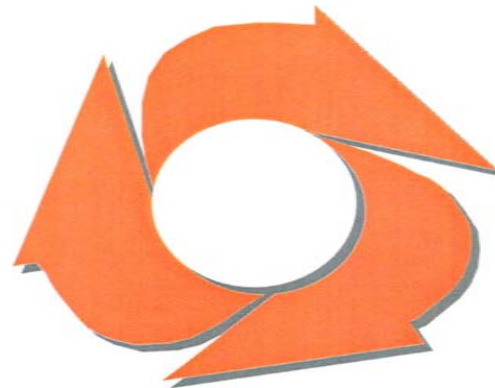


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Pattern Book

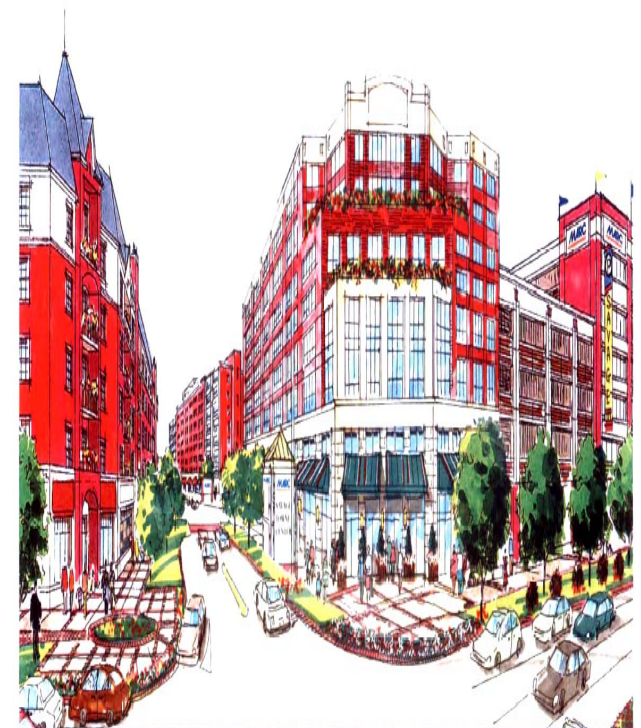
Maryland Department of Transportation



Tax Increment Financing

Presentation to CDFA
Washington, DC

July 17, 2008



Presentation Outline

- I. Introduction
- II. MDOT TOD Program
- III. MDOT Use of TIFs
- IV. Savage Project Process and Development Program
- V. Howard County TIF Policies and Best Practices
- VI. Howard County Evaluation of TIF Proposal
- VII. Developer Issues and Points of Contention
- VIII. Questions and Answers

I. Introduction

II. MDOT Transient Oriented Development (TOD) Program

What is TOD?

- Compact, mixed used development within a half mile of transit stations
- One strategy to achieve key policy goals:
 - Increase transit ridership
 - Reduce cars on the road
 - Provide mobility to citizens of all income levels
 - Create sustainable communities and curb sprawl
 - Local economic development and [smart] growth
- There is no one-size-fits all mold, and TOD will look different depending on where you find it

What is TOD? – (continued)

R2

By: **The President (By R
Garagiola**
Introduced and read first time
Assigned to: Finance

1 AN ACT concerning
2 **Maryland Transit Act**
3 FOR the purpose of establishing
4 development of certain
5 purpose that is essential
6 certain terms; and generally
7 BY repealing and reenacting
8 Article – Transportation
9 Section 7-101 and 7-102
10 Annotated Code of Maryland
11 (2001 Replacement Volume)

13 WHEREAS, In recognition of
14 congestion and greenhouse gas emissions, it is the intent of the General Assembly that

15
16 1 (3) IS DESIGNATED AS A TRANSIT-ORIENTED DEVELOPMENT BY
17 2 THE SECRETARY IN CONSULTATION WITH THE SECRETARIES OF BUSINESS AND
18 3 ECONOMIC DEVELOPMENT, GENERAL SERVICES, HOUSING AND COMMUNITY
19 4 DEVELOPMENT, THE ENVIRONMENT, AND PLANNING.
20

21
22
23 pleasant for pedestrians, buildings oriented to the streets, sufficient parking to
24 support transit

EXPLANATION
[Bracketed text]

(II) [AND DESIGNATED] BY THE LOCAL GOVERNMENT OR MULTICOUNTY AGENCY
WITH LAND USE AND PLANNING RESPONSIBILITY FOR THE RELEVANT AREA.

20 (M) “TRANSIT-ORIENTED DEVELOPMENT” MEANS A MIX OF PRIVATE OR
21 PUBLIC PARKING FACILITIES, COMMERCIAL AND RESIDENTIAL STRUCTURES,
22 AND USES, IMPROVEMENTS, AND FACILITIES CUSTOMARILY APPURTENANT TO
23 SUCH FACILITIES AND USES, THAT:

24 (1) IS PART OF A DELIBERATE DEVELOPMENT PLAN OR
25 STRATEGY INVOLVING:

26 (I) PROPERTY THAT IS ADJACENT TO THE PASSENGER
27 BOARDING AND ALIGHTING LOCATION OF A PLANNED OR EXISTING TRANSIT
28 STATION; OR

29 (II) PROPERTY, ANY PART OF WHICH IS LOCATED WITHIN
30 ONE-HALF MILE OF THE PASSENGER BOARDING AND ALIGHTING LOCATION OF A
31 PLANNED OR EXISTING TRANSIT STATION;

32 (2) IS PLANNED TO MAXIMIZE THE USE OF TRANSIT, WALKING,
33 AND BICYCLING BY RESIDENTS AND EMPLOYEES; AND

State Contributions

- Land for development
- Transit improvements
- Planning and technical support
- Limited grant funding
- Leadership

Local Contributions

- Tax Increment Financing
- TOD Zoning
- Planned Unit Development Ordinances (PUD)
- Infrastructure
- Permit Approvals
- Community and Political Support

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The same view from the end of Read Street, with the proposed realignments and the renovated and re-skinned 201 West Preston building with a pedestrian pathway to Preston Street.

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AFTER

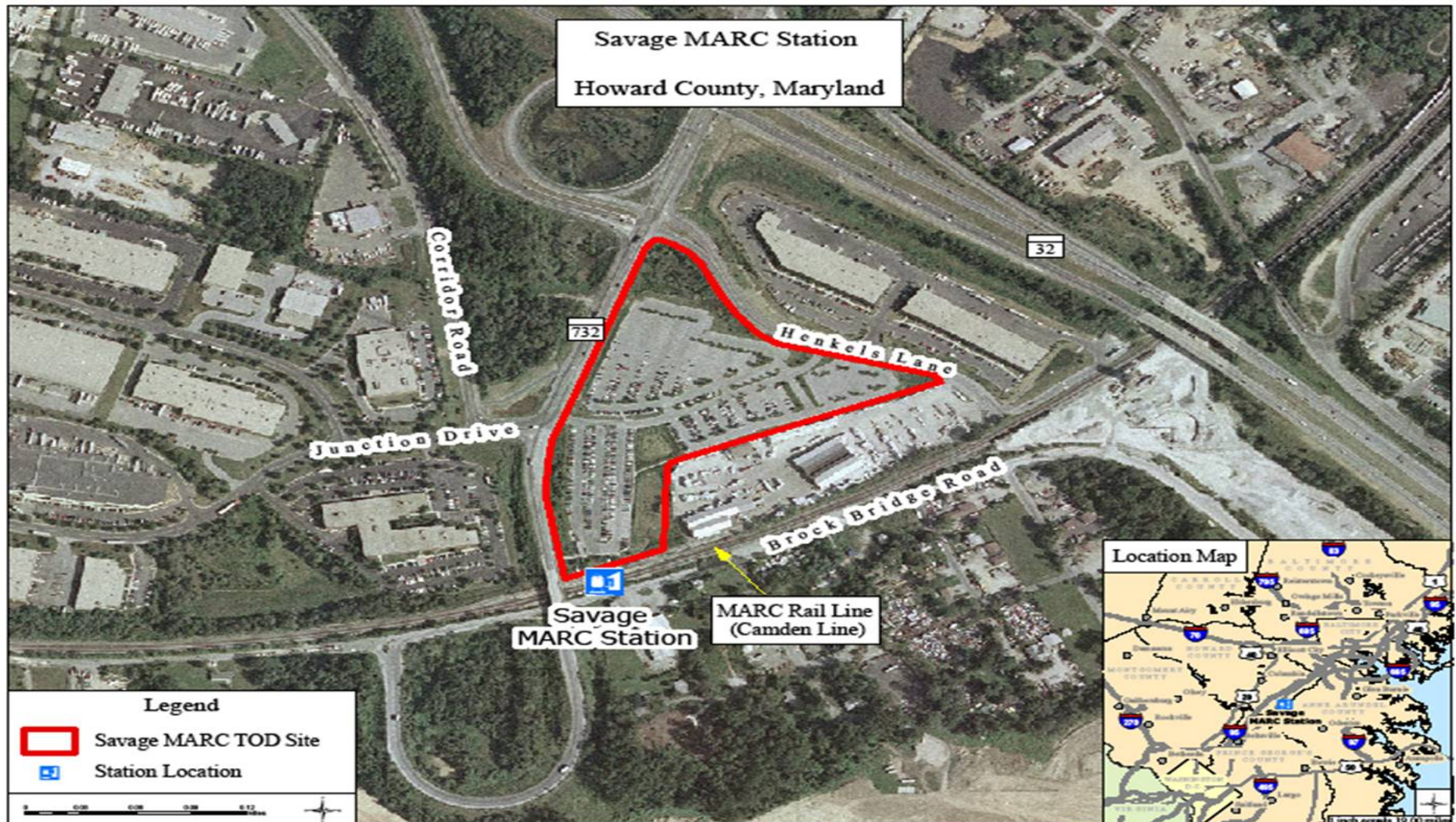


Preston Street from the same view, facing west toward the new public open space

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Savage MARC Station



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MARC Station / Mixed Use Neighborhood



LESSARD GROUP INC.
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MARC STATION / MIXED-USE NEIGHBORHOOD

JUNE 1, 2008

ODENTON TOWN
ANNE ARUNDEL COUNTY, MD.

OSPREY PROPERTY COMPANY
OSPC15.000

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View of Relocated Odenton MARC Station



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VIEW OF RELOCATED ODENTON MARC STATION

JUNE 1, 2009

ODENTON TOWN
ANNE ARUNDEL COUNTY, MD.

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Owings Mills Metro Station



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Aerial View from the North



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View of Library and College Building on Town Square



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III. MDOT Use of TIFs

MDOT Use of TIFs

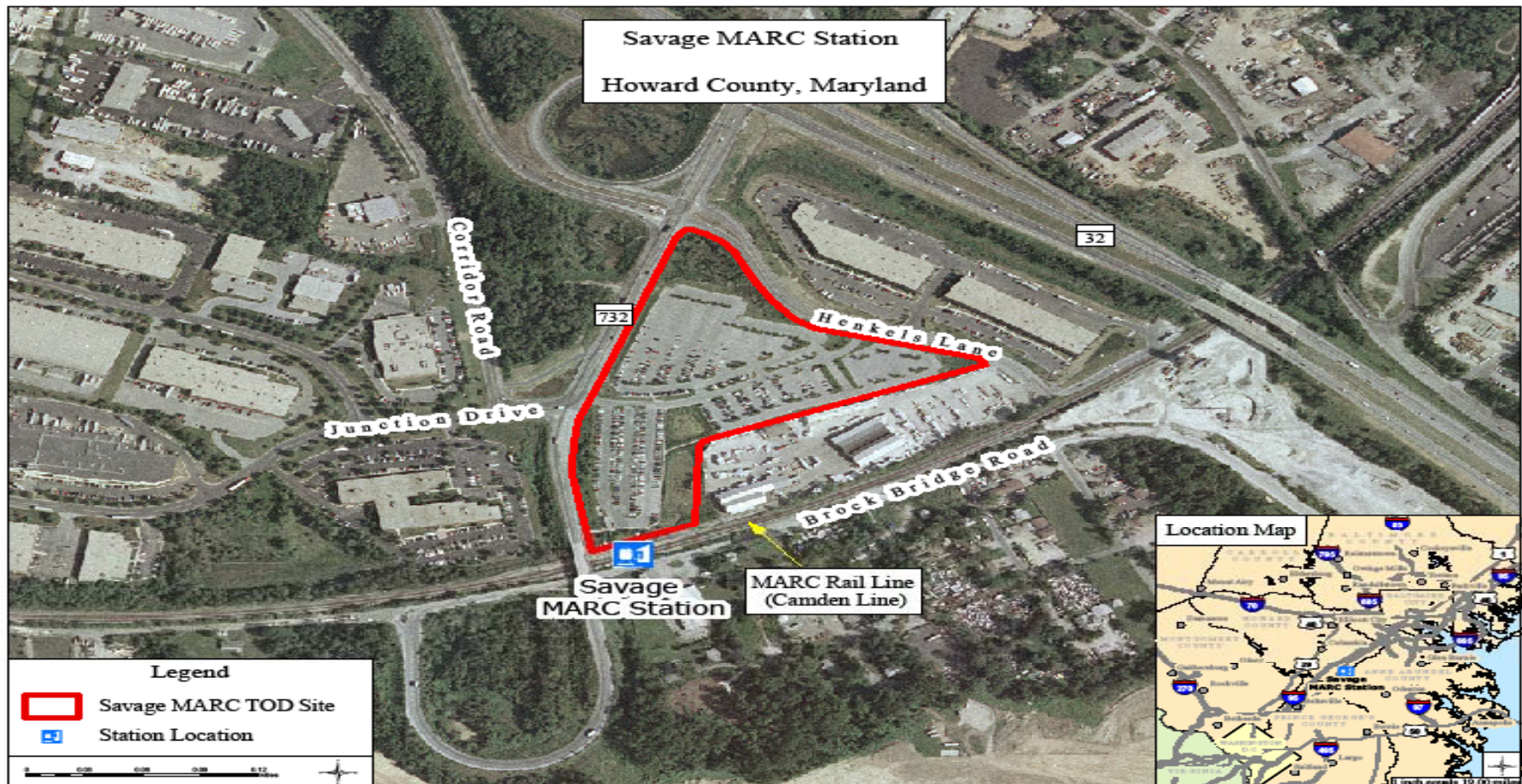
- TODs require infrastructure funding
 - Commuter parking garage
 - Utilities and infrastructure
 - Site preparation
 - Low income housing subsidy
- The TIF fills financing gaps
- Examples: Savage MARC Station, State Center Station, Laurel MARC Station, and Owings Mills Metro Station

IV. Savage Project Process and Development Program

Savage MARC Station

- Dorsey Run Road, Henkel's Lane, and Route 32 in Howard County
- Located on a 12.73 acre +/- site
- 540 passenger trips per day
- 914 surface parking spaces

Savage MARC Station – (continued)



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Savage MARC Station – (continued)



- Unsolicited TP3 proposal in September 2005
- Advertised through a Request for Expressions of Interest in January 2006
- Selection of Petrie-Ross Ventures as the development team for exclusive negotiating rights
- Master Development Agreement approved by Board of Works in January 2008

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Savage MARC Station – (continued)

- Relatively high-density, pedestrian-friendly development program
- The \$175 million development program includes:
 - One (150 + rooms) hotel
 - Two restaurants
 - 7,200 square feet of retail
 - 420 multi-family residential units
 - 78,600 square feet of office space
 - A 5 to 7 level parking structure with approximately 700 spaces for MARC commuters with a potential to expand to 1,000 spaces

V. Howard County TIF Policies and Best Practices

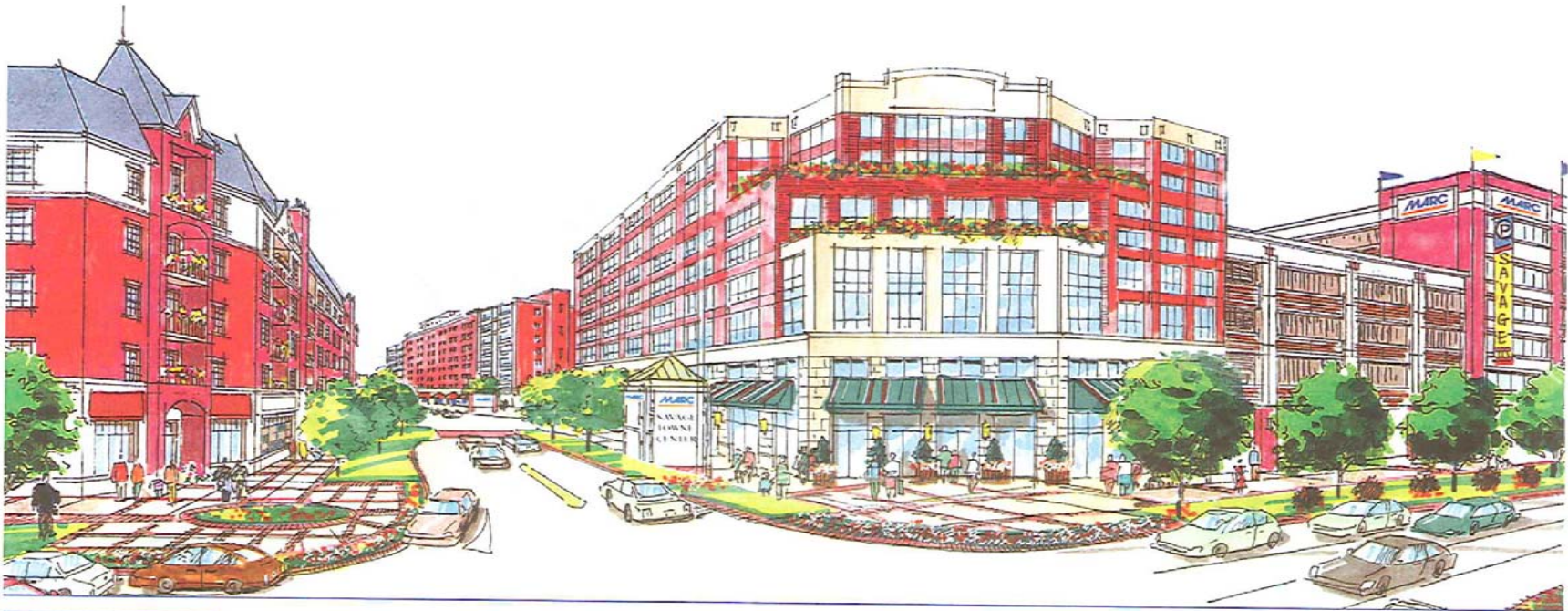


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Petrie-Ross Ventures
DEVELOPERS OF RETAIL PROPERTIES

HARKER-MARTIN-WENTZ-SULLIVAN-RIVELLO
THE MARTIN ARCHITECTURAL GROUP, P.C.
ARCHITECTS & LAND PLANNERS

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Howard County TIF Policies and Best Practices

1. The proposed TIF should be consistent with the TIF Act.
2. Public assistance should be appropriate for the project, given the public benefits of the project and County policies on land use, economic development, and other relevant matters.
3. The TIF should be (i) necessary to make the private development economically feasible and (ii) limited to the amount required to make the development economically feasible.
 - There should be a true-up provision that reduces the County's contribution if the developer earns an excessive profit.
4. The proposed public infrastructure should further the goals and policies set forth in the County's General Plan and goals and policies established in other plans adopted by the County Council or other County agencies.
5. The proposed private development should be consistent with the County's zoning and subdivision regulations.

Howard County TIF Policies and Best Practices (continued)

6. The developer should have a significant investment at risk in the development relative to the amount of County investment in public infrastructure funded through the TIF.
7. The project should produce sufficient surplus tax revenues (after the contribution to the TIF) to cover the costs of public services required for the project.
8. The proposed private development should be economically viable throughout the term of the TIF debt.
9. The issuance of the TIF debt should not have an adverse impact on the County's bond ratings.
10. A special tax district should be utilized to ensure the developer delivers on its promises and there are sufficient tax revenues to repay the TIF debt.

VI. Howard County Evaluation of TIF Proposal

Howard County Evaluation of TIF Proposal

- Evaluation of public policy purpose served by project
- Review of MDOT agreement and documents
- Consult with attorney on legal issues
- Review by County staff regarding general plan, zoning and other land use issues
- Review of developer's pro forma

Howard County Evaluation of TIF Proposal (continued)

- Preparation of market evaluation
- Prepare of TIF projections and fiscal impact analysis
 - Interview with County departments regarding budget impacts
 - Interview with SDAT assessor for the County regarding expected assessed values
- Meeting with developer and MDOT to understand project and TIF proposal
- Development of a County counter-proposal for the TIF

VII. Developer Issues and Points of Contention

Bond Issuance

1. Developer wants the County to give the bonds to the developer, instead of issuing the bonds, and the developer will privately finance the improvements.

Developer Argues:

- Will lower costs
- Will reduce documentation
- Will avoid much of County due diligence

County Response:

- The County is willing for this to be one option, but not the only option
- The County believes that the transaction should be carefully documented
- The County considers due diligence to be important and necessary
- The County wants to control its financing and pursue the lowest cost option

Tax Revenues and Special Tax District

2. The developer does not want to use a special tax district to ensure tax revenues are adequate to repay the bonds.

Developer Argues:

- A special tax district will be unnecessary if it holds the bonds
- Will complicate the sale of property

County Response:

- The County wants the developer to produce the tax revenues it promised
- The County wants there to be sufficient revenues to repay the bonds
- A special tax district is necessary for the County to have the option to issue public bonds

Profit Provisions

3. The developer does not want a true-up provision requiring the developer to make a payment to the County if profits end up being excessive or wants to set the profit threshold very high.

Developer Argues:

- This is a change from the original proposal to MDOT
- Building a public garage is not its responsibility and has no relevance to its profits
- Its required profit is substantially higher than its pro forma shows it will earn

County Response:

- The County was not a party to the original proposal to MDOT and if it provides a TIF for a project then it wants a confirmation that the TIF is necessary to make the project feasible
- The County is relying on the pro-forma provided by the developer to determine an adequate level of profit
- The County is also relying on levels of profit adopted by other cities and counties for other TIFs

VIII. Questions and Answers