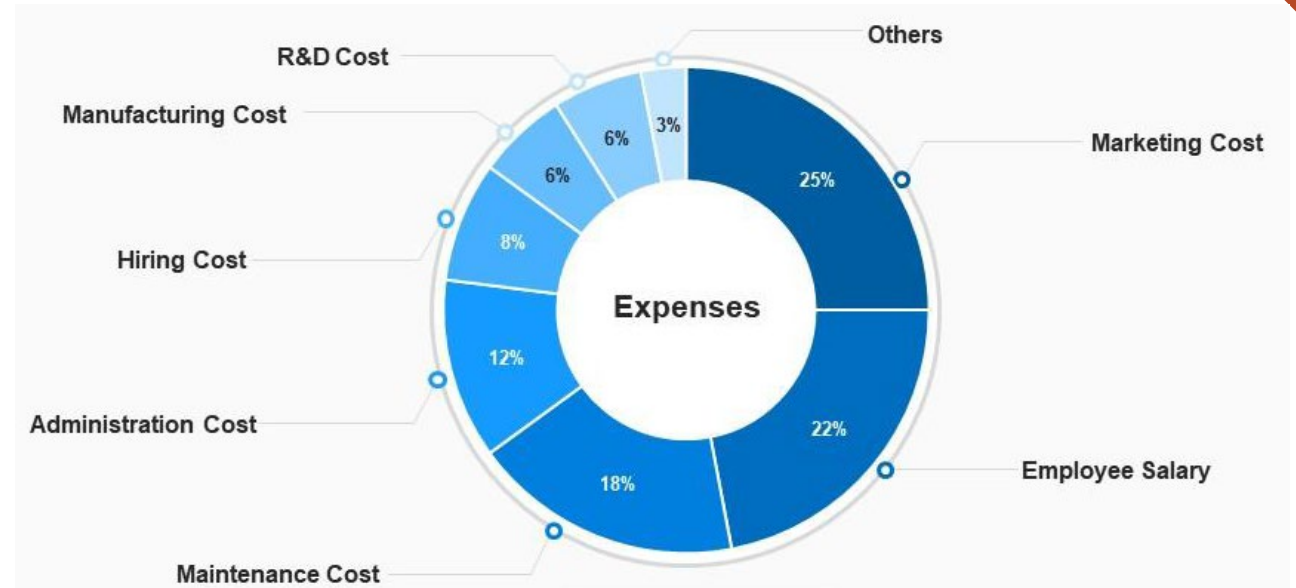


Business Lifecycle & Capital Needs



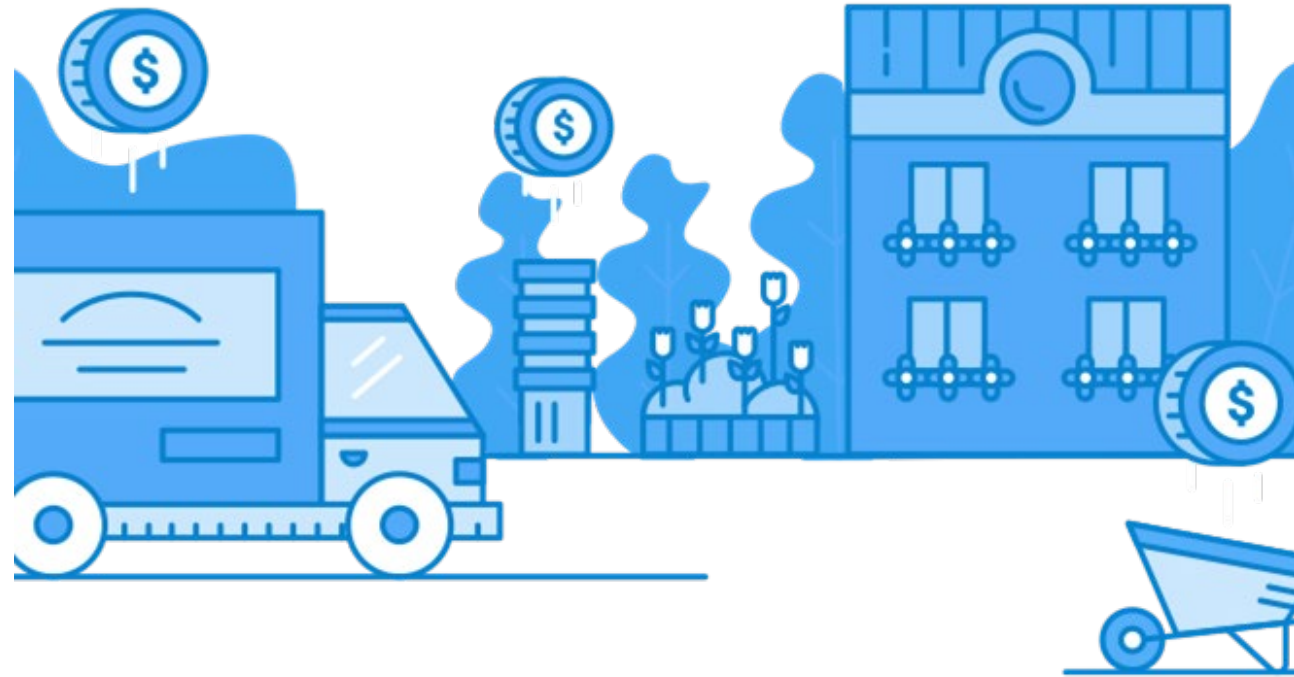
Finance Planning & Budgeting

- Varies by Business Size
- Budgets – P&L & Balance Sheet
 - Loan payments
 - Principal Payment = Reduce Debt (Balance Sheet)
 - Interest Payment = Interest Expense (Income Statement)
- Capital Purchases
 - Asset Purchases (Balance Sheet)



Why does this matter?

- How do the businesses in your community make money
- Understand how changes to local taxes and fees impact business profitability
- What types of expenses do they incur (impacts on profitability)
- What types of incentives have the biggest impact (specifically)
- Allows you to better position changes to local policy (tax & programs)



Business Challenges

- Tight(er) credit
- Capital/Market Concentration (Capital)
- Increased Price Sensitivity (Customers)
- Persistent Inflation (Wages)
- Supply Chain Disruptions (tariffs)



HIGH RISK
HIGH REWARD



PUBLIC
SUPPORT



**COMMON
EQUITY**

An investor's money in a transaction that reflects basic ownership.



**PREFERRED
EQUITY**

An investor's money that has certain benefits above basic ownership.



**MEZZANINE
DEBT**

A secondary loan against the ownership of a property.



SENIOR DEBT

The primary mortgage

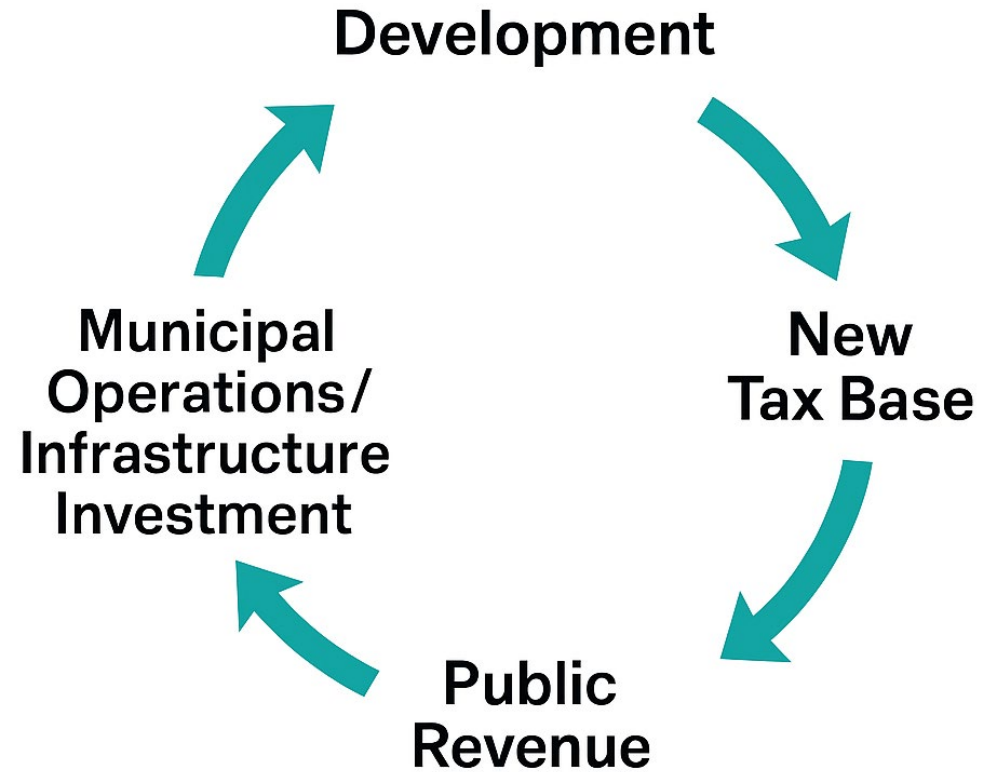


**PUBLIC
SUPPORT**

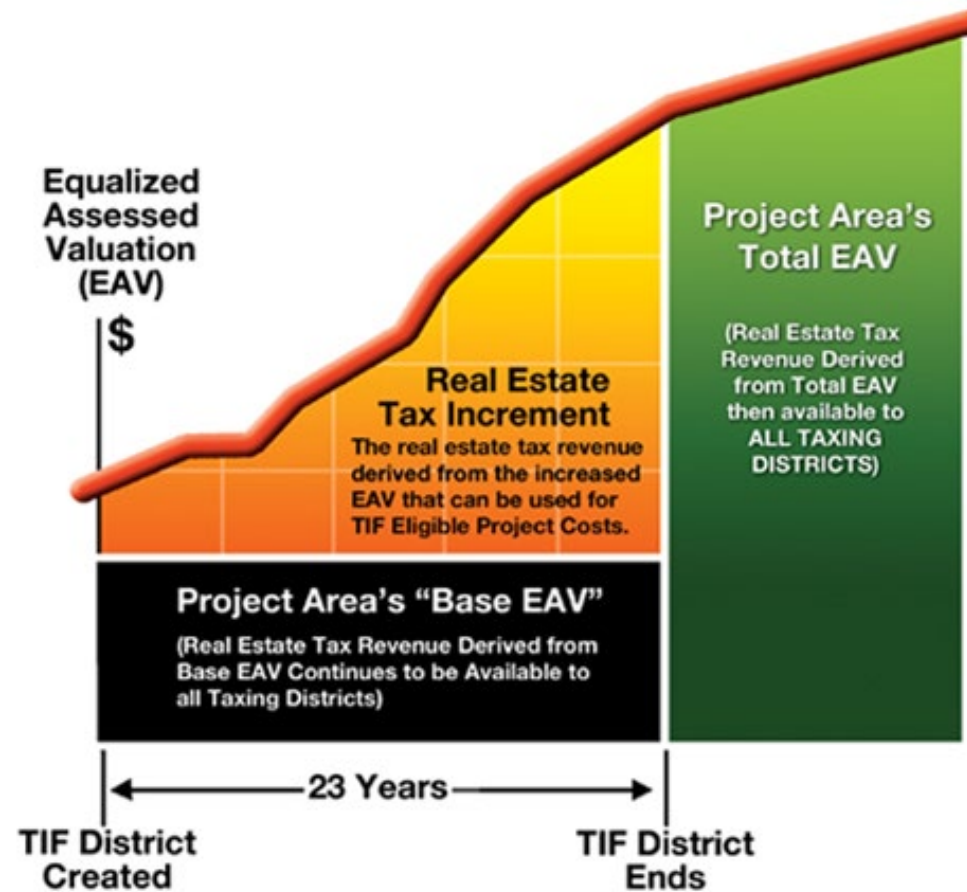
Development Finance/URAs

How do Economic Developers Influence how Development is Financed?

Development Benefits



Urban Renewal Tax Increment Financing (TIF)



Closing the Financial Gap

The “But For” Test

Municipal Tools

- Land sales price concession (if owned by public sector)
- URA TIF (property, sales)
- Infrastructure assistance
- Development fees and costs waivers/reductions/credits
- Ownership/maintenance of public spaces
- Environmental remediation

Other Tools

- Special Districts (Metro, BID, GID, SID)
- Federal Opportunity Zone
- CO Enterprise Zone
- Prop 123 Financing (Affordable Housing)
- C-PACE

Capital Stack



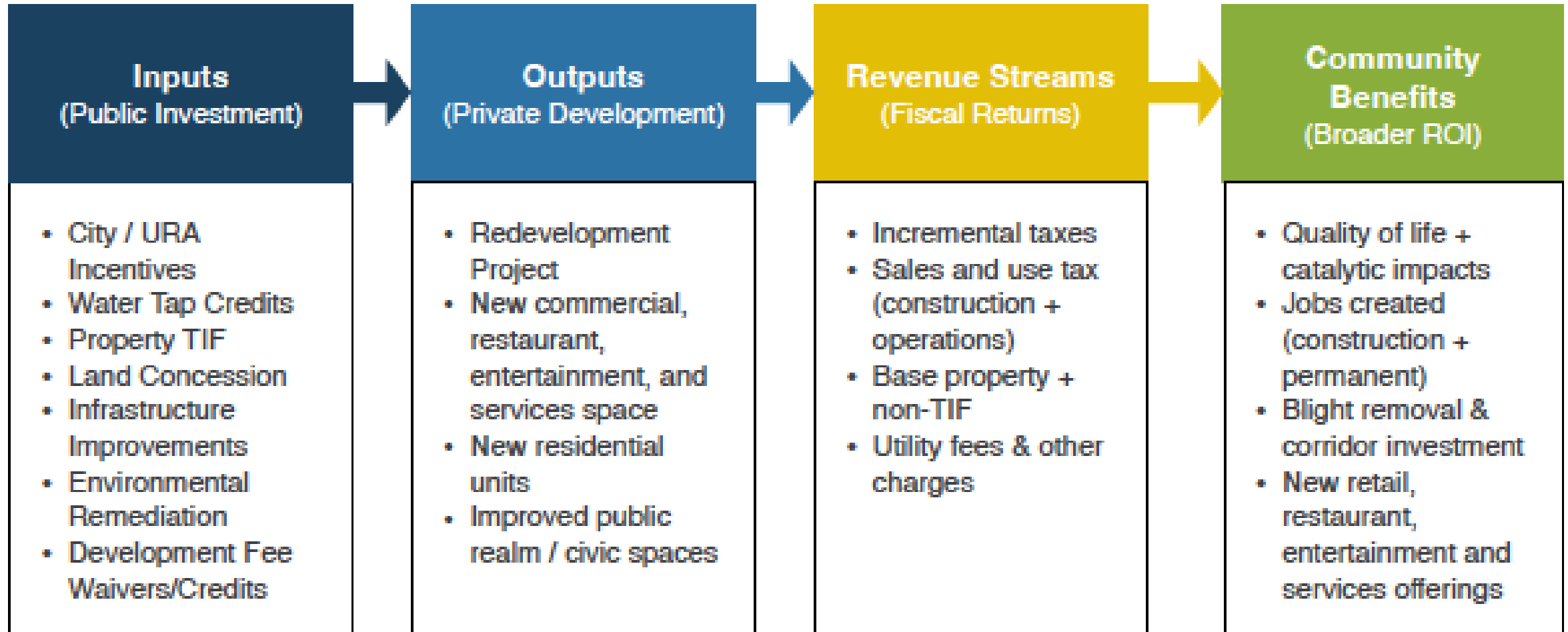
Private Equity (Owner / JV Partner)

- 20–35% of total development cost
- Sources: landowner (land value as equity), development partner, or third-party investors
- Equity absorbs the highest risk but receives the highest potential return

Private Debt (Commercial Construction Loan)

- ~65–80% of total project cost
- Secured by land and improvements and owner guarantees; requires feasibility, leases, or strong underwriting
- Rates vary by risk category but are commonly floating-rate construction loans with interest-only periods

Public Sector ROI Framework



Urban Renewal / TIF Risk Allocation



Publicly Issued Bonds

COPs
URA Bonds
BID Bonds'
Metro District Bonds

High Public Exposure

- Municipality / public entity / District assumes repayment risk
- Developer receives upfront reimbursement for eligible costs

Developer Reimbursement Bonds

URA Bonds
BID Bonds
Metro District Bonds

Shared Risk

- Developer assumes repayment risk:
 - Developer guarantee
 - Special assessment
 - PIF

Reimbursement Agreements (Pay-Go Bonds)

Contractual Agreement between Public and Developer

Moderate Risk

- No debt issued
- Developer fronts eligible costs; reimbursed from TIF revenue

Pay-as-You-Go TIF

Developer reimbursement based on actual TIF collected

Low Risk

- No debt issued
- Developer reimbursed only as TIF is collected

Downtown East Louisville

BEFORE

12-acre redevelopment site

Former concrete batch plant



Downtown East Louisville

AFTER



PUBLIC VISION

Highway 42 Revitalization
Area Framework Plan

First use of City's Mixed-Use
Development Design
Standards and Guidelines

CHALLENGES

Geotechnical Concerns

Expansive soil and
undocumented fill

Mineshaft mitigation

Abandoned coal mine

Property assembly

Moving historic building

Lack of connection to
Downtown





Project Financing

DELO, LOUISVILLE

Capital Stack



Public Investment
(8%)

Equity (27%)

Debt (65%)

Public – Private Partnership

- \$60M Investment
- \$4.5M Urban Renewal Bonds for public infrastructure
- Pedestrian plaza, South Street Pedestrian Gateway, Cannon Street Woonerf, Nawatny Greenway
- City-funded \$3.1M pedestrian underpass under BNSF railroad connecting Downtown Louisville and DeLo
- 77 new public parking spaces





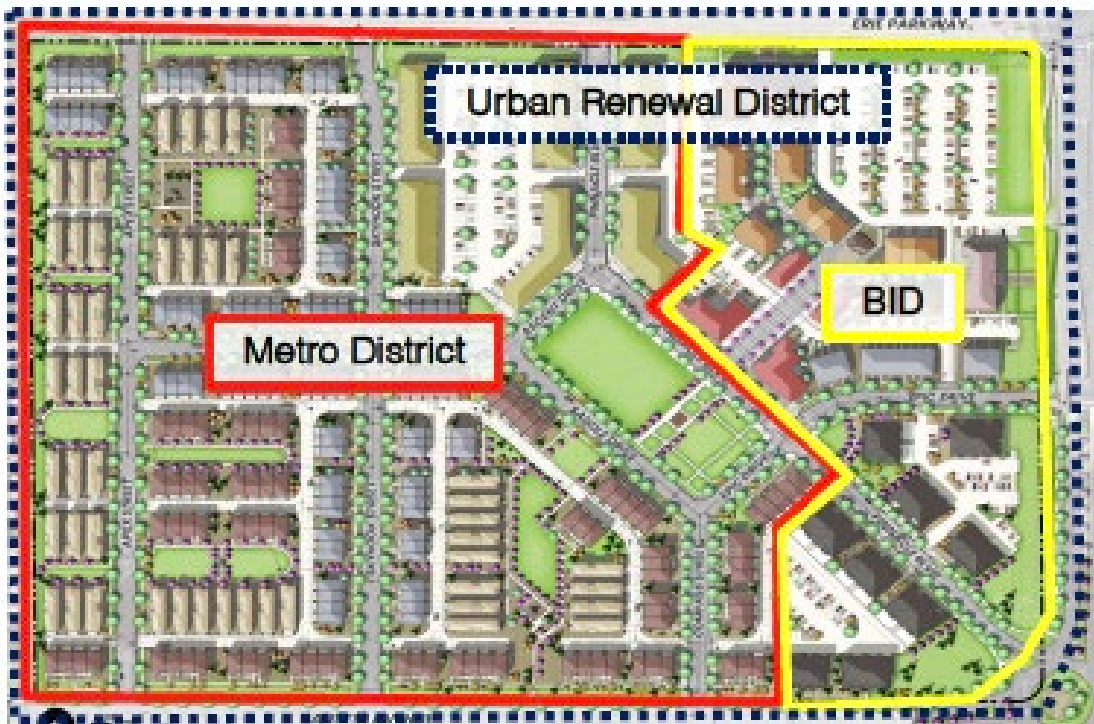
145 Single Family and Townhomes

206 Apartments

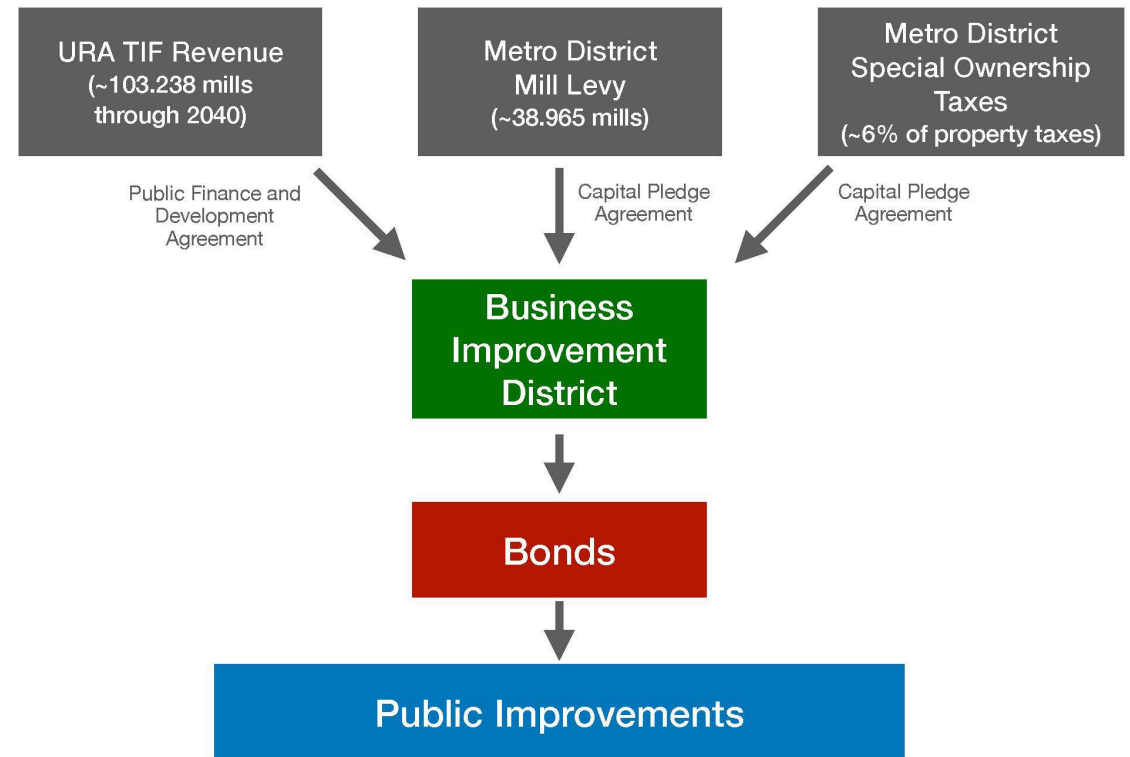
95,000 SF retail, office, services, flex space, including proposed food hall

Public-private partnership between Town of Erie, Four Corners BID/Metro District, TOEURA & Erie Four Corners LLC

Project Financing



FOUR CORNERS BID FLOW OF FUNDS



- Four Corners BID issued \$21.3M bonds pledged by URA TIF and Metro District mill levy
- Enabled early delivery of roads, utilities, and public realm improvements
- Example of **shared risk model** between Town, Districts and developer



When Each TIF Structure is Appropriate

Publicly Issued Bonds

- Suitable for large-scale, catalytic projects requiring substantial upfront infrastructure investment
- Appropriate when City/URA seeks to jumpstart redevelopment or leverage other public funding

Developer Reimbursement Bonds

- Best when project timing needs upfront infrastructure, but public entity wants developer participation
- Often paired with developer guarantees, special assessments, or letters of credit

Reimbursement Agreements

- Works well for mid-size, phased developments where infrastructure costs can be reimbursed gradually
- Public avoids debt issuance while providing a defined reimbursement mechanism

Pay-as-You-Go TIF

- Most appropriate for smaller or lower-risk projects
- Developer carries cost and timing risk; public exposure is minimal
- Preferred approach for infill, incremental redevelopment, or uncertain market conditions

Key Takeaways

Choosing the Right TIF Structure

1. Match Risk to Project Scale and Revenue Certainty

- Large, catalytic projects with stable revenue potential may justify bonded TIF
- Smaller or phased projects are better suited for Pay-as-You-Go or hybrid structures

2. Balance Public and Private Objectives

- Public partners seek long-term ROI, infrastructure delivery, and redevelopment impact
- Developers prioritize timing, return on cost, and reimbursement certainty

3. Use District Tools Strategically

- BID, Metro, and GID bonds can complement URA TIF to diversify funding and reduce exposure
- Layering multiple tools often creates a balanced and financeable P3 package

4. Prioritize Transparency and Flexibility

- Clear performance metrics and phased reimbursements reduce risk for both parties
- Adaptive agreements help align incentives as market conditions evolve

5. The Optimal TIF Structure = Financial Feasibility + Public Purpose

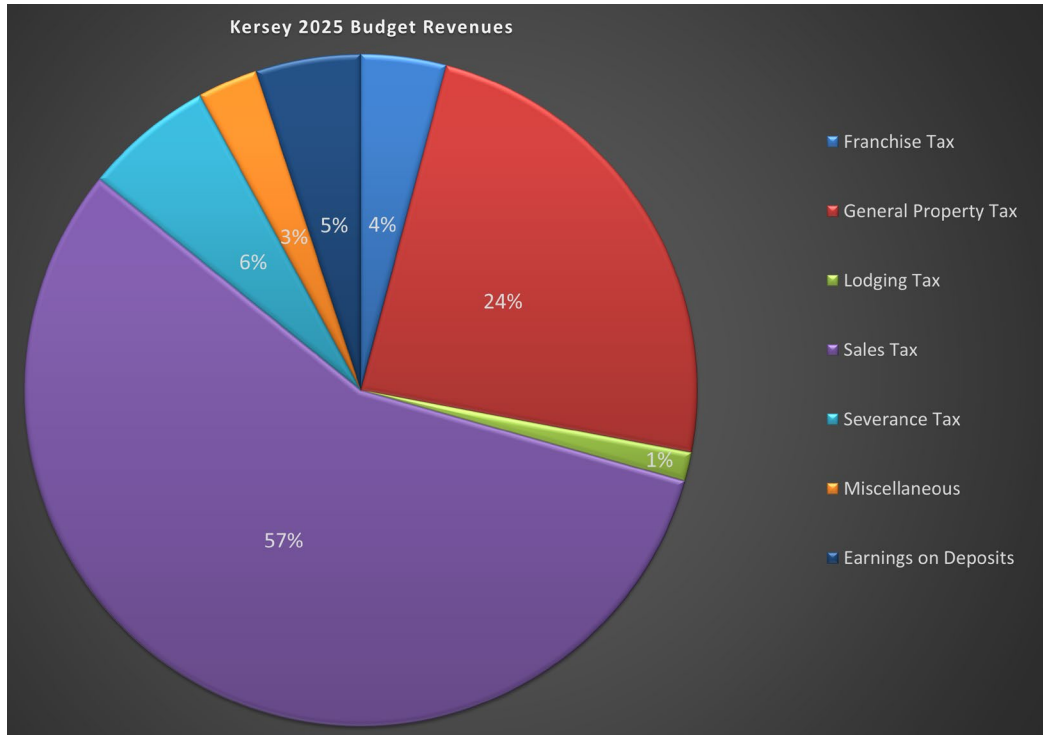
- Choose the approach that closes the gap while ensuring sustainable public benefit



Municipal Finance

How do Economic Developers Influence Municipal Finance?

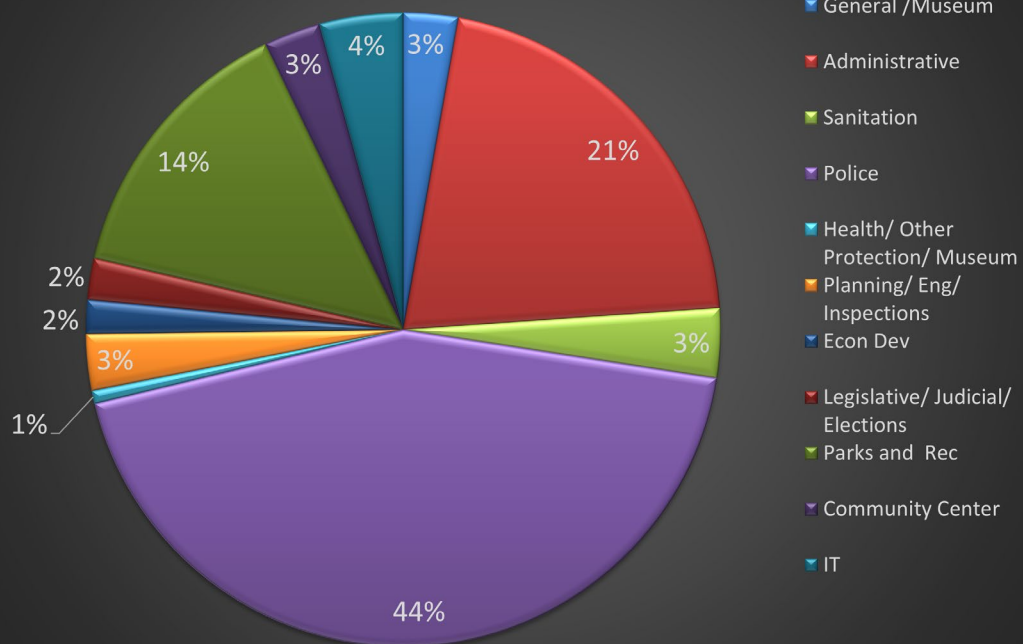
How Are Municipalities Funded?



- Taxes
 - Sales/Lodging Taxes
 - Real Estate Taxes
 - Personal Property Taxes
 - Head Tax
- Fees
 - Licenses
 - Service Fees
- Intergovernmental Transfers
 - Grants
 - Revenue Share
 - Income Taxes

How do Municipalities Spend Money?

Kersey 2025 Expenses



- Allocate Revenue & Expenses to Funds
 - General Fund
 - Special Revenue Fund
 - **Capital Improvement Funds**
 - Debt Service Fund
 - Permanent Fund
 - Proprietary Fund
 - Fiduciary Funds
- Largest Expenses
 - Public Safety
 - Health & Human Services
 - Capital Expenditures
 - Operating & Maintenance

Financial Statements

- **Statement of Activities** (Over Time)
 - Revenues
 - Expenditures (Current/Debt Service/Capital Outlay)
- **Statement of Net Position** (Point in Time)
 - Assets (Capital Assets/Restricted Assets/Long-Term Investments)
 - Liabilities & Net Position (Bonds/Accounts Payable/Net Position)
- **State of Cash Flows** (Over Time)
 - Operations/Non-Capital Financing/Capital Financing/Investing Activities

Net Position

Cash Balance

Municipal Debt

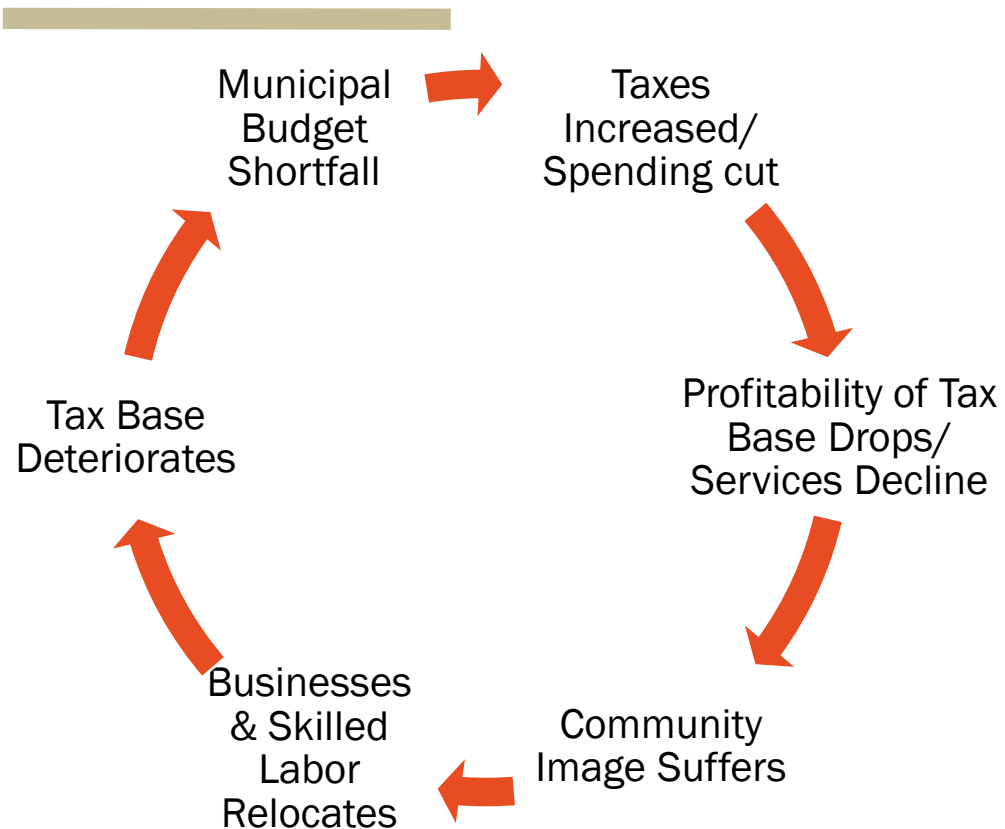
Types of Municipal Bonds



	Moody's	S&P	Fitch	Rating Description
Investment grade	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	High grade
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Upper medium grade
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Lower medium grade
	Baa2	BBB	BBB	
Baa3	BBB-	BBB-		
Non-investment grade	Ba1	BB+	BB+	Speculative
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Highly speculative
	B2	B	B	
	B3	B-	B-	
	Caa1 & below	CCC+ & below	CCC & below	Extremely speculative/ Default

Source: Moody's, S&P and Fitch.

A Vicious Cycle



Why does this matter?

- Limited resources require thoughtful allocation (highest and best use)
- Understand the taxes and fees impacting your businesses
- Understand how the funds in your community are performing
- What are the long-term trends and risks to your community
- Be the best advocate for your businesses

MONEY MATTERS



INFRASTRUCTURE



PUBLIC SAFETY



STORMWATER



TRANSPORTATION



GOVERNMENT



HEALTH



HOUSING



UTILITIES



PARKS & RECREATION

Municipal Challenges

- Changes to State & Federal Funding
- Aging/Deteriorating Infrastructure
- Housing Affordability
- Persistent Inflation (Wages)
- Competing priorities
- Workforce Constraints





Economic Development

How do Economic Developers apply this information?

Competing Demands

GOALS

- Grow/diversify a community's tax base
 - Sales/Use/Lodging Taxes
 - Property Taxes
- Create & Retain Jobs
- Improve Quality of Place
- Spur/Incentivize Investment
- Strengthen Community & Improve Long-Term Resiliency

COSTS

- Increased users increases the Demands on Infrastructure
- Incentives divert public resources
- Spurring development requires investment
- Long-term investments require patience & good communication

Be “The Person” in your Community

- Understand how your community is positioned (resources available and how to deploy)
- Understand how changes to your tax code will impact your businesses (directly and indirectly)
- Advocate for changes that help improve the metrics businesses care about in your community
- Communicate changes to tax policy and tailor messaging to highlight benefits (direct and indirect)
- **Relevant, concise, timely, thoughtful**

Business leaders report **effective communication** leads to:



64%

Increased productivity



51%

Boosted customer satisfaction



49%

Raised employee confidence

Meanwhile, **poor communication** leads to:



40%

Decreased productivity



37%

Extended timelines



32%

Increased costs