

*Downtown Columbia  
Summary of the Updated  
“But-For” Analysis*



## *Meaning of the “But For” Test*

The idea of the “but for” test is that a TIF should be provided only if, but for the County’s contribution to the costs of public improvements, the project would not be feasible.

There is a corollary to the “but for” test that the County contribution to public improvements should not exceed the amount necessary to make the project feasible.

## *How is “But For” Test Determined?*

There is both a quantitative and qualitative analysis:

- Qualitative analysis evaluates what is different about this project that requires public investment when many other projects do not.
- The quantitative analysis evaluates the developer’s pro forma to determine the rate of return with and without a TIF.
  - Without a market based return, the significant investment required for the development will not likely be made.

# *Quantitative Analysis*

## *TIF Approval*

The below table compares the project returns at the time of approval of the TIF.

<b>Phase I Assumption</b>	<b>Phase I “But For” Analysis</b>	
	<b>No-TIF</b>	<b>With TIF</b>
<b>Estimated Net Operating Income</b>	<b>\$33,054,376</b>	<b>\$33,054,376</b>
<b>Estimated Costs of Development</b>	<b>\$617,550,860</b>	<b>\$556,519,742</b>
<b>Estimated Rate of Return</b>	<b>5.35%</b>	<b>5.94%</b>
<b>Market Return*</b>	<b>6.50%</b>	<b>6.50%</b>

*\*Represents the estimated rate of return based on a review of market rates of return with the Howard County Office of the Maryland State Department of Assessments and Taxation and the PwC Real Estate Investor Survey for Fourth Quarter, 2015.*

## *Update of But For Analysis for First Series of Bonds*

- But for analysis is updated for first series of bonds
- Based on development that will support the first series of bonds
- Offering statement for bonds includes updated information on development that will support the bonds
- Update ensures amount of bonds being issued is required for the development that is supporting the bonds
- Also ensures incentives are not getting ahead of development

## *Quantitative Analysis First Series of Bonds*

The below table shows the estimated returns for the development that supports the first issuance of bonds.

<b>Assumption</b>	<b>Current Analysis</b>
<b>Estimated Net Operating Income</b>	<b>\$14,795,755</b>
<b>Estimated Costs of Development*</b>	<b>\$232,905,484</b>
<b>Estimated Rate of Return</b>	<b>6.30%</b>
<b>Market Return**</b>	<b>6.50%</b>

*\*Represents the development costs for building 10A, 10B, Area One Parking, building 30A and Area Three PI Garage excluding \$38,500,000 associated with the Series 2017 A bonds.*

*\*\*Market return represents the estimated rate of return based on a review of market rates of return with the Howard County Office of the Maryland State Department of Assessments and Taxation and the PwC Real Estate Investor Survey for Third Quarter, 2017.*