

# Air Base Redevelopment

---

HISTORY, CURRENT STATUS AND FUTURE DIRECTION



# Purpose of the Redevelopment Plan

---

To satisfy the statutory requirements of the Enabling Act...

- to coordinate development plans among various owners of property,
- to establish redevelopment objectives,
- to define redevelopment projects, estimate project costs, identify possible sources of financing, and
- to provide the basis for tax increment financing as a means for funding *public infrastructure to support* redevelopment plans & projects\*

---

\* Tax increment funding is ***never used to build private projects***, but is used ***to allow the City to build the public infrastructure that supports the private redevelopment*** of the subject property. It allows the City to finance public infrastructure costs in order to facilitate redevelopment and economic integration of the property.

# What is Tax Increment Financing?

---

- ❖ Tax values of subject property are frozen at a point in time.
- ❖ All overlapping taxing districts continue to receive tax revenue arising from the values on books at that time.
- ❖ Tax revenue arising from property added to the rolls (the “incremental taxes”) from that time forward is dedicated to financing of public infrastructure to support redevelopment in the district.
- ❖ Tax increment revenue bonds may be used to finance projects, with the incremental taxes being pledged for debt service on the bonds issued to pay redevelopment costs.
- ❖ Revenues exceeding the annual debt service can be used to support other redevelopment projects on a pay-as-you-go basis.
- ❖ When all legal and contractual obligations are met, and the planned projects are completed or budgeted for, surplus revenues may be distributed to the taxing districts in proportion to their shares of the total tax levy for the district.

# Recitals of Plan History

---

- 1992
  - Base closure decision, US Government
- 1993
  - Creation of enabling act designating closed military bases as Tax Increment Districts in South Carolina,
- 1994
  - Creation of Base Redevelopment Authority
- 1998
  - Redevelopment Authority adopts its Redevelopment Plan
- 2005
  - Adoption and Amendment of the Redevelopment and Financing Plan, including Market Common plan for residential and commercial uses and a Community School
  - Series A Bonds issued w/ final maturity in 2036; **Series B with indefinite maturity**
- 2006
  - Tax Increment begins; Taxing district continue to receive taxes based upon December 2004 (Tax year 2005) values
- 2010
  - 2010 Amendment allowed for further development of Grand Park and contribution of \$2.5 million toward the public infrastructure for the \$3.58 million International Technology and Aeronautics Park (ITAP), Phase I.

# Tax Increment Financing Districts, 2005 Plan & TIF Bonds, 2006 and 2010

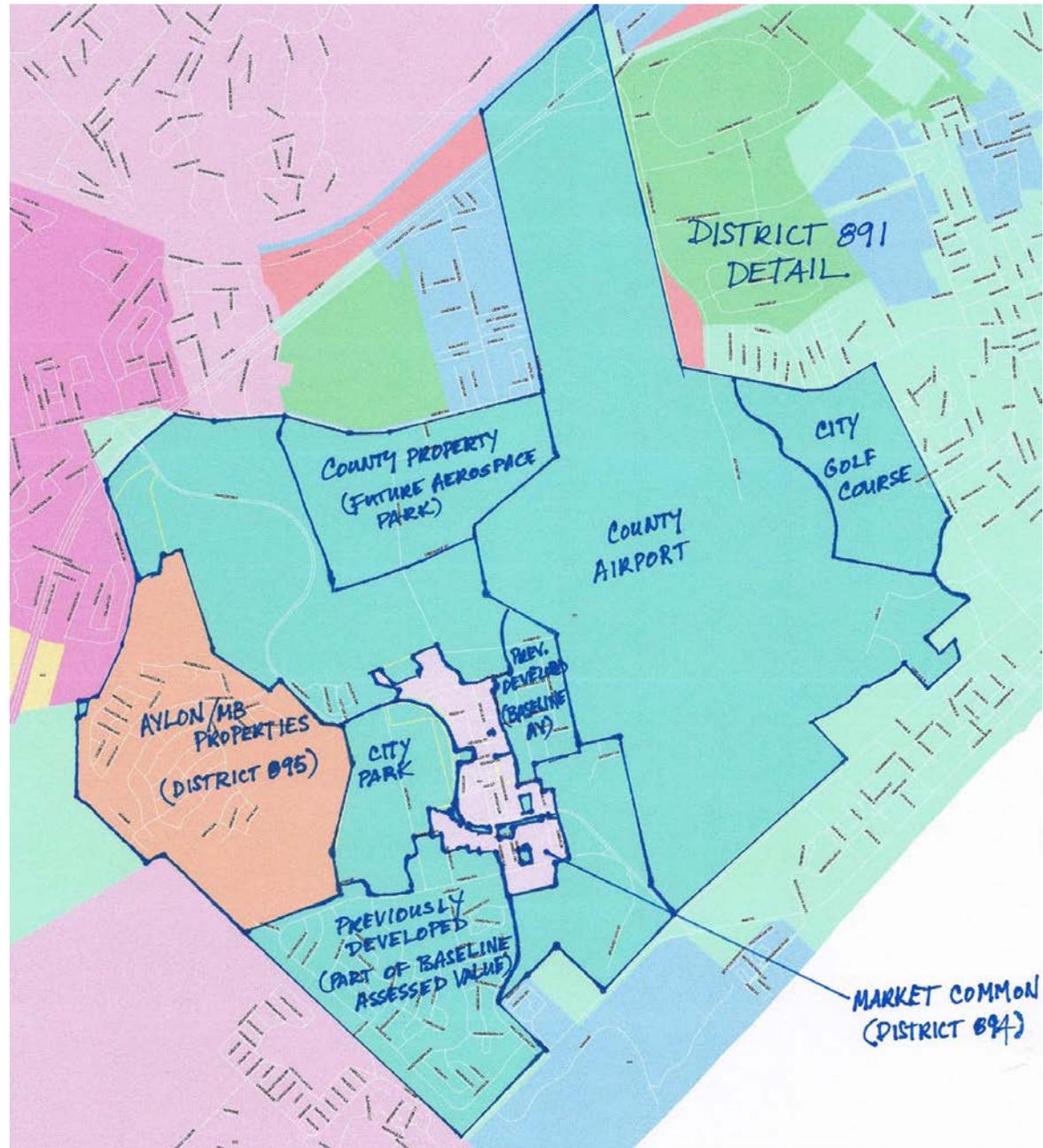
Revenue arising from Baseline Assessed Value is paid annually to the overlapping taxing districts.

Incremental revenue on new development can be used to leverage debt for public improvements.

Based upon its own risk assessment, City agreed to

- finance ~\$24 mm in public infrastructure improvements plus transaction costs with Series 2006A TIF Bonds, but...
- required the remainder of the financing (\$10.05 million Series 2006B) to be contingent upon sufficient revenue from the Market Common and Aylon properties (districts 894 & 895).

Incremental revenue from other parts of the district were not pledged to the 2006 bonds, but were pledged to the Series 2010 issue.



# Goals of the Redevelopment Plan

---

**The 1998 Redevelopment and Financing Plan identified six goals in devising and implementing the Plan:**

1. To enhance the economy and tax base of local government through the private development and redevelopment of former Air Force Base properties;
2. To create new jobs and enhance the economic health of the community through diversification of the economic base;
3. To support the continued growth and development of the Myrtle Beach International Airport;
4. To integrate the former Air Force Base properties into the fabric of the surrounding community through new and improved roadway extensions and expansions of utility systems, drainage systems, pedestrian systems, public safety programs and facilities, parks and recreation improvements and other systems and programs serving the public.
5. To demonstrate new models of urban development designed to limit reliance on automobiles, encourage pedestrian activities, protect the environment and preserve open space; and
6. To enhance the community's image and market position as a premier resort destination, residential community, and business center.

# Progress and its consequences

---

Redevelopment was slow initially—

- recession (2007),
- banking industry upheaval, collapse of market liquidity, tight credit, bankruptcy of a major property owner (2008-2011),
- reductions in property values (2010-2012).

As recovery gathered steam in 2011 forward activity picked up, first in cash sales, then to highly qualified borrowers.

Since that time, the rate of development, especially residential development, has increased to double digits; the City became a victim of its own success, with

- incremental demand for service from the district growing,
- incremental revenue tied up by the legal and contractual requirements with respect to the district,
- projects left in the plan that are no longer expected to be completed, but are impeding the declaration of surplus funds as long as they remain. \*

**In response to the challenge...**

---

\* SC Code Sec. 31-12-270(B) provides for distribution of funds declared surplus by resolution of the City and concurrence by the Redevelopment Authority after obligations have been retired and redevelopment project costs have been paid or budgeted pursuant to the redevelopment plan.

# Strategies

---

In 2015-16, City developed strategies for overcoming the challenge

- ✓ Refund the existing debt as the market allows (completed 9/2016);
- ✓ At refunding, consolidate the three districts into a single Air Base Redevelopment TIF District under new Bond Documents (completed 9/16);
- ✓ Facilitate the Authority's amendment of the redevelopment plan as the City is empowered to do (SC Code 31-12-80(A)(d)) (completed 6/18);
- Concur in redevelopment plan to allow for the declaration of surplus funds for distributions to the taxing districts (proposed for 7/18).
- Issue any new tax increment debt before December 2020 (proposed for fall 2018).
- Begin annual distribution of surplus funds to taxing districts (proposed for fall 2018)

# Implementation:

Refund existing debt and consolidate TIF districts into a single district under more favorable bond documents

---

In 2016, City refunded all previous Tax Increment Revenue Bonds by issuance of its \$43,280,000 Tax Increment Revenue Refunding Bonds (Myrtle Beach Air Force Base Redevelopment Project Area), Series 2016 (the “Series 2016 Bonds”)

The refinancing accomplished several things:

- \$12.64 million savings in future cash flows; \$9.17 million at net present value
- Put the outstanding Series B debt on a definite repayment schedule
- Allowed for consolidation of three TIF districts into one, making possible:
  1. Issuance of new debt for public infrastructure to support completion of redevelopment projects;
  2. Rehabilitation, reconstruction, repair or remodeling of redevelopment projects (SC Code 31-12-30(8)(c));
  3. Use of capital projects fund money for smaller pay-as-you-go projects; and
  4. **Distribution of Surplus Funds to the taxing jurisdictions**

# Review of the 2017 Amendment with County & School District

---

- Chairman of School District objected to removal of \$20 million school project from the plan. The Market Common plan shows a two-story Community School to serve a largely pedestrian population consistent with goals number 4 & 5 of the Redevelopment Plan.
  - District has informed us it has no new school either located in the Redevelopment District or serving the District in its Capital Improvement Plans.
  - Window for issuing new debt closes in December 2020.
  - Cash funding \$20 million for a new school at a date to be determined later reduces the distribution of funds to all jurisdictions when the district could use its distributions to fund schools where they are really needed.
- County objected to any issuance of new debt and wanted Authority & City to consider applying all revenue to debt retirement to extinguish debt and dissolve district as soon as possible.
  - This would allow for no further redevelopment work and no funding for rehabilitation, renewal, replacement & repairs to existing projects, except at the City's own expense.
  - None of the three entities would receive any distribution of funds for operations until FY2023 at the earliest.
  - City is not in a position to do this, as (1) it ignores the statutory purpose of the Redevelopment Authority, and (2) this would amount to starving City operations that are required to deliver services to the District.

# Modifications in the proposed 2018 Amendment (vs 2017)

---

1. Reduce amount of new debt from \$25 mm to \$15 mm
2. Limit the term of new debt to coincide with final maturity of existing debt. This would keep the dissolution date of the district at 2036 or earlier, pending revenue growth.
3. Lengthen term between milling & repaving projects to 15, rather than 9, years (mill and repave twice rather than 3 times between 2018 and 2036).
4. Reduce funding for Grand Park Linear Extension from \$1.5 million to \$0.5 million, given that we have secured other funding for the project.
5. Reduce pay-as-you-go capital project funding by \$12 million by foregoing the Grand Park Phase V project or by seeking funding for it from other sources.
6. As a result,
  - a) **About \$950,000 in annual funding vs. \$1.5 million (after 2018) would be set aside for RRR&R projects, and**
  - b) **Annual estimated distributions of surplus funds begin in 2018 (after October 1) to the City (\$1.3 million), County (\$890,000) and Schools (\$2.2 million).**
  - c) A smaller initial distribution can be made from funds on hand once City Council has concurred in the plan amendment.

# Comparison of estimated surplus funds, 2020-2036

---

## 2017 REDEVELOPMENT PLAN AMENDMENT

TOTAL DISTRIBUTIONS (MILLIONS) BEGINNING FY2020

Entity	Amount
City of Myrtle Beach	\$27.7
Horry County	18.7
Horry County Schools	47.6

## 2018 REDEVELOPMENT PLAN AMENDMENT

TOTAL DISTRIBUTIONS (MILLIONS) BEGINNING FY2018

Entity	Amount
City of Myrtle Beach	\$42.5
Horry County	28.7
Horry County Schools	73.0