Follow-up Questions related to the TIF
Submitted to County Council August 2016

1. Please be able to demonstrate how the prioritization of the flow of dollars from the taxes will occur and how you will be addressing my concerns that I presented at our previous meeting. Specifically, I am concerned about other County capital and operational monies that are needed could be a lower priority. While I understand that the TIF guarantees the shortfall does not impact the county, it does not address the risk to the County related to the need for the expected excess dollars for other improvements nor assure a positive cash flow for the County as one of the reasons for the County to proceed with this effort.

The first and only use of all tax revenues other than real property tax increment is County costs. State law and bond markets for tax increment financing require property tax increment dollars be pledged first to TIF bond debt service. However the projections show that after the initial TIF debt service is paid, there will be sufficient excess property tax increment with other tax revenues to fund the debt service for all anticipated capital projects (school, fire station, library, arts center, transportation improvements and transit center, or other needed capital projects) as development progresses as well as other operational costs.

If the development does not occur as projected, and there is not sufficient tax increment for the capital projects, the capital projects would likely not be required, since the need for these new facilities is in part generated by the new development. As new development does progress and more tax increment is generated, it is available to fund the capital projects.

Furthermore, the only tax increment which is used to pay for TIF debt service is real property tax increment. The incremental income taxes and other non-property taxes generated by the new development all go directly to the general fund and will be available for operational costs and other capital costs in downtown or elsewhere in the County. These incremental taxes, while a direct result of the new development, are not used to pay TIF debt service.

It is also worth noting that the new market rate residential development in downtown commands the highest rent levels anywhere in the county, and that roughly 85% of the future residential development (those not subject to affordability restrictions) is likely to command similar high rents. These units are most attractive to affluent baby boomers, empty nesters, and young professionals, as well as households relocating from outside the area to accept high-skill, high-salary jobs in the information technology, medical technology, cyber and financial services sectors. This new type of housing development tends to provide significant fiscal benefits to the county, generating significant new
income tax revenues, but relatively little additional school or public safety expense on a per capita basis.

2. While I appreciate the look back provision, I am more concerned with the County getting what it needs to address its needs and, other than projects done with TIFF monies, less concerned about the profit that Howard Hughes achieves. As long as the County is covered for what it needs, the other issues are not nearly as relevant. Please be prepared to discuss this and possible alternatives.

See response to Question 1.

3. Please bring any similar agreements? Specifically, I would like to see the agreement for the Woodlands and any others that Howard Hughes has done.

Howard Hughes has not used tax increment financing for the Woodlands or any of its other major developments. The Woodlands uses different mechanisms to finance public infrastructure needs, but the primary method is the Municipal Utility District. With a Municipality Utility District, the developer will generally pay for or finance the public infrastructure work up front (e.g., roads, water, sewer, etc.) and then the developer is reimbursed for these costs out of property taxes assessed by the Municipal Utility District.

For reference, below is information regarding various TIF transactions in Anne Arundel County.

**Recent Tax Increment Financing in Anne Arundel County**

a. **National Business Park**: two separate TIF financings each in support of public utilities and roads.
   - Two separate TIF projects: 1999 and 2010
   - Most recent = $25 Million, opening up an additional +/-250 acres for development, primarily office buildings with a few amenities

b. **Arundel Mills**: TIF funded significant road improvements connecting project area (800-1000 acres) to Md. Rt. 100
   - 1999
   - Primarily road improvements supporting the development of the Arundel Mills Mall

c. **Park Place**: TIF funded public parking within the four level underground parking structure (two levels are public, two levels private).
   - 2005
   - Refunded in 2013
   - $25 Million financing
d. **Airport Square/BWI Tech**: TIF funded interchange improvements at West Nursery Rd and 295 and environmental mitigation at BWI Tech Bus Park.
   - Initially created in Mid-1980’s
   - Primarily transportation bonds within the TIF district, debt service payment from Highway user revenues

e. **Waugh Chapel**: TIF funded public roads, utilities and environmental mitigation (seal over fly ash dump).
   - Public and private improvements have resulted in Waugh Chapel Town Centre along Route 3.

f. **Parole Town Center**: TIF funded road improvements – underpass and interchange at MD Rt. 50 and Solomons Island Rd. This road improvement primarily benefitted Anne Arundel Medical Center when it moved from Annapolis City to current site just off Rt. 50. (Separately the Greenberg-Gibbons redevelopment benefitted from a Brownfields Tax Credit, BRIP, based on environmental mitigation.)
   - Not developer initiated
   - $10 Million from AA County, $10 Million from MDOT
   - Viewed as very successful
   - Now paid off

**Pending, but not Active:**

- **Maryland Live Hotel and Conference Center**: project now under construction; TIF funded road, utilities and structured public parking in support hotel and conference center; County will benefit from use of Conference Center for public meetings and Anne Arundel High School graduations.
  - $22.5 Million
  - Approved by the AA County Council
  - Still in formative stage. No bonds issued to date
  - Waiting for developer (Cordish Co.) decision. (may go forward without TIF assistance.

- **Odenton TOD TIF**: TIF District was established in 2014 but not yet implemented; future funds will be blended with MDOT funds for structured parking and utilities.
  - To benefit MARC Station in Odenton
  - Would be blended with Transit Oriented Development funding

**Sources:**

Anne Arundel County Economic Development Corporation CEO Robert Hannon – July 18, 2016
Anne Arundel County Budget Officer John Hammond – July 20, 2016
4. District Maps are labeled "Subject to Change." What are some potential changes?

The land areas of the TIF and special taxing districts will not change. Specific buildings within the development, including the footprints and square footages of buildings, are subject to change based on the evolution of design through the FDP and SDP processes, as well as market conditions and major tenant needs.

5. Some are concerned with the use of TIF in an area that is a potential desirable area for redevelopment without such an arrangement; TIFs typically being used to renew areas in distress, like Long Reach.

While some states require TIFs only be used for blight or redevelopment situations that is not a legal requirement or the case in Maryland. Very few Maryland TIFs involve blight conditions. For example, National Harbor, National Business Park, Arundel Mills, Beechtree Estates, East Campus – College Park, Hagerstown retail outlets, Jefferson Technology Park, Metrocentre at Owings Mills, Park Place in Annapolis, and Village South at Waugh Chapel are all Maryland TIF projects and none of them involved blight conditions. Notably, the one TIF executed to date in Howard County, the Savage MARC Station at Annapolis Junction, also was not a blight condition.

6. There are roads with portions outside the district. Are these sections not paid for using the TIF? Are these sections not "qualified" for TIF funding?

Roads do not need to be directly within the TIF district to be qualified for TIF financing, so long as they connect to the TIF district. The TIF is not being used to finance construction of all the public roads within or connecting to the TIF district, only those which are major roads which significantly enhance the overall downtown transportation network.

7. Special tax will require HHC to pay a shortfall in the taxes collected. Walk through scenario where this would occur and how.

This would only happen if TIF bonds were issued, but there was not sufficient development completed and assessed to generate sufficient new property tax to cover the TIF debt bond service.

This is unlikely in any significant way, because during the bond underwriting process, HHC, the County and the underwriters will all look very closely at the projected TIF bond debt service, development, tax increment, and the timing of each. If HHC does not expect to complete enough development in time to cover the TIF bond debt service, they may not proceed with their request for the County to issue the TIF bonds (although there may be a case where timing gaps between construction and tax assessment result in the assessment of some special tax on HHC to pay a small portion of debt service for one or two years).
The scenario where the more significant amount of special tax would come into play would be if, for example, TIF bonds were issued to pay for the public garage in the Crescent, but HHC did not complete the associated office building development. In that scenario, there might not be adequate tax increment to cover the TIF bond debt service, and HHC would then be assessed the special tax on its crescent land to cover the TIF bond debt service until such time as HHC completes enough development to create sufficient incremental revenues to pay the TIF bond debt service. But it is unlikely that HHC would proceed with the debt issuance for the garage without sufficient assurances that the related office development is feasible and buildable.

8. Is there a signed written agreement covering the waterfall?

Not presently. However, the terms regarding the waterfall have been agreed to by the parties. This agreement will be memorialized in the Trust Indenture.

9. Where is the set-aside spelled out in the legislation?

The body of the two pieces of legislation does not address the “set aside.” The legislation focuses on the approval requirements set forth under the Maryland Annotated Code. The intervening revenue stream (the special taxes) will be levied and collected in accordance with the Rate and Method incorporated by reference in Council Bill 56-2016. The definition of the Special Tax Credit in the Rate and Method specifically excludes the TIF revenues set-aside for the County. It is contemplated that the Trust Indenture will include provisions related to the set asides. Typically, deal terms such as the waterfall are not included in the legislation so as not to create an opportunity for disputes that could compromise the consistency of the content within the statute.

10. What are the terms of the long term lease for the land the parking garage will be built on?

The parties have negotiated the salient terms regarding the long term lease for the land where the TIF public garage will be built. See attached Term Sheet “Ownership and Operation of TIF Garage”. Each required term shall be included in a multi-year lease which will be drafted prior to the issuance of the bonds and which will require Council approval.

11. What did the “but for” test indicate HRD could not do without TIF financing?

County staff and MuniCap will be making a separate presentation to the County Council specifically on the “but for” analysis.

The “but for” test is not specific as to what “HRD could not do without TIF-financing.”

The Downtown Columbia Plan sets forth a vision of dense, vibrant, mixed-use development for Downtown Columbia. As part of that vision, public parking facilities
will play a key role in facilitating a “park once” environment. Additionally, the high
development standards, with numerous mandated aesthetic and environmental
enhancements, result in costs of development within Downtown Columbia that are
generally higher than costs elsewhere. Moreover, the need for structured parking
facilities instead of surface lots significantly increases the costs of development.

The “but for” analysis includes many factors, including but not limited to (1) the level of
risk and/or profitability to the developer, (2) the amount of substantial infrastructure
required for the development, and (3) whether the development would happen in the
reasonably foreseeable future without the TIF financing.

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 parking 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.

Further, we concluded that without the County’s investment in the required
infrastructure, 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.

12. Will the special tax be imposed on properties owned by the Housing Commission?

No.

13. Why are we doing this TIF for HHC?

Howard County has adopted the Downtown Columbia Plan after substantial planning and
public input. This plan represents an important aspect of the County’s growth plan for the
future. This plan is not likely to happen without the TIF. This was recognized in the plan as
described in the answer to Question 11. This is also confirmed by the “but for” analysis. The
reason the County is considering the TIF is to make Downtown Columbia a reality.

14. Don’t other developers pay for water, sewer, and infrastructure?

Typically, the County requires developers to pay the costs for infrastructure. However,
the 2010 Downtown Columbia Plan recognized the likelihood that tax increment
financing would be needed to support this comprehensive development effort.

Page 39 of the Plan states, “Responsibility for funding and constructing and
implementing these improvements and programs will be shared among the private sector,
public-private partnerships, Howard County (through Adequate Public Facilities road excise tax and tax increment financing) and/or public sector capital budgets.”

Page 63 of the Plan states, “a small portion of the public infrastructure (such as public parking garages) may be financed through alternative public or private mechanisms, such as, without limitation, tax increment financing (TIF) or Revenue Authority bonds.”

The infrastructure to be financed through the TIF is the substantial infrastructure which will benefit all of Downtown Columbia. The smaller, more development-oriented infrastructure required will be paid for by the Developer.

15. If the TIF is offered to accelerate growth and then triggers capital projects that the county has to pay, aren’t we going full circle?

The financing of the infrastructure improvements requested by HHC to facilitate their development effort recognizes that demand for commercial and residential sites in the downtown areas is likely. The Downtown Columbia Plan is a direct response by the County to the consensus of the community, that Downtown Columbia should become more vibrant and relevant to Columbia’s residents and that these goals could be achieved by increasing the number of people living downtown and by adding more residences, shops and recreational and cultural amenities in Downtown Columbia, while also making downtown more attractive and easier for pedestrians to navigate.” (See page 1 and 2 of the Downtown Columbia Plan).

16. If the county did NOT offer the TIF to HHC, what would be their timeline for developing downtown?

Uncertain at best. HHC is the successor to GGP, which in turn was the successor to the Rouse Company. The property now owned by HHC has been held these past 50-years for the current development effort.

The County’s “but for” test established the need for the County to build the infrastructure that is the subject of this request. 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.

17. Compare this proposed TIF to similar jurisdictions; Reston, N. VA, Loudon County, etc.

See attached “Development Comparison Table Response Item #17”

18. TAB 6, Crescent special taxing district special tax report, table D – what does the table refer to? Explain.

Table D refers to the development to be included in the Crescent Special taxing District. Essentially, this is the Phase I development.
19. CEPPA reference, TAB 14 – Explain the status of each CEPPA if not indicated.

**Status As of July 27, 2016**

**CEPPA History:**
- CEPPAs 1-8: Complete
- CEPPA 9: Technically Complete. Fire Station potential temporary or permanent locations identified with FDP-DC-Crescent-1. Final location to be determined prior to the development of Parcels C or E in the Crescent Neighborhood.
- CEPPAs 10-11 (DCCHF fees): Completed
- CEPPA 12: Multiuse Pathway: Complete by alternative compliance approved by Planning Board. Path is under construction; bond covers completion of path in the event it is not completed by developer due to extenuating circumstances.
- CEPPA #13: Rouse Building Covenants – Completed

**CEPPAs triggered with Crescent Area 3 Development:**

**DEFINITELY:**
- CEPPA #14 – Identify of location in Downtown Columbia for a new Howard County Transit Center. Provide location either by fee transfer at no cost or a long-term lease for a nominal sum (Prior to BP of 1.3 Millionth SF)
- CEPPA #16 – Merriweather Post Pavilion Phase 1 improvements. (Prior to BP of 1.3 Millionth SF) – Completed
- CEPPA #17 – With consultation of BOE, reserve an adequate school site or provide an equivalent location within Downtown (Prior to SDP Approval for 1375th unit)

**LIKELY (2.6 Millionth SF of Development):**
- CEPPA #18 – Wilde Lake Pathway (designed and constructed) (2.6 Millionth SF)
- CEPPA #19 – construct Lakefront Terrace (2.6 Millionth SF)
- CEPPA #20 – Complete Phase II of Merriweather Post Pavilion improvements (2.6 Millionth SF) – under construction

**POTENTIALLY (3.9 Millionth SF of Development):**
- CEPPA #21 – Complete Merriweather Renovations (Phase 3)
- CEPPA #22 – Identify Neighborhood Square (5,000,000th SF of Development)
- CEPPA #23 - $1M toward initial funding of circulator shuttle
- CEPPA #24 – Transfer ownership of Merriweather Post Pavilion (this process is accelerated and will likely happen prior to the trigger threshold)

CEPPAs 25-27 are one time and annual fees to Downtown Partnership and the Downtown Columbia Community Housing Fund.
20. What is the current status of the traffic analysis that will trigger the North South connector through the West Library site; who is doing the analysis?

The latest traffic analysis is dated July 8, 2016 and was submitted in support of a proposed amendment to the Final Development Plan for the Crescent Neighborhood – FDP-DC-Crescent1A. See attached “Crescent Traffic Study 7-8-16”. The analysis was prepared by Howard Hughes’ traffic consultant, Wells and Associates. The County (DPZ and DPW) are reviewing the analysis. DPZ anticipates sending comments back to Howard Hughes on the FDP application before the end of August. Attached is a scan of the study; the appendices (approx. 100 pages of technical details and tables) can also be provided if desired. See attachment from Wells and Associates

DPW is in the process of finalizing its update of the County’s traffic study.

21. Does the “but for” analysis include 900 extra units?

Yes.

22. $30,000,000 for fire station site – is the placeholder for the permanent or temporary site? If the commission builds, do they pay for the total project or for their portion only?

The $30,000,000 includes the estimated costs for the permanent and temporary sites and the Commission will pay only their portion.

23. Is the Metropolitan owned by HHC? Does the inclusion into the TIF change the base?

The Metropolitan is owned by HHC in a joint venture with Kettler. The inclusion of the Metropolitan in the Development District adds the tax parcel for the Metropolitan to the base and the resultant growth in tax revenues from the Metropolitan to the projected tax increment.

24. Regarding the “look back” provision, if the developer makes a profit and is therefore required to split the profit (after the increment is paid) with HC, is there any restriction (for the County) on spending the profit? What restrictions, if any, are placed on the expenditure of the profit?

No, there are no restrictions on how any “look back” provision revenues received by the County may be used.

25. How are the costs determined?

Costs were estimated using industry standard construction and development cost practices, which include cost assumptions appropriate to the level of design. The TIF
project cost estimates were provided by HHC and were developed by their contract estimator. The cost estimates were subsequently vetted by an internal Howard County team consisting of members of the Departments of Public Works, Planning & Zoning, and Finance and the County’s Financial Advisor, MuniCap Financial using the County’s Approved Unit Prices and Item Codes schedule. The Department of Planning and Zoning maintains the schedule and the unit costs are approved by the County Council each year.

26. Who determines what companies will do the work? Are they affiliated with HHC?

HHC will select the contractors on a privately competitive basis with the understanding that there are efficiencies and coordination with ongoing HHC private site work. Bond counsel and County will confirm that all contracts are negotiated at arm’s length and the construction costs for the projects are fair and reasonable for projects of a similar size and scope in the region. HHC does not intend to use affiliates to construct the improvements.

27. Will contracts include “not to exceed” language?

The contracts may include “not to exceed” language. Further, HHC will covenant to complete the public improvements under its contract with the County.

Guaranteed maximum price (GMP) contracts are often utilized in TIF financings but are not necessarily required. The contract arrangement will have to be reviewed because GMP or “not to exceed” contracts are not necessarily the best option. HHC will be required to covenant that it will complete the projects notwithstanding the fact that there may be insufficient bond proceeds to pay for the improvements.

28. What incentive does HHC have to contain the costs?

The County and the HHC have similar interests in lower construction costs. If the costs estimates are below actual costs, bond proceeds may be insufficient to cover the costs of the approved improvements and HHC would be responsible for completing the improvements.

29. Slide 10; Could this slide be altered to show 5500 units, rather than the extra 900 units proposed by HHC?

This is our slide and is intended to provide an overview of the project as presently contemplated. The additional 900 residential units proposed are consistent with the other numbers being presented. Changing this slide would create a variance with the other information presented.

30. Some of the slides (including 10 & 11) do not match the data in the Downtown Plan. Please explain.
These are our slides and are intended to provide an overview of the project as presently contemplated. The Phase I Development numbers are as proposed by HHC and are consistent with the other numbers being presented and changing these slides would create a variance with the other information presented. Generally, the projections reflect a balance between residential and commercial development consistent with the Downtown Columbia phasing chart. It should be noted that the TIF district does not include all of the Downtown Columbia area, so there may be development in areas of Downtown Columbia which is not included in the TIF projections.

31. What is the “Downtown Net new”?

Net New is defined in the DRRA. It means the number of dwelling units that are permitted under the Downtown Revitalization approval process after the effective date of the Downtown Columbia Plan (including the dwelling units in the Metropolitan and Parcel C but excluding the dwelling units approved in DSP-05-90) in excess of the number of dwelling units that are shown on a site development plan for property located within Downtown Columbia that was approved prior to the effective date of the Downtown Columbia Plan.

32. Slide 14; the “but for” test – How did we get these?

See response to question 11.

33. Please further explain the Waterfall (Is the County fully covered for Capital and Operating costs? Could the Special Tax District be required to pay for CIP?)

A supplemental chart and an explanation of the waterfall are attached hereto. See attached “Waterfall Charts and Text Final”. The waterfall provides for incremental revenues to be made available for the debt service on GO financing for an elementary school. Other CIP items could be covered in this same manner. However, if the special tax burden is too high on the properties, it will harm the marketability of the bonds and the success of the development.

34. Slide 19 - is bullet 4 over the life of the TIF or just the 1st phase?

Over the life of the TIF.

35. Do we have cash flows for 10-20 years?

The full TIF development fiscal impact analysis shows cash flows through FY 2051.

36. Does the County have or have we had any MOU/agreement with The Mall in Columbia or Sears?

No MOUs/agreements exist, or have existed, between the County and the Mall in Columbia or Sears as regards the tax increment financing effort for Downtown Columbia.
37. What is the term of the bonds for the TIF? Considering our bond rating, is this fiscally advisable?

The term of the bonds is 30-years for Phase 1 of the development effort.

The County’s TIF Guidelines require that the TIF project not have an adverse impact on the County’s debt rating. Consequently, we have specifically evaluated the financing request to determine if the project would negatively impact the County’s AAA bond rating and determined that it will not have a negative impact.

The bonds do not pose a risk for the following reasons:

- The bonds do not constitute a general obligation of the County;
- The proposed public investment is very small in comparison to the overall County capital budget ($90 million compared to $5,496,952 billion in total capital appropriations, or 1.6%);
- The Special Taxing District provides additional security against default.

The ratings agencies encourage the responsible use of tax increment financing and look for the following practices:

- Guidelines and policies consistent with industry best practices
- Consistent application of those guidelines and best practices
- Use of tax increment financing to support fulfillment of strategic or master plans
- Demonstrated history of responsible management by the issuing governmental unit
- Responsible and effective use of the tax increment and other governmental resources included in the structuring of the financing request

38. What exactly will the TIF cover and what would happen to those projects if there is no TIF?

The Phase I TIF effort is intended to fund the following critical infrastructure:

- Construction of Merriweather Drive and the northern portion of the North-South Connector
- Construction of Hickory Ridge extension
- Road construction includes “curb to curb” storm water piping, treatment & storage, and water and sewer for the in-roadbed elements. However, storm water piping, treatment & storage, and water and sewer unrelated to the roadbed are the responsibility of the developer and are not being financed through the TIF.

Construction /Improvements to the following intersections)

- Governor Warfield/Twin Rivers
- Little Patuxent/Merriweather Drive
- Broken Land/Hickory Ridge Signalization

Public parking garage – 2,545 spaces
These structures would not be built, or at least would not be built in the foreseeable future, without the TIF.

39. What is priority order of the TIF projects should the amount of the TIF be reduced?

Please refer to the list of proposed projects in the Question 39 response. To date, no priority order has been established.

40. What is the governance/operation process for bond issuance and expenditure?

The process would be similar to the County’s Annapolis Junction tax increment financing which financed a garage and related road improvements. It is a collaborative process involving County officials and professionals from various disciplines lending their experience and carrying out their roles on behalf of the parties, including the Finance Department, the Solicitor’s office, the County’s bond counsel and financial advisor, the bond underwriter, the bond trustee and developer team. Due diligence is performed by bond counsel, the County’s financial advisor and the underwriter’s counsel. To the extent the deal is ready for the market place, transaction documents are drafted and an offering document is prepared. The underwriter is responsible for marketing the bonds based on the content of the offering document. If the County agrees to issue the bonds based on the pricing received from the marketing of the bonds, a bond purchase agreement is signed and the transaction will close shortly thereafter upon the delivery of the bonds. Various legal opinions and certifications are required to be delivered in conjunction with the closing. All costs are verified through cost verification arrangements or a formal requisition process as set forth in the bond documents, consistent with IRS rules and the Maryland Annotated Code.

41. Can we preserve some specific tax within the TIF area (e.g., fire) or a portion of the general tax that would have been collected for a specific purpose, either in whole or in part (e.g., schools)? If so, what's the impact on the financials for the TIF?

The Maryland Annotated Code indicates that excess TIF revenues not needed to pay debt service on TIF bonds in any year may be used for “any … legal purpose,” including the payment of debt service on other bonds.

42. Please provide DPW’s analysis and cost estimates for the capital improvements to be financed through the TIF.

DPW reviewed the developer’s cost estimate for the roads, intersection, and parking garage at the time of their submittal to bond counsel. DPW utilized the DPZ/DPW unit cost spreadsheet used by all developers for estimating bonding. This document is approved by County Council. However, the roads anticipated to be constructed are greatly enhanced with lighting, landscaping, and amenities beyond the minimum requirements of the public road, therefore it is not a perfect tool for estimating. That
said, DPW’s analysis of the cost estimates is that the cost estimates are consistent with these unit prices, and SHA’s cost estimating program.

43. Please also provide DPW’s cost estimates for the North-South Connector Road to connect into Broken Land Parkway.

The cost estimates for the North-South connector was performed by Wallace Montgomery & Associates in the feasibility study and reviewed by DPW. The estimates were developed in accordance SHA Cost Estimating Program criteria and evaluated by DPW as consistent estimating practices for the level of detail presented in the TIF.

The N/S connector from the Crescent Road connection to Broken Land Pkwy is about $15M. The interim improvement from Crescent to LPP is about $10M. The Ultimate improvement of the N/S connector including jug handle therefore is about $25M.

44. Please provide a detailed explanation of the scope and cost of the TIF road improvements from the intersection of South Entrance Road and Symphony Woods Road to the intersection of South Entrance Road and Little Patuxent Parkway.

See response to question 44.

45. What is the timeline for converting from the proposed TIF-funded T intersection of Symphony Drive and Little Patuxent Parkway to the North-South Connector called for in the Downtown Columbia Plan?

2025

46. What are the projected timelines and specific plans for intersection improvements at Twin Rivers Road and Governor Warfield Parkway and at Twin Rivers Road and Broken Land Parkway? How will current sidewalk projects and the shared-use pathway from Wilde Lake to Downtown fit into these plans?

The timeline for converting is when the Warfield Parcels C1 and C2 are completed. They are currently under construction.

Under CEPPA #18 - GGP will construct at its expense, the Wilde Lake to Downtown Columbia pedestrian and bicycle pathway. The timeline is prior to the issuance of a building permit for 2.6M SF of development.

47. What will be the ownership structure for the parking garage financed through the TIF (for both the land and the building)?

See attachment “Ownership and Operation of TIF Garage”

48. Please provide a written copy of Jeff Bronow’s presentation from today’s work session.
See Attached “JeffBronow’s 5-25-16 presentation”

49. Please provide a chart to illustrate the structure of a typical TIF in Maryland and how this proposed TIF provides additional protections to ensure funding for the elementary school as well as the TIF-financed infrastructure. Please include citations to the specific provisions in the legislation which ensure those protections or indicate how those protections would be ensured if not in the legislation.

A typical TIF apportions 100% of the first use of revenues to the TIF bond debt service. The Waterfall structure that establishes the use of revenues is included as an attachment as referenced in response to question 33. See also the response to question 9.

50. Please clarify when the agreement on the specific details of the look-back provision will be reached and how it will take into account profits other than those realized at the time of sale of property.

The look-back agreement drafting and negotiation typically takes place at the time that bond documents are being prepared and finalized prior to the offer of the bonds to market. This was the case with Annapolis Junction bond issuance. While the developer has acknowledged that there will be look back arrangement, the terms have not been negotiated. These discussions regarding the look-back agreement are underway.

51. Please provide clarification on the “but for” test and how it relates to profits the developer earns as verified through the look-back provision.

Please see responses to questions 11, and 51.

52. What portion of the projected increment is comprised of the Metropolitan and other buildings which are already under construction?

Buildings under construction include the Metropolitan and a 204,00SF office building in the Crescent. The projected assessed value of this development represents 37% of the Phase I assessed value and 13% of the Total TIF development assessed value.

53. Please provide a certification of the amount of the original assessable base from the Supervisor of Assessments, which will be used to establish the base for the TIF.

The supervisor of assessments will be required to provide a certification of the base value prior to the issuance of the bonds. The base assessed value will be set as of January 1 of the preceding year in which the development district was created.

54. According to the “Guidelines for the creation of a tax incremental financing district,” the Administration is required to evaluate if “the financial assistance resulting from the TIF financing is limited to the amount required to make the development feasible.” Was that performed prior to the Council receiving the proposed legislation? If so, please provide a copy.
Yes, this is a provision of the but-for test. Please see response to question 11.

55. On page 18 of the staff report (under Section C. Guideline #2), it states that “the estimated rate of return was prohibitively lower than the market rate of return.” What is the estimated rate of return without the TIF? Can you please provide support for the lower rate?

Yes, this is a provision of the but-for test. Please see response to question 11.

56. Also on page 18 of the staff report, the last paragraph discusses the profit share. It states “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.” Is this something that can be in legislation?

The legislation focuses on the approval requirements set forth under the Maryland Annotated Code. The Administration’s preference at the recommendation of bond counsel is that legislation to direct the disposition of these not be included. The use of these funds will need to be appropriated by the County Council each year. The decision as to how to use any such funds should be based the financing circumstances at that time.

57. Please clarify how parking spaces reserved for (the customers or employees of) a particular tenant relate to the shared parking calculations.

The spaces will not be reserved for any particular tenant. It is going to be open to the public. The shared parking methodology done by DPZ will calculate how many spaces are needed for retail v. tenant parking related to the surrounding buildings. The County may choose to make some spaces time limited to accommodate turnover of spaces for restaurants and retail but these are decisions to be made at a later time.

58. How many parking spaces will be financed through the TIF? When will the parking spaces be constructed and where will they be located?

The Crescent Phase I project request presently before the County is intended to fund a 2,545 space garage.

<table>
<thead>
<tr>
<th>TIF Funded</th>
<th>Parking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crescent Phase I:</td>
<td>2,545</td>
</tr>
</tbody>
</table>

Planned future phases including the Phase II Crescent in 2019, the Lakefront STD 2 in 2018, and the Symphony Overlook STD 3 in 2019 also contemplate additional parking.

<table>
<thead>
<tr>
<th>Future TIF Requests:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crescent Phase II</td>
<td>190</td>
</tr>
<tr>
<td>Crescent Phase II</td>
<td>100</td>
</tr>
<tr>
<td>Lakefront – STD 2</td>
<td>598</td>
</tr>
</tbody>
</table>
59. How much of the TIF (in dollars) is parking related?

<table>
<thead>
<tr>
<th>Project</th>
<th>Parking Cost</th>
<th>Total Est TIF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crescent Phase I:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>51,168,911</td>
<td>66,031,118</td>
</tr>
<tr>
<td><strong>Future TIF Requests:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crescent Phase II</td>
<td>8,834,307</td>
<td>24,773,307</td>
</tr>
<tr>
<td>Lakefront – STD 2</td>
<td>11,780,409</td>
<td>11,780,409</td>
</tr>
<tr>
<td>Symphony Overlook – STD 3</td>
<td>39,399,360</td>
<td>39,399,360</td>
</tr>
<tr>
<td><strong>Total Projected</strong></td>
<td>111,182,987</td>
<td>141,984,194</td>
</tr>
</tbody>
</table>

60. How do those assumptions relate to the broader economic forecasts for the County?

<table>
<thead>
<tr>
<th>New Growth in Howard County, 2015 to 2040</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing Units</strong></td>
</tr>
<tr>
<td>Downtown Columbia Plan</td>
</tr>
<tr>
<td><strong>Total Howard County</strong></td>
</tr>
<tr>
<td>Downtown Columbia as % of Total</td>
</tr>
</tbody>
</table>

*Source: Howard County DPZ, Research Division*

61. Please provide an alternative version of Schedule XXXVIII showing only property tax revenue.

Comparing only real property tax revenues to total expenditures does not take into account the various other sources of revenues available to support the required operating and capital expenditures. For example, school capital expenditures will also be paid from available school excise tax revenues. It is recommended that revenues and offsetting expenditures be evaluated in total so as not to show an unrealistic impact to the County. Please see response to Question 63 below.

62. Please provide an alternative projection for Schedule XXXVIII using a lower inflation factor.
See attached “Response #20 TIF Development Fiscal Impacts (2% Inflation)”

63. Please provide an alternative version of Schedule XXXVIII reflecting the full cost of all the capital projects included in the “estimated capital costs” column.

See attached “Fiscal Impact (All CC Summary)8.16.16”

64. Please provide (draft) copies of the bond documents and trust indenture which lay out the specific details of the waterfall model.

The bond documents, including the trust indenture have not been prepared at this point. Bond documents for transactions of this nature are typically not prepared by the County’s bond counsel until there is a clear indication that the necessary approvals will be obtained and that the deal will be moving forward.

65. Where exactly is any shortfall in debt service for the school guaranteed by the special tax?

The special taxes to be levied and collected as contemplated in Council Bill 56-2016 will not be pledged or used to pay for debt service (or any shortfalls in debt service) related to the school. Under Maryland law any special taxes collected in the special taxing district must be used to pay debt service on any TIF bonds issued by the County pursuant to Council Bill 56-2016.

However, the special taxes will be an intervening revenue stream which will be available to pay the TIF bonds, leaving the tax increment available to the County to pay debt service on the GO bonds issued for the new elementary school.

66. Please provide a detailed explanation of the “but for” test including what part(s) of the development program could or could not go forward without the TIF, or with only certain portions of the TIF.

See response to question 11.

67. What would happen if it turns out that the costs of projects to be financed by the TIF were underestimated?

Howard Hughes is responsible for completing the projects to be financed by the TIF. If the costs of these projects turns out to be underestimated they are responsible for any additional costs.

68. Has school excise tax revenue projected to be generated from Downtown development been factored into the plan for financing the new elementary school? What are those school excise tax revenue projections?

Yes – school excise taxes have been taken into consideration in the fiscal. That should be in a schedule in the broad fiscal. The set-aside of tax increment revenue fully covers the cost of the school without relying on excise tax revenue.
69. How do you anticipate the County’s TIF’s will be reported in the CAFR starting FY17 considering the new GASB Statement 77 -Cost Reporting of Tax Abatements for Economic Development?

Reporting under GASB 77 is not required until the preparation of the FY 2017 CAFR – Fall of 2017. GASB has been unclear as to whether tax increment financing represents a tax abatement. We will carefully consider this issue over the next year and make an appropriate choice in time for the FY 2017 CAFR. During that time we will seek additional clarification from GASB, consider the proposed approach and practice of other local jurisdictions, and discuss the issue with the County’s external auditor.

70. Where in the legislation and/or agreements does it detail the scope etc. of the annual reporting that MuniCap will be providing?

There will be a Continuing Disclosure Agreement prepared that requires routine reporting. That agreement is generally prepared with other bond documents before issuance of the TIF bonds.

71. Resolution 105-2016, Section 5 page 8: Why is this section included?

This section allows the Council to enlarge or, under certain circumstances, reduce the size of the development (TIF) district and the special taxing district, thereby providing for flexibility prior to the issuance of bonds as to the properties from which tax revenues may be pledged. The last sentence typically is included in legislation which establishes development (TIF) and special taxing districts in Maryland. It is prudent, particularly for larger districts, to legislatively provide for de minimis changes in the boundary designations of districts by the executive branch to take into account subdivision or consolidation of properties, tax parcel identification revisions, or other issues which may result in changes to the boundaries of the parcels which are intended to be included in the districts.

72. Please describe in writing the TIF “set-aside” for the school for Downtown Columbia.

See response to question 33.

73. How much does each phase cover? And if it is only a portion (such as 1/3) is that a portion of
   a. The entire cost
   b. Their “share” of the entire cost (and if so, how much is their share), or
   c. A set dollar amount
As it pertains to the school, each phase covers one-third of the entire estimated cost of $30 million.

74. Please confirm whether there is a TIF “set aside” for any of the following:
   d. Fire Station
   e. Library
   f. Art Center
   g. Transit Center

See response to question 33.

75. If there is a TIF set aside for any of these items, please point specifically to where in the legislation (or other documentation) we can find this.

See response to question 33.
ATTACHMENTS

#10: Ownership and Operation of TIF Garage

#17: Development Comparison Table Response Item #17

#20: Crescent Traffic Study 7-8-16

#33: Waterfall Charts and Text Final

#48: JeffBronow’s 5-25-16 presentation

#62: Response #20 TIF Development Fiscal Impacts (2% Inflation)

#63: Fiscal Impact (All CC Summary) 8.16.16