

**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

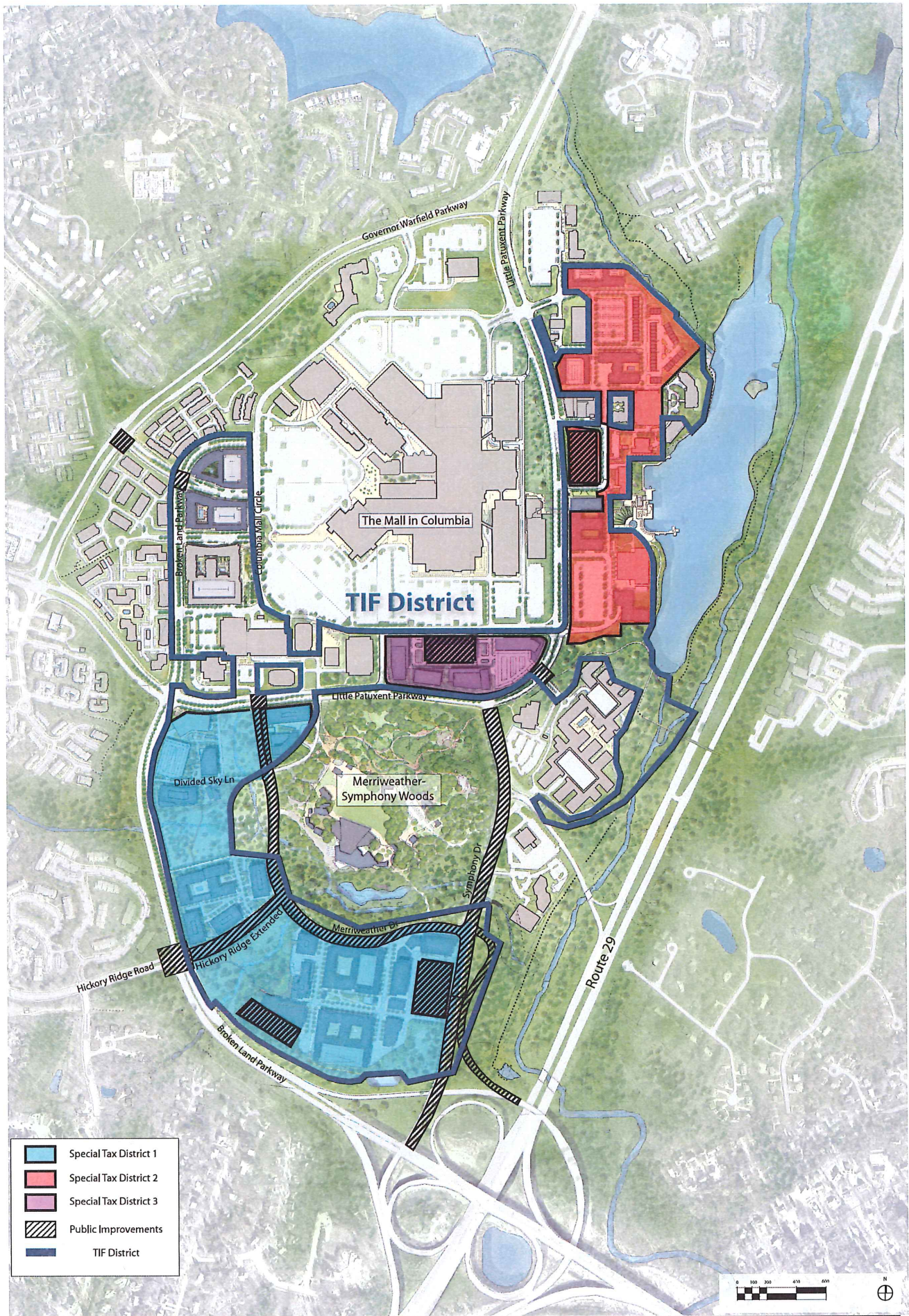
- The development effort will also drive the need for other non-TIF capital improvements within and proximate to the Downtown Columbia Development District included here with their estimated costs:

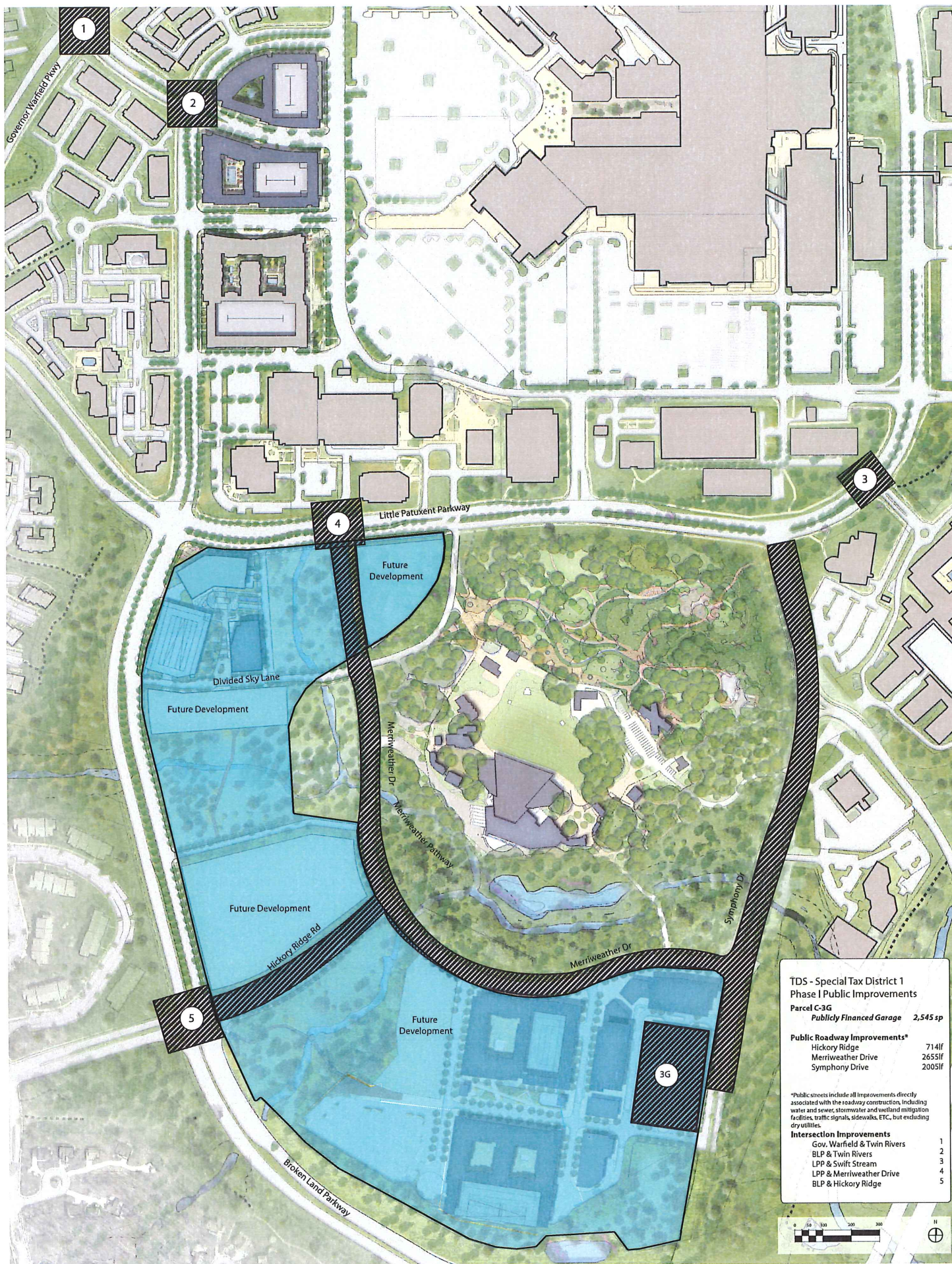
| | |
|----------------------|--------------|
| Fire Station | \$30,000,000 |
| Library | \$40,000,000 |
| Arts Center | \$20,000,000 |
| Traffic Improvements | \$75,000,000 |
| Transit Center | \$9,500,000 |
| Elementary School | \$30,000,000 |

- 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

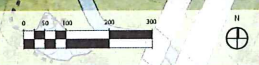
Public Roadway Improvements*

| | |
|--------------------|--------|
| Hickory Ridge | 714lf |
| Merriveather 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 & Merriveather Drive | 4 |
| BLP & Hickory Ridge | 5 |

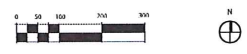




**TDS - Special Tax District 1
Phase I Development**

| | |
|----------------------------|---------------------|
| 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 |
| | | |

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(2) The Qualified Improvements: Phase I STDs 1A&1B to be Financed by Bonds total **\$66,031,118**
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|--------------------------------|--------------|
| Issuance costs | \$950,000 |
| Underwriter's discount | \$776,143 |
| 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 | |