

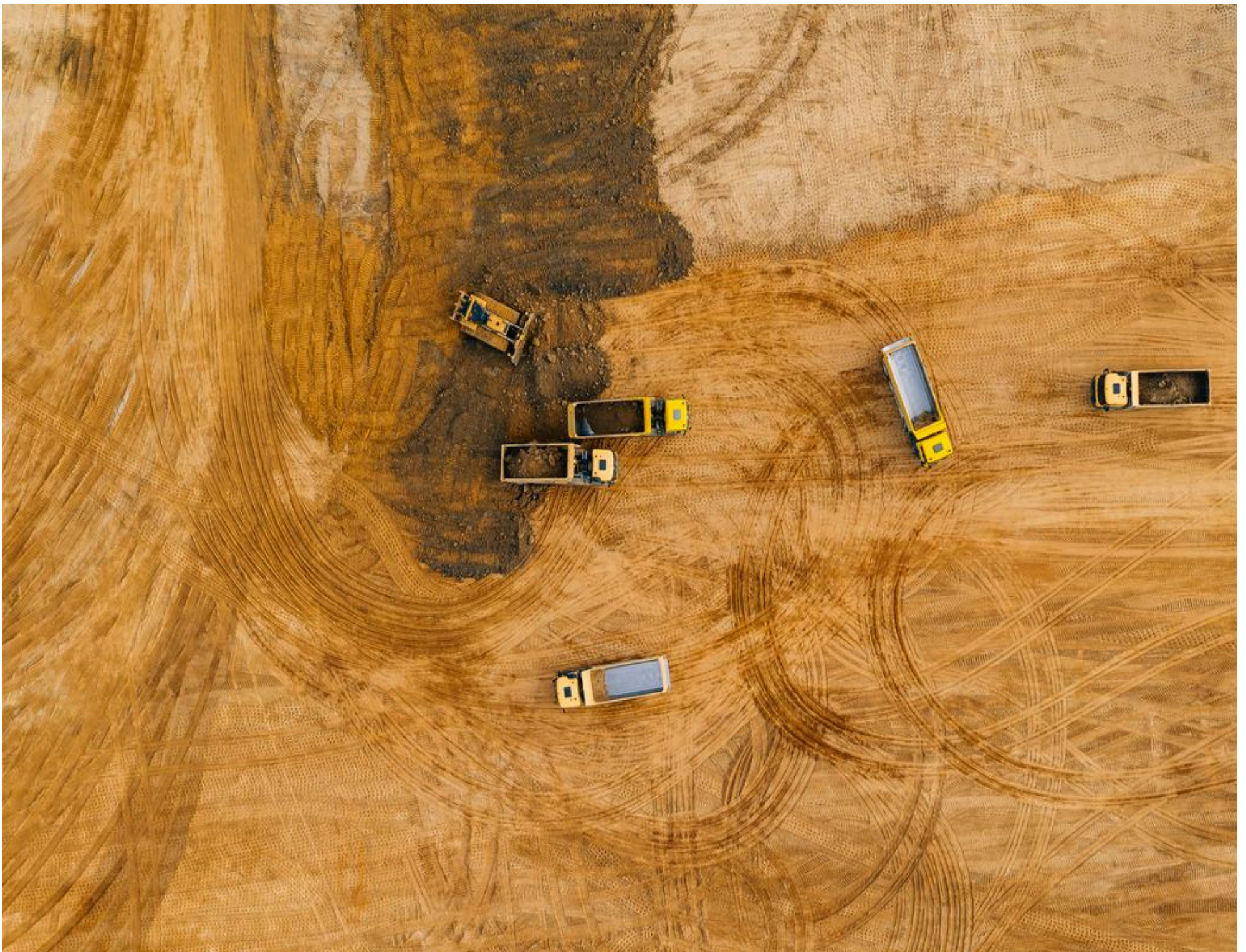
# TENNESSEE INFRASTRUCTURE FINANCING OPPORTUNITIES INFRASTRUCTURE DEVELOPMENT DISTRICTS



## Background

Infrastructure Development Districts (“IDDs”) were introduced by Senate Bill (“SB”) 2315 in May 2024, and further refined by SB 26 (2025), to address the need for new residential and related development in the State of Tennessee. IDD allow cities and counties (“Jurisdiction(s)”) to levy assessments and issue bonds to finance public infrastructure that benefits residents within the IDD.

IDDs allow Jurisdictions to issue long-term, tax-exempt bonds (“IDD Bonds”) secured solely by the special assessments levied against all benefiting property within the IDD, with no recourse to the Jurisdictions. IDD bonds can be issued early in the development cycle to finance the construction and/or reimbursement of IDD eligible public facility costs.



## Benefits of IDD Financing

- As IDD Bonds are sized on the fair market value of the property to be developed, IDD Bonds may be issued early in the development process and be used to finance and construct public infrastructure using IDD bond proceeds.
- IDD Bonds can be used to reimburse or pay construction draws from bond proceeds.
- IDD Bonds are issued on a tax-exempt basis, with assessment liens passed on to end-users, lowering the overall financing and public facility costs.
- Assessments are fixed liens on the property and do not change with home value appreciation.
- Assessments may be amortized over 30 years.
- Assessments may be prepaid in whole or in part at any point in time.
- Administrative expenses are included as part of the annual assessment payment.
- Nonpayment of IDD assessments by one property owner does not financially impact other property owners.
- IDD Bonds do not impact the Jurisdictions statutory debt capacity or credit rating.

## Eligible Public Facilities

- Streets, roads, bridges, sidewalks, parking
- Water
- Wastewater
- Storm water
- Natural gas\*
- Electric\*
- Telecommunications\*
- Soft costs related to the construction of the public infrastructure
- Impact fees or costs imposed by a Jurisdiction
- Land donated to a Jurisdiction for public infrastructure

\*Tax-exempt bonds cannot be issued for these purposes, as they are owned by private utility companies

# Market Driven Bond Sizing Analysis™

## Example: Public Improvement District Bond Sizing

Description	Total	Phase 1	Phase 2	Phase 3
<b><u>Bond Proceeds</u></b>				
Gross Bond Amount	\$ 36,078,709	\$ 10,432,398	\$ 13,692,522	\$ 11,953,789
Cost of Issuance (1)	\$ (1,803,935)	\$ (521,620)	\$ (684,626)	\$ (597,689)
Underwriter Discount (2)	\$ (1,082,361)	\$ (312,972)	\$ (410,776)	\$ (358,614)
Capitalized Interest (12 Months)	\$ (2,345,116)	\$ (678,106)	\$ (890,014)	\$ (776,996)
Reserve Fund (3)	\$ (2,795,176)	\$ (808,244)	\$ (1,060,820)	\$ (926,113)
IDD Administrative Expense	\$ (120,000)	\$ (40,000)	\$ (40,000)	\$ (40,000)
<b>Est. Net Bond Proceeds</b>	<b>\$ 27,932,120</b>	<b>\$ 8,071,456</b>	<b>\$ 10,606,287</b>	<b>\$ 9,254,377</b>
Total Lots (4)	1,050	300	400	350
<b>Average Lien Per Lot</b>	<b>\$ 34,361</b>	<b>\$ 34,775</b>	<b>\$ 34,231</b>	<b>\$ 34,154</b>
<b>Net Bond Proceeds Per Lot</b>	<b>\$ 26,602</b>	<b>\$ 26,905</b>	<b>\$ 26,516</b>	<b>\$ 26,441</b>
<b><u>IDD Cashflow Summary</u></b>				
Total Cost of IDD Eligible Improvements (5)	\$ 35,800,000	\$ 10,500,000	\$ 13,400,000	\$ 11,900,000
Net Bond Proceeds	\$ 27,932,120	\$ 8,071,456	\$ 10,606,287	\$ 9,254,377
<b>Developer Contribution to IDD Eligible</b>	<b>\$ 7,867,880</b>	<b>\$ 2,428,544</b>	<b>\$ 2,793,713</b>	<b>\$ 2,645,623</b>
Total Cost of Non-IDD Eligible Improvements	\$ 3,252,602	\$ 1,023,815	\$ 1,134,705	\$ 1,094,082
<b>Total Developer Contribution</b>	<b>\$ 11,120,482</b>	<b>\$ 3,452,359</b>	<b>\$ 3,928,418</b>	<b>\$ 3,739,705</b>
<b><u>Property Tax Rate</u></b>				
Current Property Tax Rate (6)	\$ 1.767	\$ 1.767	\$ 1.767	\$ 1.767
IDD Tax Rate Equivalent	\$ 2.694	\$ 2.694	\$ 2.694	\$ 2.694
Est. IDD Admin Expense Tax Rate Equivalent	\$ 0.039	\$ 0.039	\$ 0.039	\$ 0.039
<b>Est. Total Equivalent Property Tax Rate</b>	<b>\$ 4.500</b>	<b>\$ 4.500</b>	<b>\$ 4.500</b>	<b>\$ 4.500</b>
<b><u>Homeowner Property Tax Payment</u></b>				
Weighted Average Home Price (4)	\$ 395,238	\$ 400,000	\$ 393,750	\$ 392,857
Assessed Value of Home (7)	\$ 98,810	\$ 100,000	\$ 98,438	\$ 98,214
Current Property Tax Annual Payment per Unit	\$ 1,746	\$ 1,767	\$ 1,740	\$ 1,736
Est. Annual Total District Payment per Unit	\$ 2,700	\$ 2,733	\$ 2,690	\$ 2,684
<b>Est. Net Annual Property Payment per Unit</b>	<b>\$ 4,446</b>	<b>\$ 4,500</b>	<b>\$ 4,430</b>	<b>\$ 4,420</b>

**Footnotes:**

1. Cost of Issuance assumes a 1.5% fee for the financial advisor, 1.5% fee for bond counsel, 1% fee for the Jurisdictional attorney, and a 1% fee for other professional fees.
2. Assumes an underwriter discount of 2% and an underwriter council fee of 1%.
3. Equal to the lesser of the maximum principal and interest due on any fiscal year, 10.0% percent of the original par amount of the bond, or 125 % of the average annual debt service.
4. Per Developer.
5. Per Developer's Opinions of Probable Costs dated XX.
6. Per XYZ Tennessee County Appraisal District 20XX--20XY Property Tax Rates.
7. The Assessed Value of residential properties in Tennessee is 25% of the market value per state law.

## Launch Professional Services

### A. The Planning Phase

- Discuss and understand client's financing goals and objectives using The Project DOS Conversation™.
- Prepare the Eligible Cost and Fee Analysis™.
- Obtain property tax rates of competitive projects.
- Identify all taxes and assessments that are anticipated to be included on the subject property's tax bill.
- Determine appropriate tax rates and apportionment methodology.
- Estimate the project's IDD bonding capacity given the client's financing goals and objectives using The Market Driven Bond Sizing Analysis™.
- Identify land to be included within the IDD proposed boundaries.
- Perform The RED Analysis™ (Reduce, Eliminate, Defer).
- Create cashflow and proforma analysis illustrating the impact of IDD financing.
- Make suggestions related to IDD bond phasing.
- Estimate the date on which IDD bonds are expected to be issued in order to comply with issuer's value to lien requirements.
- Resolve value to lien constraints.
- Estimate IDD carrying costs of IDD special assessments on master developer and merchant builders.
- Outline The Project Path & Plan™.
- Prepare The Finance Plan™ outlining the client's proposed relevant financing information and present to the Jurisdiction.
- Prepare and/or comment on IDD criteria for inclusion in development agreements and/or purchase and sales agreements.

### B. The Implementation Phase

- As may be required, include favorable IDD financing language in the development agreement
- Prepare and utilize The Project Financing Checklist™.
- Review assessment methodology and propose assessment role as may be required by the Jurisdiction.
- Assist with filing reports with the Department of Real Estate related to the proposed IDD.
- Prepare IDD Boundary Map.
- Prepare or review assessment methodology consistent with client's financing goals and objectives.
- Prepare timelines and assign roles and responsibilities for IDD formation and/or bond issue.
- Review Deposit and Reimbursement Agreement (if required).
- Review and edit IDD Financing Agreement and/or IDD Reimbursement Agreement.
- Estimate development impact fee credits as the result of IDD financing of certain public facilities that may be contained within the Jurisdiction's impact fee program.
- Determine financial impact of negotiation issues.
- Assist in negotiating IDD related issues.
- Assist in assembling information for the appraiser and/or market consultant.
- Review and critique appraisals and market reports.
- Compile information necessary for the Preliminary Official Statement.
- Review bond documents for clarity of financial matters.

### C. The Administrative Phase

- Assist in preparation of bid packages.
- Assist in establishment of job cost and reimbursement process.
- Track and assemble information necessary for the processing reimbursement requests utilizing The Launch Reimbursement System™ (LRS).
- Monitor status of all company special districts through The Launch Control Matrix™.
- Process reimbursement requests utilizing the LRS.
- Verify accuracy of property tax bills and assessment billings.
- Perform developer continuing disclosure obligation.

