Downtown Columbia
Public Infrastructure Financing Plan and
Request for Tax Increment Financing
The Howard Research and Development Corporation has submitted an application and legislation has been prepared requesting:

- The creation of the Downtown Columbia Development District,
- The creation of the Crescent Special Taxing District,
- Approval of the issuance of special obligation bonds, in an amount not to exceed $90 million, and
- Providing for the levy and collection of special taxes on property in the Crescent Special Taxing District.
Proposed Development & Special Taxing Districts

Downtown Columbia Development District

Crescent Special Taxing District
Proceeds of the bonds would be used to finance:

- Design and engineering costs related to the jug handle/north-south connector,
- Crescent Phase I public parking garage serving the mixed-use development and Merriweather Post Pavilion (approximately 2,545 spaces);
- Merriweather Drive and Hickory Ridge Road improvements and associated storm water, water and sewer improvements;
- Merriweather Drive (north section) road improvements and associated storm water, water and sewer improvements; and
- At-grade intersection improvements:
  - Governor Warfield/Twin Rivers
  - Little Patuxent/Swift Stream
  - Broken Land/Twin Rivers
  - Little Patuxent/Merriweather Drive
  - Broken Land/Hickory Ridge.
*Alignment shown for the north-south connector immediately south of Little Patuxent Parkway is an interim alignment. It is approved for development of the Crescent but is not the ultimate alignment shown at full buildout in the Downtown Columbia Plan.

**Southern connection of the north-south connector to Broken Land Parkway and the jug-handle off ramp connection from northbound SR-29 not shown here, but funding for initial design and engineering of these roadways is included in the initial issuance of special obligation bonds.
The Downtown Columbia Plan

Downtown Columbia Plan Mission

“…Continue the evolution of Downtown Columbia into a mixed-use urban center supported by a variety of open spaces and amenities in a pedestrian-friendly environment.”
The Downtown Columbia Plan

Downtown Columbia Plan Background

• Amendment to *PlanHoward 2030*, the County’s general plan.
• Establishes a 30-year plan for revitalization and redevelopment of Downtown Columbia.
• County Council adopted plan on 2/1/2010.
The Downtown Columbia Plan

Goals of Downtown Columbia Plan

• Create a vital Downtown Columbia “in which residents can live, shop, work, entertain, exercise, and enjoy cultural opportunities in an enriched natural setting.”

• Reconfigure Downtown Columbia to foster economic, environmental, and social sustainability and prosperity.

• Promote a “more compact, vertical development scheme for Downtown Columbia.”
The Downtown Columbia Plan

Downtown Columbia Plan Benefits
Both private and public improvements of the proposed development are consistent with and further the goals of the Downtown Columbia Plan.

- Private development is consistent with zoning and specific recommendations outlined in the Downtown Columbia Plan.
  - Provides affordable housing options,
  - Provides a mix of uses in an urban setting,
  - Creates jobs,
  - Adds services such as retail and restaurants, and
  - Increases the wage and tax base.
The Downtown Columbia Plan
(Private Development)

Recommendations of Downtown Columbia Plan

• Reconfigure neighborhoods within Downtown Columbia to include an additional:

  ➢ 6,400 residential units (including proposed Joint Recommendations of 900 affordable units),
  ➢ 640 hotel rooms,
  ➢ 1.25 million square feet of retail use,
  ➢ 4.3 million square feet of office use,
  ➢ Connected street networks,
  ➢ Upgraded major intersections, and
  ➢ Structured public parking to accommodate future uses and promote a “park-once” approach.
Phase I Development is anticipated to include approximately:

- 1,568 rental units,
- 211,000 square feet of retail and restaurant uses,
- 963,000 square feet of office use,
- Connected street networks,
- Upgraded major intersections, and
- Structured public parking to accommodate future uses and promote a “park-once” approach.
Downtown Columbia Plan Benefits

- Public improvements to be financed include:
  - Public parking garages necessary for high density, mixed-use development and events at Merriweather Post Pavilion, and
  - Major collector roads and intersections, including integrated improvements such as water, sewer, and storm water.
- Increases overall tax base that contributes toward significant capital facilities/civic uses identified in the Downtown Columbia Plan.
Downtown Columbia Plan
TIF to Further Plan Goals

- “This Plan discourages the construction of large open surface parking lots in favor of attractively designed multi-level parking garages.”

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

- Tax increment financing is an implementation tool to accomplish goals of the County while limiting County exposure and placing the burden on the developer to produce the new revenues to accomplish those goals.
  - Tax increment revenues are created by the developer to repay debt, and
  - Special tax revenues hold the developer accountable.
Industry Recommended
Best Practices

1. Is public investment appropriate for this project?
   • *Downtown Columbia, through adoption of the Downtown Columbia Plan, has been designated as an area of strategic importance and growth for Howard County. Public investment for this project will further the goals contemplated by the Downtown Columbia Plan (p.63 and p.39).*

2. Would this project happen (as desired) without public investment? (The “but for” test.)
   • *A review of the developer’s return compared to typical market returns for similar projects has been completed with and without TIF. But for the TIF, the project recommended in the Downtown Columbia Plan would not likely be achieved.*
   • *A “look-back” provision will be required of the developer.*
3. How much public investment is appropriate? (The corollary of the “but for” test.)

- The least of four tests were analyzed to determine the appropriate amount of public investment:
  - What are the amount of qualified costs?
  - How much debt service can the available revenues from the project support?
  - How much public investment is needed to make the project feasible?
  - How much can the County afford while still being able to cover its expenses?

The last constraint is the controlling factor for Downtown Columbia. To ensure the County can afford its costs, set asides in tax increment revenues were put in place to fund County costs associated with the development of Downtown Columbia.
Industry Recommended Best Practices (continued)

Tax Increment Revenue Set Asides:

a) First use of the tax increment revenues is available to cover estimated debt service on the TIF bonds after making available tax increment revenues to cover estimated debt service on the County’s general obligation bonds to fund $30 million of elementary school costs.

• This will require the developer to pay a special tax unless the Development District produces more tax increment than expected.

b) Second use of the tax increment revenues is set aside for the County to cover its anticipated capital and operating costs associated with the new downtown development, including certain capital facilities.

c) Real property tax increment revenues in excess of a) and b) above applied to debt service on the tax increment bonds.
Industry Recommended Best Practices (continued)

Tax Increment Revenue

- GO Bond Debt Service for New Elementary School*
- TIF Bond Debt Service for Phase 1 Development*
- Set Aside for Capital & Operating Costs from New Downtown Development
- Available for TIF Bond Debt Service for Any Subsequent Series of TIF Bonds
- Remaining Surpluses Available to County

* A shortfall in either of these “buckets” will result in imposition of the Special Tax, to be paid by HRD.
Industry Recommended Best Practices (continued)

Phase I Tax Increment Revenues & Set Asides

- 1-A: Available for Phase I Debt Service
- 1-B: Available to County For Elementary School
- 2: Available to County For Operating/Capital Costs
4. What are the key public stakeholders receiving in return for the investment?

As a result of the redevelopment of Downtown Columbia, the public stakeholders will receive:

• Fulfillment of the Downtown Columbia Plan,
• Infrastructure improvements including public parking, roads, and intersections consistent with the Plan’s recommendations, and
• Funds set aside for an elementary school and revenues to pay for other critical capital facilities.
• Net County general fund revenues of $408 million.
• New jobs created of 12,760 (direct, full time equivalent positions).
As a result of the additional investment by the County, revenues will be created from the new development to support the following capital facilities as contemplated in the Downtown Columbia Plan:

- 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
5. What is the amount of private investment being made in the project (that is, will the public investment adequately leverage private investment to maximize public return)?

- The developer is investing $9.11 for every dollar of public investment, which is at the top of the range of recommended best practices. Total private investment for Crescent Phase I is expected to be approximately $618 million.
6. Will there be sufficient surplus tax revenues, after the public investment, to cover costs of public services required for the project?

- As previously discussed, the County has created set asides to support its capital and operating expenditures from the new development.
- A fiscal impact analysis has been prepared reviewing the County’s general fund revenues, operating expenditures and capital expenditures impacted by the Development to ensure sufficient revenues will be available to the County.
- Net fiscal benefit from the Development District to Howard County after debt service, operating, and capital expenditures over 35 years is approximately $408,000,000 (cumulative, including inflation).
- New jobs created of 12,760 (direct, full time equivalent positions).
Industry Recommended
Best Practices (continued)

Net Fiscal Impacts to Howard County
(After Debt Service, Operating, and Capital Costs)
7. What are the risks associated with the investment and have the risks been addressed?

Potential risks include:

- Delay in the development as proposed,
- Lack of demand for new development resulting in lower-valued property,
- Insufficient revenues to pay debt service, and
- Less surplus tax revenues to support the County’s costs of services.
Industry Recommended Best Practices (continued)

Steps to mitigate risks include:

- The County will impose an obligation on the developer in the form of a special tax for any shortfalls in the tax increment revenues necessary to pay debt service on the bonds.
- Thorough due diligence will be completed prior to bond issuance.
- Bonds will not be issued unless the developer is ready to proceed, and concurrent closing will be required for any private financing.
- Set asides for potential tax increment revenues were established to ensure the County can support its costs of services.
Recommend the issuance of Special Obligation Bonds in an amount not to exceed $90,000,000.

- Districts meet statutory requirements,
- Project accomplishes objectives set forth in Downtown Columbia Plan, and
- Project meets industry best practices for use of a TIF.