

October 4, 2016

The Honorable Dr. Calvin B. Ball  
Chair, Howard County Council  
George Howard Building, First Floor  
3430 Courthouse Drive  
Ellicott City, Maryland 21043

The Honorable Jonathan S. Weinstein  
Vice-Chair, Howard County Council  
George Howard Building, First Floor  
3430 Courthouse Drive  
Ellicott City, Maryland 21043

Dear Chairman Ball and Vice Chairman Weinstein,

The Howard Hughes Corporation (HHC) respectfully submits the following for the record in response to the September 30, 2016 letter to the Howard County Council from a select group of real estate developers in Howard County. While we appreciate their interest and engagement and would welcome the opportunity to work with them in furtherance of the Downtown Columbia Plan (DCP), the letter in question raises a number of concerns based on inaccurate assumptions with regard to the proposed Crescent Special Taxing District currently under consideration by the Council. We hope to clarify those inaccuracies below.

First and foremost, given the numerous opportunities for public engagement including multiple Council hearings and work sessions scheduled by the Chairman, we hope the Council would reject the request for a private meeting and further delay of this important legislation. The Downtown Columbia Plan is a product of more than 10 years of public engagement and consensus. As evidenced by the recent testimony from both the Howard County Chamber of Commerce (HCCC) and the Howard County Economic Development Authority (HCEDA) endorsing the legislation at both the July 14<sup>th</sup> and July 18<sup>th</sup> Council public hearings, the broad business community of Howard County enthusiastically supports this catalytic proposal for Downtown Columbia. These positions of support were arrived at by HCCC and HCEDA after numerous presentations and discussions at both the committee and board levels.

### **Infrastructure Improvements A Valid Use of TIF Funds**

The letter, like the independent audit conducted for Council by TischlerBise dated September 20, 2016 (TB Audit), acknowledges that public infrastructure improvements are a valid use of tax increment financing (TIF) funds. In fact, some of the signatories to the letter have already leveraged tax increment financing for infrastructure improvements, including parking, to their

benefit to develop such projects as Annapolis Junction Town Center in Howard County, National Business Park just across the Howard County line in Anne Arundel County, and others.

### **TIF Envisioned to Provide Public Parking for Merriweather and Thousands of Jobs**

Under the current proposal, Howard County would allocate \$66 million in TIF funds, guaranteed by taxes levied on HHC-owned land, to be used for public infrastructure improvements within the Merriweather District. These improvements include roads, utilities, and the structured public parking that a vibrant downtown core needs to achieve the desired density, compactness and walkability specified in the Downtown Columbia Plan. The new parking structure will also finally address the long-standing parking issues associated with Merriweather Post Pavilion. The public parking structure would further support public uses such as Symphony Woods, Toby's, and the new Arts Center envisioned as part of the redevelopment of the Toby's site.

We reject the notion that structured public parking to provide a “park once” environment, serving the nation’s top outdoor music amphitheater and providing parking for thousands of jobs in Downtown Columbia, is not a valid use of TIF funds. The Downtown Columbia Plan always envisioned that public financing would be used for just such a purpose (DCP, p.47, p.63, etc.), and the County’s independent analysis of the TIF funds came to the same conclusion (TB Audit, p.2).

### **No Competitive Advantage for HHC**

A vibrant Downtown Columbia will have significant benefits for Howard County, employers and residents, particularly as market trends indicate that major employers continue to shift away from suburban office parks in search of space where employees can live, work, play, and learn.<sup>1</sup> But we reject the notion that the use of TIF funds for structured public parking will provide a “significant competitive advantage” that will allow HHC to charge “below market rents” compared to commercial office developments in the County.

In fact, notwithstanding the TIF, office rents in new Downtown Columbia buildings are higher than rents in other commercial developments in Howard County. To the extent that local developers are concerned about “accelerated vacancies” in their developments, there are many competitive sites in close proximity to Howard County that are aggressively recruiting major employers, including Harbor Point and Harbor East in Baltimore City, Konterra in Prince George’s County, White Oak and Pike & Rose in Montgomery County, to name just a few. With the TIF-supported Port Covington project now underway in Baltimore City, competition for anchor office tenants will only increase in the years ahead. The only question is, will Howard County provide the desirable mixed-use, amenity-rich, walkable environment envisioned in the Downtown Columbia Plan and therefore effectively compete to attract and retain these major employers?

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<sup>1</sup> See Office Market Assessment, Montgomery County Maryland, prepared by Partners for Economic Solutions for Montgomery County Planning Department, June 18, 2015

## **\$2.2 Billion Private Investment for Downtown Columbia Development**

As noted by TischlerBise, HHC is making a significant private investment of \$2.17 billion (TB Audit p.8) to realize the vision for Downtown Columbia and seeking \$167 million in developer-backed public financing. This represents a 13:1 ratio of private funds to public funds, public funds that will be backed by HHC, not Howard County residents. The TIF bonds represent only 7% of the total project funding, compared to 93% from private financing that HHC must provide. And while significant public parking is envisioned in both the Downtown Columbia Plan and the proposed TIF, approximately 75% of the parking (over 14,000 of the more than 18,000 spaces planned) is anticipated to be privately financed.

While the letter singles out costs associated with the parking garage to attempt to show an economic advantage for HHC, it is simply inaccurate to view the parking garage in isolation given the significant costs related to the Downtown Columbia Plan that are required for development to occur in Downtown Columbia. The Downtown Columbia Plan requires HHC, as the designated Community Developer, to provide over \$100 million worth of public amenities, improvements and contributions, which are not required for development in other parts of the County. This includes construction of miles of pathways reaching well beyond the Downtown zone, land and financial contributions for transit, transportation, schools, fire protection, public spaces, open space, community organizations and affordable housing, and the transfer of ownership of Merriweather Post Pavilion, one of the premier outdoor music venues in the country, to the non-profit Downtown Columbia Arts & Culture Commission. No other development in Howard County approaches anything close to the level of community contributions provided by HHC under the Downtown Columbia Plan.

## **Shared Costs Structured Parking Operating Expenses and Maintenance**

The letter also wrongly asserts that Howard County taxpayers will assume the operating expenses for the public parking garage. This is not accurate. New office and retail buildings will be required to share in pro-rata expenses for garage maintenance and operation.

## **One Merriweather Infrastructure is TIF Eligible**

HHC is proud of One Merriweather and the agreement with MedStar to keep them here and expand their Howard County presence, bringing hundreds of new jobs to Downtown Columbia even before the building is complete. It is an early validation that Howard County's vision for Downtown Columbia is the right vision. But it is inaccurate to say, as the letter asserts, that construction of One Merriweather proves that no TIF is necessary for the development of Downtown Columbia.

Much of the infrastructure cost required for One Merriweather has been identified as TIF eligible and was identified as such before the MedStar deal was complete. As the Community Developer for Downtown Columbia, HHC has been working with Howard County for nearly four years on Tax Increment Financing consistent with the Downtown Columbia Plan, and we

assumed the risk that a TIF would be forthcoming that could be allocated across the entire development. HHC took this risk in advance of approval of the TIF to keep MedStar here, knowing that waiting would have meant the departure of this major employer out of Howard County and to a neighboring county. No other Howard County developer was willing to take this risk. Without a TIF, the required infrastructure costs would need to be allocated against One Merriweather, and the continuation of the overall project as envisioned in the Downtown Columbia Plan and our current planning would not be viable.

### **The Future of Downtown Columbia**

We urge you to reject the call for further delay. The Downtown Columbia Plan has been in the works for more than a decade now, and was unanimously passed by the Council with broad community support in 2010. HHC is the Community Developer designated under the Downtown Columbia Plan. We are committed to Howard County and to realizing the community vision embodied in the Downtown Columbia Plan, and we are prepared and capable of executing it. Our investment in the Mid-Atlantic region is completely located in, focused on, and wholly dedicated to Howard County. After many years, with the TIF legislation as well as the Joint Recommendations for Affordable Housing currently pending before you, together we are poised to truly bring the Downtown Columbia Plan to life, the core of the Real City that Jim Rouse dreamed Columbia would become nearly 50 years ago. It is within your reach. Now is the time to act by approving this legislation and fulfilling the vision.

Sincerely,



John E. DeWolf III  
Senior VP, Development

CC:

The Honorable Jennifer R. Terrasa  
Howard County Council, District 3

The Honorable Mary Kay Sigaty  
Howard County Council, District 4

The Honorable Gregory Fox  
Howard County Council, District 5