

NEW YORK--( [BUSINESS WIRE](#) )--Fitch Ratings has affirmed the 'A-' rating on the following bonds issued by the Orlando Community Redevelopment Agency, Florida (the CRA):

-- \$17,175,000 tax increment revenue refunding bonds (Conroy Road district), series 2012.

The Rating Outlook is Stable.

### SECURITY

Pledged revenues consist of tax increment revenues generated within the redevelopment area, appropriated by the taxing authorities, the city of Orlando and Orange County, and received by the CRA for deposit in the revenue account. The bonds are also secured by a cash-funded debt service reserve account (DSRA) which is funded at maximum annual debt service (MADS).

### KEY RATING DRIVERS

**RETAIL ORIENTED, CONCENTRATED PROJECT AREA:** The 'A-' rating reflects the limited scope of the pledge of tax increment revenue, derived from a project area with significant retail exposure and a very high level of taxpayer concentration.

**SIGNIFICANT INCREMENTAL VALUE:** Taxable assessed value (TAV) is comprised almost entirely of incremental value, which serves to lessen pledged revenue volatility typically associated with tax increment securities.

**IMPROVED COVERAGE:** Completion of a mall and an apartment property this year resulted in a strong gain in TAV and improved MADS coverage of 1.94x. TAV can decline

by almost 2x the actual loss experienced since the 2008-2009 recession before coverage falls below 1.0x. Future growth prospects are not significant though, given the well-established and nearly built out status of the redevelopment area.

**STRONG LEGAL PROVISIONS:** Additional debt issuance is limited to refunding purposes, eliminating leveraging risk to bondholders. Furthermore, the taxing authorities are required by state law to appropriate 95% of the incremental tax levy, regardless of actual receipts. The DSRA lends additional liquidity and protection against significant temporary TAV declines.

## RATING SENSITIVITIES

**DECLINE IN COVERAGE:** A sustained downturn in TAV and MADS coverage could result in negative rating action.

**HIGH CONCENTRATION:** Significant improvement in tax base concentration or MADS coverage is not expected, given the built out nature of the redevelopment area. This factor likely limits the potential for positive rating action.

## CREDIT PROFILE

The redevelopment area was created in 1991 by an ordinance of the city of Orlando. The redevelopment area encompasses 460 acres around the Interstate 4/Conroy Road interchange. The redevelopment area is largely developed, comprised of retail establishments supplemented by some commercial properties and a limited number of apartments.

## SUBSTANTIAL RETAIL PRESENCE AND HIGH CONCENTRATION

The redevelopment area exhibits a very high level of taxpayer concentration relative to

other tax increment revenue bonds rated by Fitch. The top 10 taxpayers account for 73.2% of the redevelopment area's fiscal 2014 TAV.

The Mall at Millenia (the mall) is the largest taxpayer in the redevelopment area representing 26.1% of TAV. The mall opened in 2002 and includes approximately 150 in-line stores and restaurants are embodied within the mall, including luxury retailers Chanel, Gucci, Louis Vuitton, Tiffany & Co., Burberry, and Cartier. The mall's anchor tenants are Macy's (IDR 'BBB' with a Stable Outlook), Bloomingdales, and Neiman Marcus. Taxpayer concentration from the mall increases to 33.5% including the three anchor stores, each of which owns its facility.

The high level of concentration is somewhat tempered by the solid performance of the mall. The mall is located off of I-4 and benefits from a high level of traffic associated with its proximity to downtown Orlando and Universal Studios Resort (each within five miles). Retail sales per square foot at the mall last year were very high, at \$1,100, according to data compiled by Cushman & Wakefield Regional, Inc. Total occupancy rates for retail and office properties within the redevelopment area are much improved from the recession at 98.5% and 88.1%, respectively, as of Q1'14. Fitch has not reviewed mall financials or rent rolls.

### IMPROVING TAV AND DEBT SERVICE COVERAGE

The redevelopment area TAV posted a very strong 14.1% increase to \$391 million in fiscal 2014. TAV had declined in each of the prior four years by an aggregate of 25.9%. The TAV increase is largely due to the final build-out of the Millenia Crossing mall and the 297-unit Estates at Millenia apartment property. Preliminary TAV data for fiscal 2015 depicts a modest 0.2% annual gain.

The large boost in TAV improves coverage of MADS to 1.94x from 1.72x at issuance. Coverage remains adequate relative to other 'A'-category tax increment revenue bonds rated by Fitch but does not sufficiently mitigate the very high taxpayer concentration risk in a manner that would allow a higher rating. The redevelopment area is very mature, limiting prospects for new construction growth. Management reports a potential hotel parcel but marginal other developable parcels.

## GOOD STRESS TEST PERFORMANCE

The redevelopment area performs well against several stress scenarios designed by Fitch. Foremost, Fitch measured the degree to which TAV can decline before coverage falls below 1.0x, finding that a TAV loss of almost 48% could be absorbed without a draw on the DSRA. This stress represents 184% of the actual loss experienced from fiscal 2009-2013. A loss of the mall and its anchor tenants would result in MADS coverage of 1.28x.

## SOUND TAX INCREMENT REVENUE STRUCTURE

Pledged tax increment revenues are generated from the levy of ad valorem taxes by the taxing authorities. Each entity's ad valorem tax rate is viewed as competitive to other peer cities/counties in Florida and well within the 10-mill statutory limit.

Pursuant to the Redevelopment Act (Part III of Chapter 163, Florida Statutes) on or before each Jan. 1 the taxing authorities are required to deposit in the redevelopment trust fund, which is held by the city on behalf of the CRA, an amount equal to 95% of the difference between the amount of ad valorem taxes levied in such fiscal year on the TAV within the redevelopment area and the amount that would have been generated by applying the then current millage rate to the base year TAV, regardless of the actual collection rate.

The redevelopment trust fund is not pledged, but the CRA covenants it shall cause all of the moneys held in the redevelopment trust fund to be transferred to the revenue fund pledged to bondholders. The CRA covenants to apply moneys held in the revenue fund, as received, to the payment of debt service coming due on the bonds on April 1 and Oct. 1 of each year before any other use. Residual tax increment revenues are required to be returned to the taxing authorities.

## NO ADDITIONAL NEW MONEY BONDS

Risk to coverage dilution is tempered by the inability to issue additional new money

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Written by Australian Business

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bonds. Refunding bonds are permitted to the extent they do not result in an increase in the annual debt service requirement in any bond year. The bonds mature on April 1, 2026 which is nine months prior to the expiration of the current redevelopment plan.

Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, IHS Global Insight and National Association of Realtors.

Applicable Criteria and Related Research:

-- 'Tax-Supported Rating Criteria' (Aug. 14, 2012);

-- 'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

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Tax-Supported Rating Criteria [http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686015](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015)

U.S. Local Government Tax-Supported Rating Criteria [http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=685314](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=685314)

Additional Disclosure

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