

**Briefing Bullets for County Council Legislative Session
July 8, 2016**

What is the purpose of the legislation we are proposing?

- Creation of TIF Development and Special Taxing District to support the funding of infrastructure improvements, as cited in the County's Downtown Columbia Plan adopted on February 1, 2010, necessary to support the 30-year development & redevelopment program for Downtown Columbia. Includes:
 - Funding of public parking garages necessary for high density, mixed-use development and events at Merriweather Post Pavilion, and
 - Funding of major collector roads and intersections, including integrated improvements such as water, sewer, and storm water.

What is Tax Increment Financing?

- Tax increment financing represents the cost of the infrastructure investment required to support development or re-development. Repayment of the debt issued for a tax increment financing project comes not from existing tax revenues but from the new tax revenues generated by the development built upon that infrastructure. The infrastructure will be owned by the County.

- The Downtown Columbia Plan proposes tax increment financing as a source for funding the public parking garages (p.63), street networks, and major intersections (p.39).

What is the purpose of the Special Taxing District?/Why is it needed?

- CR 105-2016: Will provide for the designation of contiguous property in the downtown Columbia area of Howard County as a tax increment financing development district and for the designation of a separate area within the Development District, to be known as the "Crescent Special Taxing District," as the first of three separate special taxing districts to be located within the Development District.

- Reference Maps

- CB 56-2016: Will provide for the levy and collection of a special tax on property within the Crescent Special Taxing District in the downtown Columbia area of Howard County, Maryland pursuant to the Rate and Method identified herein and empowering the County to issue up to \$90,000,000 of its special obligation bonds at a maximum interest rate not to exceed 12% per annum in order to finance or reimburse the cost of certain public improvements relating to the Special Taxing District and the Development District.

- In the event of a shortfall in the anticipated tax revenue, HHC is required, and must agree, to pay that shortfall in the form of the Special Tax. The creation of the Special Tax requires HHC to take responsibility for the development risks and provides a greater likelihood that HHC will proceed in accordance with the development plan and schedule.

What is the “But For Test”?

- The County’s Tax Increment Financing Guidelines require, “the proposed private development would not be economically feasible but for the establishment of a TIF District, and the financial assistance resulting from the TIF financing is limited to the amount required to make the development feasible;”
 - Our evaluation of HHC’s request for tax increment financing included the review of typical market returns for similar projects and included a discussion of market capitalization rates with the Maryland State Department of Assessments and Taxation.
 - We evaluated the estimated Developer’s returns under both a TIF and non-TIF scenario. Under the non-TIF scenario, the estimated rate of return was prohibitively lower than the market rate of return, to the extent that it would likely either preclude the private investment of a sophisticated developer or compel such a developer to build with less density, to limit costs of structured payment and to lower standards. Tax increment financing could potentially increase the rate of return to a level that would incentivize a developer to proceed with developing the Project in a manner that meets the requirements of the DCP.
 - Without the County’s infrastructure investment the development of Downtown Columbia would not proceed in an organized and comprehensive manner; the breadth and pacing of the development as presently envisioned would be less likely.

What is the “Look Back Provision”

- A “look-back” provision will be contained in the agreement with HHC. This means that HHC will submit audited statements to the County show profit earned from the development. The County and HHC will agree on a reasonable profit to be earned by HHC. The County and HHC will share in the excess profit (above the “reasonable profit”) which the County may use to pay down the TIF debt, thus reducing the time that the incremental revenues will be diverted from the General Fund.

What has HHC requested be financed through the TIF?

- Reference “Infrastructure Program Request from Howard Hughes Corporation” matrix.
 - Qualified Improvements are requested improvements that have been determined to be qualified under federal tax-exempt financing laws, consistent with State of Maryland and Howard County Tax Exempt Financing and Special District Taxing laws, and consistent with Howard County Government past development practices and history.
- The Qualified Improvements: Phase I STDs 1A&1B to be Financed by Bonds total **\$66,031,118**
Additional cost included in the total bonds to be issued for Phase I include:

Issuance costs	\$950,000
Underwriter’s discount	\$776,143
Capitalized interest	\$9,754,880
Reserve fund	\$7,936,259
Rounding	_____ \$600
Estimated total bonds required	\$85,449,001

Bond Authorization Request for Phase I \$90,000,000

- Reference “Development Plan Financing Summary for Improvement Program Request” matrix.

TIF-Related Capital Projects

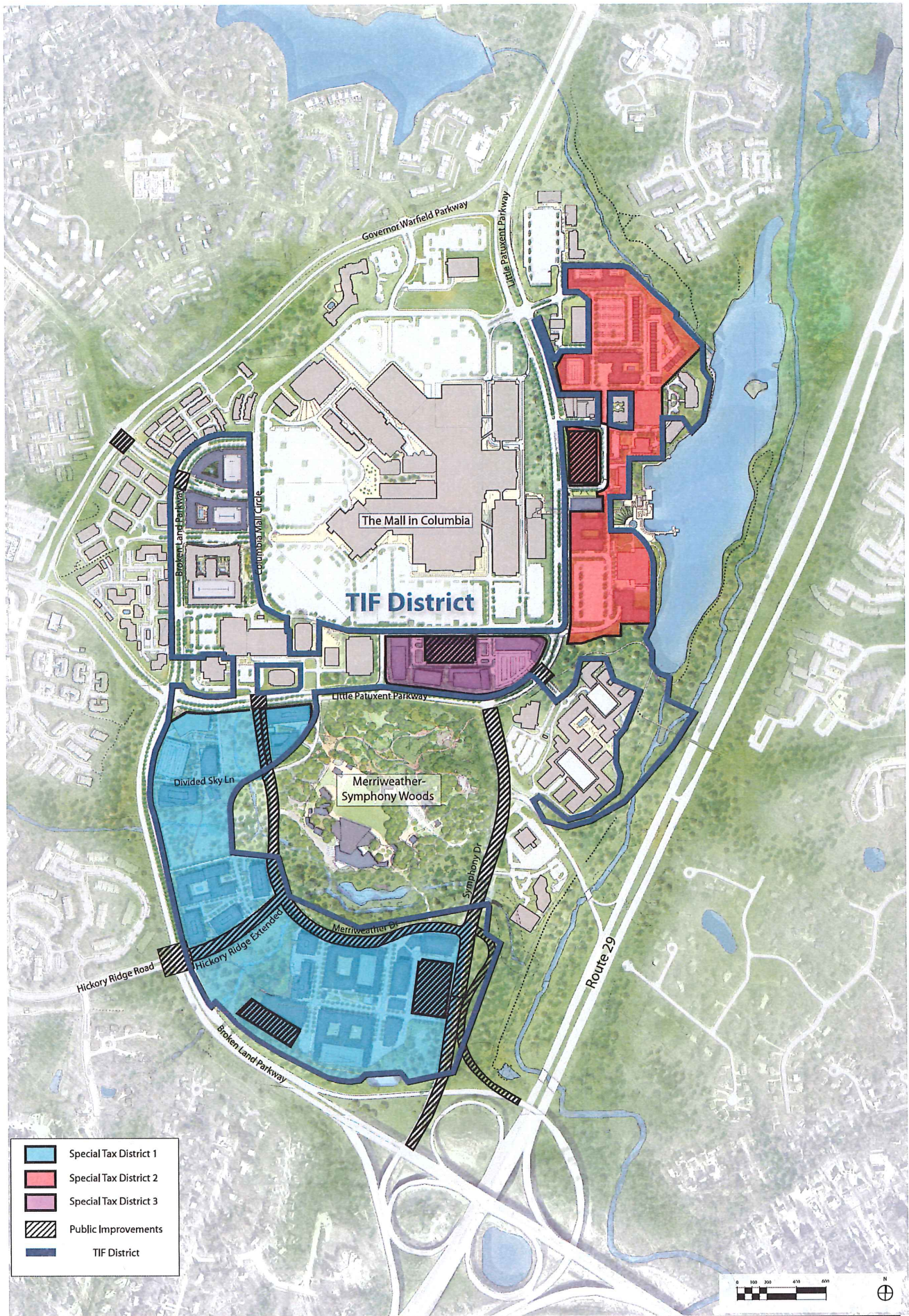
- The development effort will also drive the need for other non-TIF capital improvements within and proximate to the Downtown Columbia Development District included here with their estimated costs:

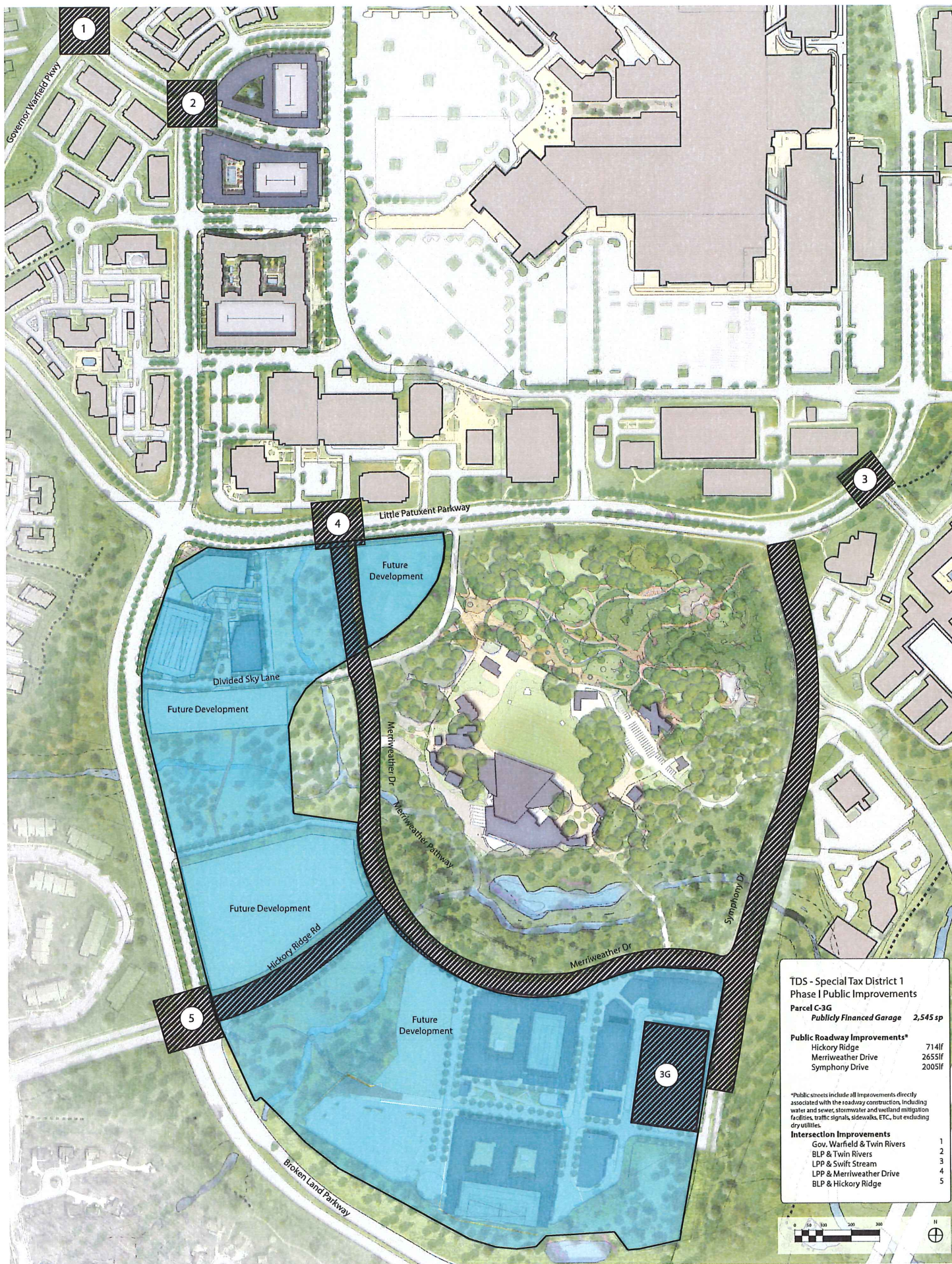
Fire Station	\$30,000,000
Library	\$40,000,000
Arts Center	\$20,000,000
Traffic Improvements	\$75,000,000
Transit Center	\$9,500,000
Elementary School	\$30,000,000

- These capital projects are planned to be directly funded from the additional tax revenues resulting from the Downtown Columbia development effort

Conclusion

- The legislative proposals before you present a comprehensive approach to the implementation of the Downtown Columbia Plan, providing necessary safeguards for taxpayers and County government, holding the Howard Hughes Corporation responsible for the affordable housing and financial obligations they agreed to during the Downtown Columbia Plan development and crafting a legal framework that will enable their implementation and enforcement.





TDS - Special Tax District 1
Phase I Public Improvements
Parcel C-3G
Publicly Financed Garage 2,545 sq

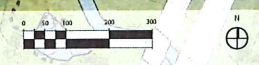
Public Roadway Improvements*

Hickory Ridge	714lf
Merriweather Drive	2655lf
Symphony Drive	2005lf

*Public streets include all improvements directly associated with the roadway construction, including water and sewer, stormwater and wetland mitigation facilities, traffic signals, sidewalks, ETC., but excluding dry utilities.

Intersection Improvements

Gov. Warfield & Twin Rivers	1
BLP & Twin Rivers	2
LPP & Swift Stream	3
LPP & Merriweather Drive	4
BLP & Hickory Ridge	5

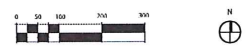




**TDS - Special Tax District 1
Phase I Development**

Parcel C-101	Office	204,000 sf
	Retail/Restaurant	9,000 sf
Parcel C-102	Office	125,000 sf
	Retail/Restaurant	5,000 sf
Parcel C-1G	Privately Financed Garage*	1,127 sp
Parcel C-3R2	Residential	315 units
	Retail/Restaurant	57,800 sf
	Privately Financed Garage	582 sp
Parcel C-3R3	Residential	436 units
	Retail/Restaurant	47,600 sf
	Privately Financed Garage	963 sp
Parcel C-3Park	Civic/ Recreation	25,000 sf
	Retail/Restaurant	6,810 sf
Parcel C-3O1	Office	323,000 sf
	Retail/Restaurant	24,000 sf
Parcel C-3O2	Office	311,000 sf
	Retail/Restaurant	12,000 sf
Parcel C-3G	Retail/Restaurant	4,700 sf
	Publicly Financed Garage	2,545 sp
Total Program (sf)		1,948,500 sf

*To be subject to agreement to provide MPP Parking



**Downtown Columbia Tax Increment Financing
Infrastructure Program Request from Howard Hughes Corporation**

Item	Requested	Qualified ⁽¹⁾
Phase I – Special Taxing District 1A:		
Roads segment 1 - Merriweather Drive	\$4,228,334	\$4,228,334
Roads segment 1 - Sky Lane	\$899,599	0
Roads segment 1 - Hickory Ridge	\$571,995	\$571,995
Roads segment 1 - SW piping, treatment & storage	\$1,647,907	\$1,647,907
Roads segment 1 - water & sewer	\$3,669,339	\$3,669,339
At-grade intersection improvements (multiple intersections)		
Governor Warfield/Twin Rivers	\$359,355	\$359,355
Little Patuxent/Swift Stream	\$267,319	\$267,319
Broken Land/Twin Rivers	\$199,256	\$199,256
Little Patuxent/Merriweather Drive	\$499,905	\$499,905
Broken Land/Hickory Ridge signalization	\$470,925	\$470,925
Maintenance of traffic /night work premium	\$123,165	\$123,165
Physical improvement allowance	\$978,075	\$978,075
Dry utilities	\$1,181,250	0
Multi-Use pathway (Crescent)	\$1,426,359	0
Area 1 public space	\$519,677	0
Total Improvements: Phase I – Special Taxing District 1	\$17,042,460	\$13,015,574
Less Qualified Amount Exceeding Affordability Threshold		(\$3,153,367)
Qualified Improvements: Phase I STD 1A to be Financed by Bonds		\$9,862,207
Phase I – Special Taxing District 1B:		
Roads segment 2 – Completion of Merriweather Drive	\$3,937,008	\$3,937,008
Roads segment 2 – SW piping, treatment & storage	\$830,277	\$830,277
Roads segment 2 – water & sewer	\$1,836,687	\$1,836,687
Roads segment 3 – Area 3 (public roads)	\$6,479,135	0

Item	Requested	Qualified ⁽¹⁾
Roads segment 3- Stormwater roadway	\$2,412,134	\$2,412,134
Area 3 park	\$2,726,390	0
Public parking (area 3, garage c3.3) 2,545 spaces	\$51,168,911	\$51,168,911
Public parking (area 3; garages C3.2 and C3.4) 418 total spaces	\$8,404,167	0
Total Improvements: Phase I – Special Taxing District 1B	\$77,794,710	\$60,185,018
Less Qualified Amount Exceeding Affordability Threshold		(\$4,016,107)
Qualified Improvements: Phase I STD 1B to be Financed by Bonds		\$56,168,911
Total Improvements: Phase I – STDs 1A& 1B	\$94,837,170	\$73,200,592
Less Qualified Amount Exceeding Affordability Threshold		(\$7,169,474)
Qualified Improvements: Phase I STDs 1A&1B to be Financed by Bonds⁽²⁾		\$66,031,118
Phase II – Special Taxing District 1C:		
Crescent Phase II – public parking structure (C-3R1 underground 190 spaces)	\$5,787,994	\$5,787,994
Crescent Phase II – public parking structure (C-3R4 underground 100 spaces)	\$3,046,313	\$3,046,313
Road segment 4 (NS Connector/jug handle)	\$15,939,000	\$15,939,000
Total Improvements: Phase II – Special Taxing District 1C	\$24,773,307	\$24,773,307
Less Qualified Amount Exceeding Affordability Threshold		0
Qualified Improvements: Phase II STD 1C to be Financed by Bonds		\$24,773,307
Phase III – Special Taxing District 2		
Lakefront public parking structure (598 spaces)	\$11,780,409	\$11,780,409
Total Qualified Improvements: Phase III – Special Taxing District 2C	\$11,780,409	\$11,780,409
Less Amount Exceeding Affordability Threshold		0
Qualified Improvements: Phase III STD 2 to be Financed by Bonds		\$11,780,409
Phase IV – Special Taxing District 3		
Symphony Overlook public parking structure (2,000) spaces	\$39,399,360	\$39,399,360
Total Improvements: Phase IV – Special Taxing District 3	\$39,399,360	\$39,399,360
Less Qualified Amount Exceeding Affordability Threshold		(\$14,300,000)

Item	Requested	Qualified ⁽¹⁾
Qualified Improvements: Phase IV STD 3 to be Financed by Bonds		\$25,099,360
Total Improvements – All Phases and All Special Taxing Districts	\$170,790,246	\$149,153,668
Less Qualified Amount Exceeding Affordability Threshold		(\$21,469,474)
Qualified Improvements All Phases and All STDs to be Financed by Bonds		\$127,684,194

(1) Qualified Improvements are requested improvements that have been determined to be qualified under federal tax-exempt financing laws, consistent with State of Maryland and Howard County Tax Exempt Financing and Special District Taxing laws, and consistent with Howard County Government past development practices and history.

(2) The Qualified Improvements: Phase I STDs 1A&1B to be Financed by Bonds total **\$66,031,118**
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Capitalized interest	\$9,754,880
Reserve fund	\$7,936,259
Rounding	<u>\$600</u>
Estimated total bonds required	\$85,449,001

Bond Authorization Request for Phase I \$90,000,000

**Downtown Columbia Tax Increment Financing
Development Plan Financing Summary
for Infrastructure Program Request**

	District 1A	District 1B	District 1C	District 2	District 3	Total Proceeds
Sources of Funds						
Bond Proceeds	\$13,822,000	\$71,627,000	\$33,330,000	\$16,121,000	\$32,278,000	\$167,178,000
Interest earned in the improvement fund	\$0	\$0	\$0	\$0	\$0	\$0
Total Sources of Funds	\$13,822,000	\$71,627,000	\$33,330,000	\$16,121,000	\$32,278,000	\$167,178,000
Uses of Funds						
Public improvements financed	\$9,862,207	\$56,168,911	\$24,773,307	\$11,780,409	\$25,099,360	\$127,684,194
Issuance costs	\$600,000	\$350,000	\$350,000	\$350,000	\$350,000	\$2,000,000
Underwriter's discount	\$276,440	\$499,703	\$499,950	\$241,815	\$559,170	\$2,077,078
Capitalized interest	\$1,719,240	\$8,035,640	\$4,373,300	\$2,136,130	\$4,886,540	\$21,150,850
Reserve fund	\$1,363,564	\$6,572,695	\$3,333,000	\$1,612,100	\$1,382,200	\$14,263,559
Rounding	\$549	\$52	\$443	\$546	\$730	\$2,319
Total uses of funds	\$13,822,000	\$71,627,001	\$33,330,000	\$16,121,000	\$32,278,000	\$167,178,001
Assumptions						
Maturity	30 years	30 years	30 years	30 years	30 years	
Interest only	2 years	2 years	2 years	2 years	2 years	
Amortization	28 years	28 years	28 years	28 years	28 years	
Average Life	22.79	22.89	22.90	22.89	22.90	
Bond Coupon Rate	6.00%	6.00%	6.50%	6.50%	6.50%	
Date bonds to be issued	15-Feb-2017	15-Feb-2017	15-Feb-2019	15-Feb-2018	15-Feb-2019	
Date payments due						
Interest	Feb. 15 and Aug15	Feb. 15 and Aug15	Feb. 15 and Aug15	Feb. 15 and Aug15	Feb. 15 and Aug15	
Principal	February 15	February 15	February 15	February 15	February 15	
Capitalized interest						
Interest funded through	15-Feb-2019	15-Feb-2019	15-Feb-2021	15-Feb-2020	15-Feb-2021	
Months interest funded	24	24	24	24	24	