



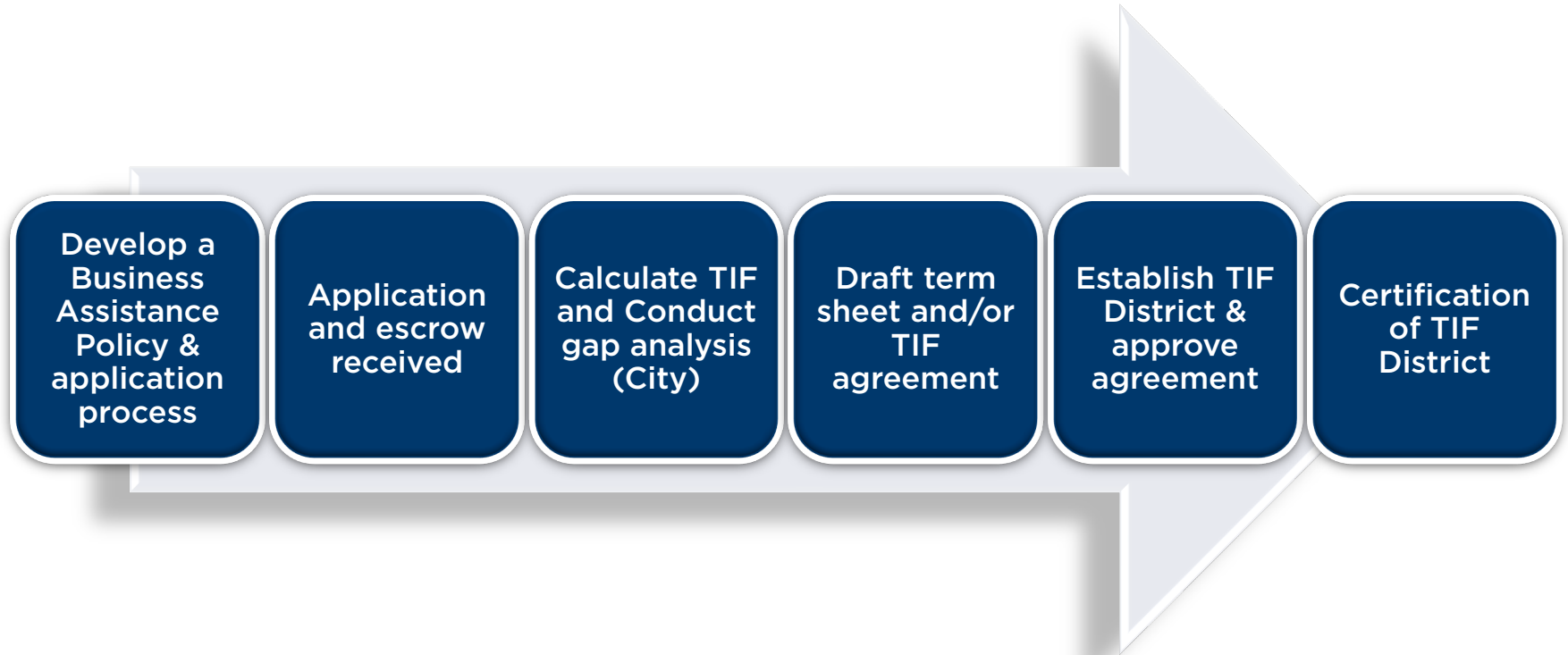
TIF 201

Applied Tax Increment Financing

Session Goals

- Use actual case study & follow it through steps/ processes comprising a typical TIF project (*PAYGO = main example*)
- Understand how to follow & process projects from a staff perspective
- Dig deeper into “mechanics” & details that come along with administering TIF projects
- Leave with understanding how to apply TIF for projects in your community

TIF Project Process Summary

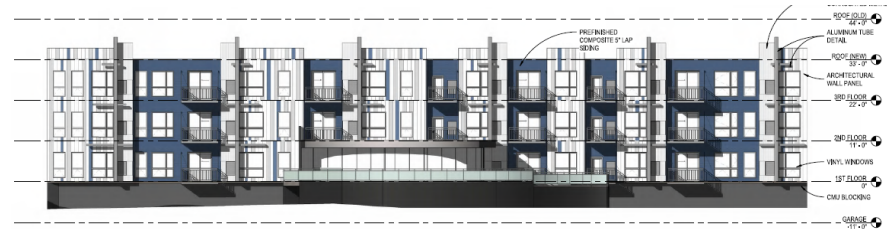


TIF Project Process Summary, continued...



The Project-Reeve at Lakeside: Robbinsdale

- 118-unit market rate rental project located on Twin Lakes
- Redevelopment of existing office building
- \$31 million total development cost
- Developed by Reuter Walton



Business Assistance: Policy & Application

- Policy prepared in advance working with community and elected officials
 - ✓ Required per MN statues 116J.993 – 116J.995
 - ✓ Often the outcome of economic development planning
- Application for assistance
 - ✓ Establishes a formal process for review and requires developer to submit necessary information to evaluate request
- Include developer fee policy: Developer covers cost of TIF related items

Developer Application

- Includes project details
 - ✓ Site information
 - ✓ Full set of financial projections (pro forma)
 - ✓ Site plan, building elevations, floor plans, amenities, materials
 - ✓ Identification of financial need
- Developer submits fee, or escrow, with application
 - ✓ Fee covers third party costs for review & implementation

Calculation of TIF: Tax Rates & Base Value

ASSUMPTIONS AND RATES

District Type:	Redevelopment
District Name/Number:	
County District #:	
First Year Construction or Inflation on Value	2021
Existing District - Specify No. Years Remaining	
Inflation Rate - Every Year:	0.00%
Interest Rate:	3.75%
Present Value Date:	1-Aug-22
First Period Ending	1-Feb-23
Tax Year District was Certified:	Pay 2021
Cashflow Assumes First Tax Increment For Development	2023
Years of Tax Increment	26
Assumes Last Year of Tax Increment	2048
Fiscal Disparities Election [Outside (A), Inside (B), or N/A]	Inside(B)
Incremental or Total Fiscal Disparities	Incremental
Fiscal Disparities Contribution Ratio	31.8446% Pay 2021
Fiscal Disparities Metro-Wide Tax Rate	139.5040% Pay 2021
Maximum/Frozen Local Tax Rate:	124.538% Pay 2021
Current Local Tax Rate: (Use lesser of Current or Max.)	124.538% Pay 2021
State-wide Tax Rate (Comm./Ind. only used for total tax)	35.9780% Pay 2021
Market Value Tax Rate (Used for total taxes)	0.24121% Pay 2021

Tax Rates	
Exempt Class Rate (Exempt)	0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)	
First \$150,000	1.50%
Over \$150,000	2.00%
Commercial Industrial Class Rate (C/I)	2.00%
Rental Housing Class Rate (Rental)	1.25%
Affordable Rental Housing Class Rate (Aff. Rental)	
First \$174,000	0.75%
Over \$174,000	0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)	
First \$500,000	1.00%
Over \$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)	
First \$500,000	1.00%
Over \$500,000	1.25%
Agricultural Non-Homestead	1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	10-118-21-33-0025	C&L Mgmt.	4600 Lake Road	808,000	812,000	1,620,000	100%	1,620,000	Pay 2021	C/I Pref.	31,650	Rental	20,250	1
				808,000	812,000	1,620,000		1,620,000			31,650		20,250	

NOTE:

1. Base values are for pay 2021 based upon review of County website on 3-25-21.
2. Located in SD #281 and WS #8

Calculation of TIF: Valuation Assumptions

PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2021	Percentage Completed 2022	Percentage Completed 2023	Percentage Completed 2024	First Year Full Tax Payable
1	Apartments	205,000	205,000	118	24,190,000	Rental	302,375	2,563	25%	100%	100%	100%	2024
TOTAL					24,190,000		302,375						
Subtotal Residential				118	24,190,000		302,375						
Subtotal Commercial/Ind.				0	0		0						

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apartments	302,375	0	302,375	376,572	0	0	58,349	434,920	3,685.77
TOTAL	302,375	0	302,375	376,572	0	0	58,349	434,920	

- Confirm assessed valuation potential
 - ✓ Similar projects
 - ✓ Conversations with local assessors
- Timing of construction
 - ✓ Affects when TIF will be collected

Cash Flows: What to Exclude?

TIF EXCLUSIONS	
Total Property Taxes	\$434,920
Less State-wide Taxes	0
Less Fiscal Disparity Adjustment	0
Less Market Value Taxes	(\$58,349)
Less Base Value Taxes	(\$25,219)
Annual Gross TIF	\$351,353

Cashflows: How It Ties Out

TAX INCREMENT CASH FLOW

% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD	Tax Year	Payment Date
												ENDING Yrs.		
100%	75,594	(20,250)	-	55,344	124.538%	68,924	34,462	(124)	(3,434)	30,904	29,777	0.5	2023	08/01/23
							34,462	(124)	(3,434)	30,904	59,006	1	2023	02/01/24
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	205,264	1.5	2024	08/01/24
							175,676	(632)	(17,504)	157,540	348,830	2	2024	02/01/25
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	489,754	2.5	2025	08/01/25
							175,676	(632)	(17,504)	157,540	628,084	3	2025	02/01/26
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	763,868	3.5	2026	08/01/26
							175,676	(632)	(17,504)	157,540	897,153	4	2026	02/01/27
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	1,027,984	4.5	2027	08/01/27
							175,676	(632)	(17,504)	157,540	1,156,408	5	2027	02/01/28
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	1,282,459	5.5	2028	08/01/28
							175,676	(632)	(17,504)	157,540	1,406,209	6	2028	02/01/29
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	4,430,668	22.5	2045	08/01/45
							175,676	(632)	(17,504)	157,540	4,496,456	23	2045	02/01/46
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	4,561,053	23.5	2046	08/01/46
							175,676	(632)	(17,504)	157,540	4,624,451	24	2046	02/01/47
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	4,686,682	24.5	2047	08/01/47
							175,676	(632)	(17,504)	157,540	4,747,768	25	2047	02/01/48
100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	4,807,730	25.5	2048	08/01/48
							175,676	(632)	(17,504)	157,540	4,866,588	26	2048	02/01/49
Total							8,852,745	(31,870)	(882,087)	7,938,787				
Present Value From 08/01/2022							5,426,857	(19,537)	(540,732)	4,866,588				
Present Value Rate							3.75%							

Project and Base Tax Capacities

Cashflows: What is Available?

TAX INCREMENT CASH FLOW														
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
100%	75,594	(20,250)	-	55,344	124.538%	68,924	34,462	(124)	(3,434)	30,904	29,777	0.5	2023	08/01/23
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100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	489,754	2.5	2025	08/01/25
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100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	763,868	3.5	2026	08/01/26
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100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	4,686,682	24.5	2047	08/01/47
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100%	302,375	(20,250)	-	282,125	124.538%	351,353	175,676	(632)	(17,504)	157,540	4,807,730	25.5	2048	08/01/48
							175,676	(632)	(17,504)	157,540	4,866,588	26	2048	02/01/49
Total							8,852,745	(31,870)	(882,087)	7,938,787				
		Present Value From 08/01/2022	Present Value Rate		3.75%		5,426,857	(19,537)	(540,732)	4,866,588				

City may retain 10% for administration

Amount available for financing gap

Pro Forma Analysis: How Much is Enough?

- Review developer's application & financial information to establish appropriate level of public assistance
 - ✓ *pro forma* analysis
 - ✓ Often referred to as “but for” test
- Ensure project qualifies for proposed type of assistance
 - ✓ Default format is Pay-As-You-Go
- Maximize **private** funding sources
- Minimize **public assistance** needed to make a project financially feasible

Pro Forma Analysis: How Much is Enough?

SOURCES			
	Amount	Pct.	Per Unit
First Mortgage	18,418,096	59.4%	156,086
TIF Mortgage	3,280,000	10.6%	27,797
Equity	9,299,184	30.0%	78,807
TOTAL SOURCES	30,997,280	100%	262,689

USES			
	Amount	Pct.	Per Unit
Acquisition Costs	2,450,000	7.9%	20,763
Construction Costs	24,764,701	79.9%	209,870
Professional Services	1,598,846	5.2%	13,550
Financing Costs	1,280,900	4.1%	10,855
Developer Fee	902,833	2.9%	7,651
TOTAL USES	30,997,280	100%	262,689

- Analysis confirmed that assumptions meet industry standards
- Developer seeking 7% yield on cost return for project
- Yield on cost without assistance was 4.8%
- \$3.28 million PAYGO get developer to 6.8% YOC
 - ✓ 15-year repayment

Term Sheet / TIF Agreement

- Specifies terms & conditions under which the municipality will pay increment collected in the TIF district to the developer
- Includes assistance identified through *pro forma* analysis
 - ✓ Drafted by City/EDA attorney with review, comment by developer
- Can start with Term Sheet as initial step
- Final agreement governs all obligations in the TIF project
- Is often drafted during the TIF district creation process

TIF Process: Notices



Notice to County
Commissioner 30
days prior to hearing
notice publication



TIF Plan with fiscal
impacts to County &
School Districts 30
days prior to public
hearing



Hearing notice
publication at least
10 days prior to
hearing

TIF Process: Public Hearing

- Council holds public hearing, considers resolution to adopt TIF plan
 - ✓ Type of district
 - ✓ But-for finding (from pro forma analysis)
 - ✓ District conforms to general development plan
 - ✓ Plan affords maximum opportunity for city's development needs



TIF Process: Certification

- Administrative step that informs the County, OSA & Department of Revenue that a new district exists
 - ✓ County will have all the specifics it needs to calculate & segregate increment for delivery to municipality
- Includes collection of resolutions, hearing notices, agreements & other items documenting actions
- All items sent to appropriate agencies

Commencement of Construction

- Construction may commence any time after public hearing is held for creation of the TIF district
 - ✓ Earlier commencement may open argument that the “but for” test was not met
- TIF agreement will specify a date for both commencement & completion of the project



Commencement & Completion

- Must complete project by date specified in TIF agreement
 - ✓ Typically, no TIF note issued until completion
- Completion is often defined by issuance of a certificate of occupancy
- Next steps are documenting qualified costs & issuance of TIF note



Commencement & Completion



Qualified Cost Documentation

- TIF may only be spent on qualified costs
- Costs must be verified & documented before issuance of any TIF note
 - ✓ Documented costs must be at least as much as the TIF note amount to issue full note amount
 - ✓ Documentation includes invoices for work performed & evidence of payment for that work
 - Settlement statement works for property acquisition
 - AIA draw documents typical for other costs

Issuance of TIF Note

- Conditions of issuance specified in TIF agreement, typically:
 - ✓ Project is complete
 - ✓ Qualified costs are documented
 - ✓ Developer financing rate is confirmed
 - ✓ All City admin. costs are paid
 - ✓ Other special provisions (project specific)
- Often approved & issued by resolution of council/EDA

UNITED STATE OF AMERICA STATE OF MINNESOTA HENNEPIN COUNTY ROBBINSDALE ECONOMIC DEVELOPMENT AUTHORITY	
No. R.1	\$3,280,000
TAXABLE TAX INCREMENT REVENUE NOTE SERIES 2023A	
<u>Rate</u>	<u>Date of Original Issue</u>
3.5%	_____
<p>The Robbinsdale Economic Development Authority ("REDA"), for value received, certifies that it is indebted and hereby promises to pay to 4600 Lake Road Group, L.L.C. or registered assignee (the "Owner"), the principal sum of \$3,280,000 and to pay interest thereon at 3.5 percent per annum, as and to the extent set forth herein.</p> <p>1. <u>Payments.</u> Principal and interest ("Payments") will be paid on August 1, 2023, and each February 1 and August 1 thereafter to and including February 1, 2038 ("Payment Dates"), in the amounts and from the sources set forth in Section 3 herein. Payments will be applied first to accrued interest, and then to unpaid principal.</p> <p>Payments are payable by mail to the address of the Owner or any other address as the Owner may designate upon 30 days written notice to REDA. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.</p> <p>2. <u>Interest.</u> Interest shall be simple, non-compounding interest at the rate 3.5 percent per annum will accrue on the unpaid principal, commencing on the date of original issue. Interest will be computed on the basis of a year of 360 days and consisting of 12 30-day months.</p> <p>3. <u>Available Tax Increment.</u> Payments on this Note are payable on each Payment Date in the amount of and solely payable from "Available Tax Increment," which will mean, on each Payment Date, 90 percent of the Tax Increment attributable to the Redevelopment Property (defined as the Agreement) and paid to REDA by Hennepin County in the six months preceding the Payment Date, all as the terms are defined in the Contract for Private Redevelopment between REDA and Owner dated as of July 27, 2021 (the "Agreement"). Available Tax Increment will not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default by the Owner under the Agreement.</p> <p>REDA will have no obligation to pay principal of and interest on this Note on each Payment Date from any source other than Available Tax Increment, and the failure of REDA to pay the entire amount of principal or interest on this Note on any Payment Date will not constitute a default hereunder as long as REDA pays principal and interest hereon to the extent of Available Tax</p>	
8815155-8191311	2

Project is Complete & TIF Note Issued

Now what?...

...We wait until increment is received from the district to pay the TIF note!

Collection of Tax Increment

Hennepin County Tax Increment Finance Settlements
Taxes Payable 2021

Report No. 502RP02
ROBBINSDALE

TIF Project Number	TIF Project Name	May 2021	October 2021	November 2021	December 2021	Year To Date Total
1142	RBbs 2000-9					
	Current Tax:	4,142.75	4,142.75	0.00	0.00	8,285.50
	Delinquent Tax:	0.00		0.00	0.00	0.00
	Interest on Refund:	0.00		0.00	0.00	0.00
	Settlement Total:	4,142.75		4,142.75	0.00	8,285.50
	Less .36% TIF Fee:	14.91		14.91	0.00	29.83
	Total Amount Settled:	4,127.84		4,127.84	0.00	8,255.67
1143	Robbinsdale #13 Birdtown Flats					
	Current Tax:	152,615.80	152,615.81	0.00	0.00	305,231.61
	Delinquent Tax:	0.00		0.00	0.00	0.00
	Interest on Refund:	0.00		0.00	0.00	0.00
	Settlement Total:	152,615.80		152,615.81	0.00	305,231.61
	Less .36% TIF Fee:	549.42		549.42	0.00	1,098.83
	Total Amount Settled:	152,066.38		152,066.39	0.00	304,132.78

- ✓ County calculates and send increment to City
- ✓ Part of the semi-annual tax settlement
- ✓ Report will show how much of the settlement is TIF
- ✓ Confirm accuracy and then make PAYGO payments

Making Pay As You Go Payments

- Payments are made semi-annually; Defined in TIF agreement
 - ✓ Typically, on August 1, then February 1 in the following year
 - ✓ Payments are timed with county tax settlements
 - August 1 payment is made from the June tax settlement
 - February 1 payment is made from the December settlement
 - ✓ Important to confirm compliance with TIF agreement provisions before payment (income compliance, ongoing operating covenants)
 - ✓ Track payments to ensure no overpayment

Making Pay As You Go Payments

Maximum amount		\$4,200,000		Interest Rate		2.99%		
Note Issue Date		3/8/2021						
Final Payment		2/1/2038						
Date	Interest Due	Total Tax Increment Available	Tax Increment Available at 90.00%	Principle Paid	Cumulative Tax Increment Paid	Accrued Interest Balance	Note Balance	Year
8/1/2021	50,929.67	\$ 68,771.88	61,894.69	10,965.03	10,965.03	\$ 0	\$ 4,200,000.00	0.5
2/1/2022	64,017.76	\$ 68,772.29	61,895.06	0.00	72,860.09	2,122.70	\$ 4,189,034.97	1
8/1/2022	62,974.00	\$ 235,665.83	212,099.25	147,002.55	284,959.33	\$	\$ 4,042,032.43	1.5
2/1/2023	61,771.24	235,665.83	212,099.25	150,328.01	497,058.58	\$	\$ 3,891,704.42	2
8/1/2023	58,504.21	305,935.78	275,342.20	216,838.00	772,400.78	\$	\$ 3,674,866.42	2.5
2/1/2024	56,160.13	305,935.78	275,342.20	219,182.08	1,047,742.99	\$	\$ 3,455,684.34	3
8/1/2024	52,236.51	305,935.78	275,342.20	223,105.70	1,323,085.19	\$	\$ 3,232,578.64	3.5
2/1/2025	49,400.99	305,935.78	275,342.20	225,941.22	1,598,427.40	\$	\$ 3,006,637.42	4
8/1/2025	45,198.95	305,935.78	275,342.20	230,143.26	1,873,769.60	\$	\$ 2,776,494.17	4.5
2/1/2026	42,431.00	305,935.78	275,342.20	232,911.20	2,149,111.81	\$	\$ 2,543,582.96	5
8/1/2026	38,237.82	305,935.78	275,342.20	237,104.38	2,424,454.01	\$	\$ 2,306,478.58	5.5
2/1/2027	35,248.12	305,935.78	275,342.20	240,094.09	2,699,796.22	\$	\$ 2,066,384.50	6
8/1/2027	31,064.07	305,935.78	275,342.20	244,278.13	2,975,138.42	\$	\$ 1,822,106.36	6.5
2/1/2028	27,845.83	305,935.78	275,342.20	247,496.37	3,250,480.63	\$	\$ 1,574,609.99	7
8/1/2028	23,801.98	305,935.78	275,342.20	251,540.23	3,525,822.83	\$	\$ 1,323,069.77	7.5
2/1/2029	20,219.45	305,935.78	275,342.20	255,122.76	3,801,165.04	\$	\$ 1,067,947.01	8
8/1/2029	16,054.51	305,935.78	275,342.20	259,287.70	4,076,507.24	\$	\$ 808,659.31	8.5
2/1/2030	12,358.11	305,935.78	275,342.20	262,984.09	4,351,849.45	\$	\$ 545,675.22	9
8/1/2030	8,203.17	305,935.78	275,342.20	267,139.04	4,627,191.65	\$	\$ 278,536.18	9.5
2/1/2031	4,256.65	305,935.78	275,342.20	271,085.55	4,902,533.86	\$	\$ 7,450.63	10
8/1/2031	112.01	305,935.78	7,562.63	7,450.62	4,910,096.49	\$	\$ 0.00	10.5
TOTAL		5,809,784.14	4,961,026.15	4,200,000.00				

Let's Talk!



Your Presenters



Jason Aarsvold
Senior Municipal Advisor
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Keith Dahl
Municipal Advisor
kdahl@ehlers-inc.com
(651) 697-8539

Important Disclosures

Ehlers is the joint marketing name of the following affiliated businesses (collectively, the “Affiliates”): Ehlers & Associates, Inc. (“EA”), a municipal advisor registered with the Municipal Securities Rulemaking Board (“MSRB”) and the Securities and Exchange Commission (“SEC”); Ehlers Investment Partners, LLC (“EIP”), an SEC registered investment adviser; and Bond Trust Services Corporation (“BTS”), a holder of a limited banking charter issued by the State of Minnesota.

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