

funding workgroup

revenue | cost | service | practice



rollin stanley

Montgomery County Planning Department

The Maryland-National Capital Park and Planning Commission

july 11

work group **mandate**

“recommendations on the adequacy, coordination & implementation of funding mechanism & other state assistance for planning activities | infrastructure | land preservation ...”



challenges

scope of the assignment
need to focus on MD funding priorities
assess programs addressing priorities
current state programs
best practices



what impacts the **cost** of growth ?



basic **factors** impacting public facility & service costs

use

mixed is better

density

higher is better

distance

to employment

to retail | services



costs

capital cost | cost to service

usually reflects per unit cost in new development

cost of subsidies - tax abatement

replacement | maintenance not factored



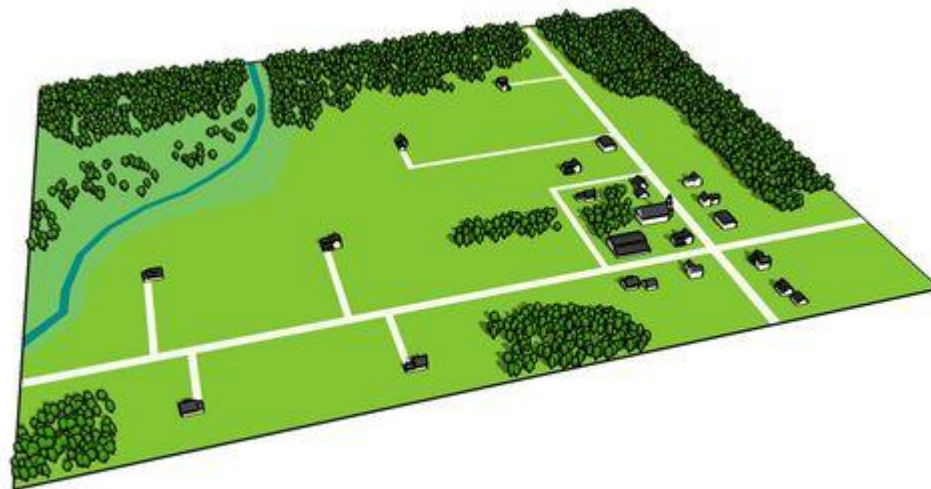
single family housing - **capital** costs

can be 2.6 X greater for **scattered** vs compact
\$23,960 vs \$9,252 (per unit)

big costs

education (\$6,254) | roads (\$5,742)

can be as high as 80 % of 8 services



single family housing - annual **service** costs

education	39 % of annual service costs
roads	29 %
wastewater	11 %
police	8 %



location sensitive

roads | water | wastewater

most capital intensive services

spatially oriented

most relevant services related to development patterns

short term gain | long term pain



not **location** sensitive

education | police | fire | libraries
they can locate nearby
co-location



land use impact on development economics

residential dominant areas

have a lower “revenue | cost ratio”

higher vmt to work | services

compact | mixed use development

land pattern where revenue | cost ratio is +

less vmt

cross subsidization

compact | mixed use form subsidizes sprawl



obvious

compact | dense places are more **cost efficient**
lower **capital** cost
lower **service** cost
lower **replacement** cost

assess those receiving the services
direct | indirect costs



strategic change - infill is good

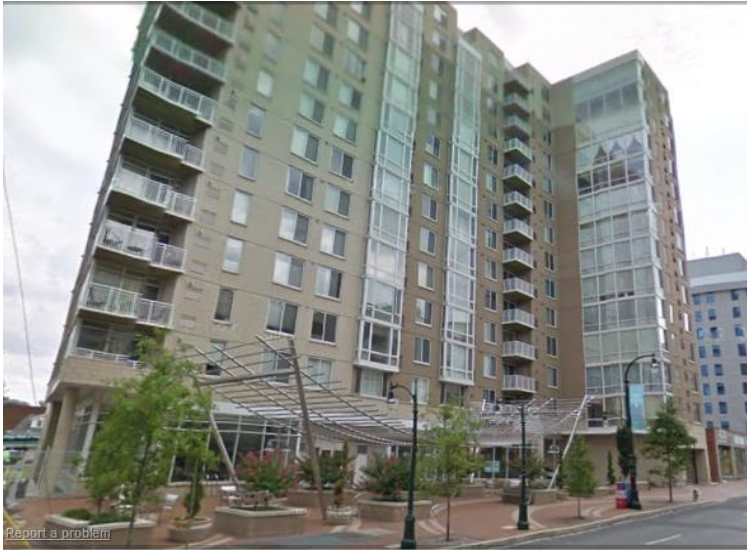
silver spring condo

woodside house

assessed value
property tax
income tax -
recordation tax -
sales tax

\$32 million
\$350,000 (40 X >)
\$287,000 (136 X >)
9 units for sale
250 + people

\$810,000
\$ 8,743
\$ 2,100
sold 15 yrs ago
2.56 people



reality of compact | dense development - MoCo

change in **assessed** value per acre
1988 - 2008

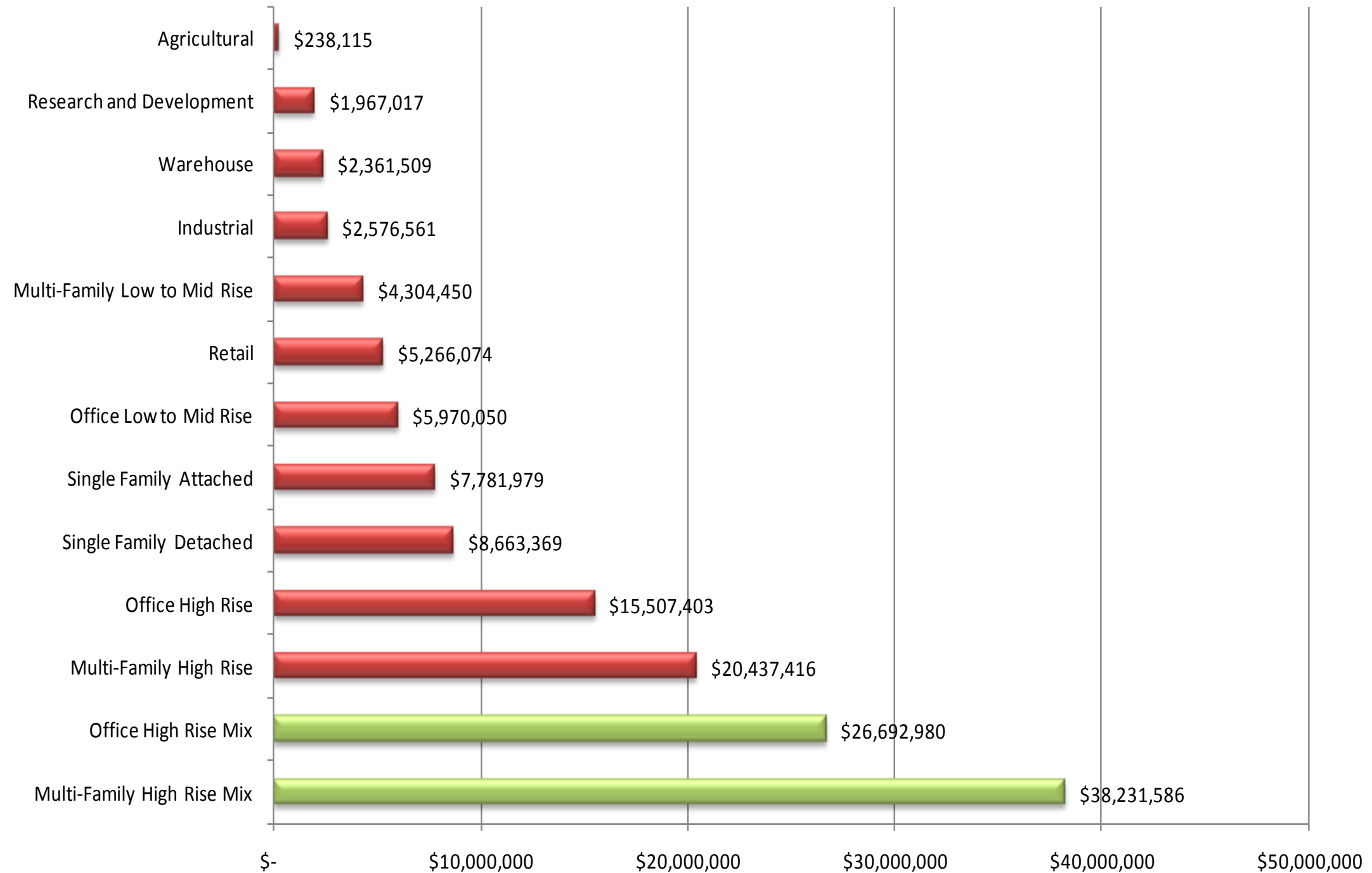
bethesda	\$9.8 million
silver spring	4.2
rest of the county	.418



land use balance

Total Assessed Value per Acre by Land Type

3rd Quarter 2010



opportunity cost

rationalize infrastructure
it's about yield



public subsidies | investment



different forms of public **subsidies**

direct | indirect

development regs

public service pricing

taxation

infrastructure

financial incentives



direct subsidies intended to influence a particular type of development

who makes up the difference ?
tdr | blt program



example

growth policies | adequate public facilities

lower impact fees where traffic is not an issue ?

= sprawl subsidy | long term impact ?



choose **wisely** - subsidies

what is the objective

historic preservation

encourage a specific industry

how is the “**opportunity cost**” recovered

Isc in MoCo - no impact fee

cumulative impact on revenue

greater in low property tax revenue area



financing tools
tax benefit programs



real estate tax **abatement**

business retention - hhs in MoCo
encourage property improvement



historic tax credits

state | local | federal
up to net of 35 % to 38 %
income generating vs ownership



tax **increment** financing

taxes are not abated - they are targeted | diverted **value** - borrowing against future revenue stream
use the money to achieve the goals



tax **increment** financing - changes

capture local taxes

hotel

recording

what about state taxes ?

retail sales tax ?



tax **increment** financing - changes

district tif
 super tif
 operating costs ?
 only Prince George's



GRAND CENTER TIF REDEVELOPMENT PLAN

APPENDIX 6

ESTIMATED TIF REDEVELOPMENT PROJECT COSTS

(See also SOURCES AND USES in Appendix 4)

Redevelopment Project	Total Cost
African American History Museum	\$30,000,000
Kim's Kids Daycare	\$1,650,000
Charmaine Chapman Community Center	\$5,000,000
Covenant Plaza Greenspace	\$1,200,000
District Improvements Stages I-IV	\$21,900,000
Urban Garden	\$879,000
Olive West Housing	\$20,770,000
Medinah Arts Center	\$5,460,000
Moolah Theatre	\$11,250,000
Woolworth Building	\$6,240,000
Symphony Plaza	\$5,000,000
Delmar Street re-routing	\$4,000,000
Sun Theatre	\$4,525,000
634 North Grand	\$19,745,000
Grand Center East Parking Structure	\$14,085,000
VA Parking Structure	\$6,350,000
Contemporary Art Museum St. Louis	\$12,000,000
Village Academy	\$4,050,000
North Grand Retail Development	\$9,245,000
St. Louis University Arena	\$66,900,000
Saint Louis University Marina site	\$8,032,000
Moolah Garage	\$8,800,000
Metropolitan Building	\$16,000,000
Humboldt Building	\$5,650,000
Grand Center West Parking Structure	\$14,085,000
Cardinal Ritter College Prep High School	\$25,600,000
Continental Building	\$28,000,000
Coronado Hotel Apartments	\$36,000,000
Saint Louis University Busch Memorial Center	\$20,000,000
Saint Louis University Museum of Art	\$5,200,000
Circus/Flexible Performance Space	\$4,600,000
Total	\$422,316,000

tax increment financing - changes

district tif

Grand Center Projected TIF Revenues

Payroll of For-Profit & Not-for-Profit Businesses	City Earnings Tax	City Earnings Tax Increment	Residents' Non-City Income	City Earnings Tax	City Earnings Tax Increment	Utility Costs	Utility Tax	Utility Tax Increment	Public Garage	Garage Tax	Garage Tax Increment	Total Increments
\$176,236,428	\$114,016		\$0	\$0		\$31,166,204	\$3,116,620		\$2,160,000	\$108,000		
181,523,521	\$117,437	\$713	\$0	\$0	\$0	\$32,101,190	\$3,210,119	\$19,479	\$2,224,800	\$111,240	\$675	\$26,948
200,813,712	\$247,695	\$66,839	\$2,970,000	\$29,700	\$14,850	\$34,040,426	\$3,404,043	\$143,711	\$2,291,544	\$114,577	\$3,289	\$666,353
220,852,070	\$399,187	\$142,585	\$6,254,100	\$62,541	\$31,271	\$35,765,989	\$3,576,599	\$229,989	\$3,783,953	\$189,198	\$40,599	\$1,458,979
239,512,819	\$463,138	\$174,561	\$10,479,223	\$104,792	\$52,396	\$38,718,148	\$3,871,815	\$377,597	\$6,600,816	\$330,041	\$111,020	\$2,306,439
253,883,588	\$490,926	\$188,455	\$11,107,976	\$111,080	\$55,540	\$41,041,237	\$4,104,124	\$493,752	\$6,996,864	\$349,843	\$120,922	\$2,655,203
270,136,603	\$530,582	\$208,283	\$13,774,455	\$137,745	\$68,872	\$43,777,511	\$4,377,751	\$630,565	\$7,416,676	\$370,834	\$131,417	\$3,217,658
286,344,800	\$562,416	\$224,200	\$14,600,922	\$146,009	\$73,005	\$46,404,162	\$4,640,416	\$761,898	\$7,861,677	\$393,084	\$142,542	\$3,665,124
303,525,488	\$596,161	\$241,073	\$15,476,978	\$154,770	\$77,385	\$49,188,411	\$4,918,841	\$901,110	\$8,333,378	\$416,669	\$154,334	\$4,103,044
321,737,017	\$631,931	\$258,958	\$16,405,596	\$164,056	\$82,028	\$52,139,716	\$5,213,972	\$1,048,676	\$8,833,380	\$441,669	\$166,835	\$4,570,649
341,041,238	\$669,847	\$277,916	\$17,389,932	\$173,899	\$86,950	\$55,268,099	\$5,526,810	\$1,205,095	\$9,363,383	\$468,169	\$180,085	\$5,069,934
361,503,712	\$710,038	\$298,011	\$18,433,328	\$184,333	\$92,167	\$58,584,185	\$5,858,418	\$1,370,899	\$9,925,186	\$496,259	\$194,130	\$5,949,652
383,193,935	\$752,640	\$319,312	\$19,539,328	\$195,393	\$97,697	\$62,099,236	\$6,209,924	\$1,546,652	\$10,520,697	\$526,035	\$209,017	\$6,870,403
406,185,571	\$797,799	\$341,891	\$20,711,687	\$207,117	\$103,558	\$65,825,190	\$6,582,519	\$1,732,949	\$11,151,939	\$557,597	\$224,798	\$7,512,994
430,556,705	\$845,666	\$365,825	\$21,954,389	\$219,544	\$109,772	\$69,774,702	\$6,977,470	\$1,930,425	\$11,821,055	\$591,053	\$241,526	\$8,198,419
456,390,108	\$896,406	\$391,195	\$23,271,652	\$232,717	\$116,358	\$73,961,184	\$7,396,118	\$2,139,749	\$12,530,319	\$626,516	\$259,258	\$8,929,523
483,773,514	\$950,191	\$418,087	\$24,667,951	\$246,680	\$123,340	\$78,398,855	\$7,839,885	\$2,361,633	\$13,282,138	\$664,107	\$278,053	\$9,709,337
512,799,925	\$1,007,202	\$446,593	\$26,148,028	\$261,480	\$130,740	\$83,102,786	\$8,310,279	\$2,596,829	\$14,079,066	\$703,953	\$297,977	\$10,541,093
543,567,920	\$1,067,634	\$476,809	\$27,716,910	\$277,169	\$138,585	\$88,088,953	\$8,808,895	\$2,846,137	\$14,923,810	\$746,190	\$319,095	\$11,428,237
576,181,996	\$1,131,692	\$508,838	\$29,379,924	\$293,799	\$146,900	\$93,374,290	\$9,337,429	\$3,110,404	\$15,819,239	\$790,962	\$341,481	\$12,374,441
610,752,915	\$1,199,594	\$542,789	\$31,142,720	\$311,427	\$155,714	\$98,976,748	\$9,897,675	\$3,390,527	\$16,768,393	\$838,420	\$365,210	\$13,383,621
647,398,090	\$1,271,570	\$578,777	\$33,011,283	\$330,113	\$165,056	\$104,915,353	\$10,491,535	\$3,687,457	\$17,774,496	\$888,725	\$390,362	\$14,459,950
686,241,976	\$1,347,864	\$616,924	\$34,991,960	\$349,920	\$174,960	\$111,210,274	\$11,121,027	\$4,002,203	\$18,840,966	\$942,048	\$417,024	\$15,607,877
727,416,494	\$1,428,736	\$657,360	\$37,091,477	\$370,915	\$185,457	\$117,882,890	\$11,788,289	\$4,335,834	\$19,971,424	\$998,571	\$445,286	\$16,832,145
\$771,061,484	\$1,514,460	\$408,463	\$39,316,966	\$393,170	\$114,674	\$124,955,864	\$12,495,586	\$2,735,532	\$21,169,710	\$1,058,485	\$277,225	\$10,574,136
\$10,216,395,201	19,630,812	8,154,457	495,836,785	4,958,368	2,397,274	1,659,595,397	165,959,540	\$43,599,103	\$272,284,908	\$13,614,245	\$5,312,160	\$ 180,112,158



development district

like a tif - only applies to new development
revenue from a special tax
can combine with other financing tools = reduced risk



special taxing districts

financing capital improvements

water | wastewater | roads | transit | ped facilities

a new tax = higher tax rate based on a rate
charter limits - except some transportation items
consent of property owners not required



special **benefits** assessments

charge for proportional share for new infrastructure
value of **proximity** to new facilities

based on the benefit

frontage of a property on a new road



special **benefits** assessments

floor space tax
bryant park



excise taxes

development impact taxes

use | occupancy taxes

tax on surface parking

energy tax - applies to government

not subject to the charter limit



financing tools

loan programs



financing

gov't money
leveraging gov't reputation
other peoples money
imaginary money



revolving loan funds

financing local activities to meet priorities
competition ?

seed \$10 million every 3 years
tax increment reseeds the revolving fund



small **business** loans

several players

business owner | bank | cdc

cdc administers the program behalf of the gov't

uses - buying real estate | equipment | construction



tax exempt **bond** financing

state | local debt - interest is tax exempt for investors
investors accept lower interest

3 types

governmental bonds

private activity bonds

gov't issue - \$ used by another entity

rail | education | power | water | etc

501 c 3 bonds

finance gov't or non profit activity



public | private **partnerships**

partnership - private | public
specific to each application
gov't participation

land

tax abatement

tax allocation - tif for example

infrastructure spending - bond

using gov't rates for bond financing

regulatory certainty

public benefits | locked in approvals



other loan programs

micro enterprise fund - small capital on short terms

new orleans - used to attract small business

6 % wage rebate on payroll

try to cluster



examples



packaging - when just one won't do



find the “big idea”

a structure
a local institution



put things together

historic tax credits - fed | state | city

cdc - new market tax credits

202 seniors HUD grant

low income tax credits

cdbg - acquisition

more

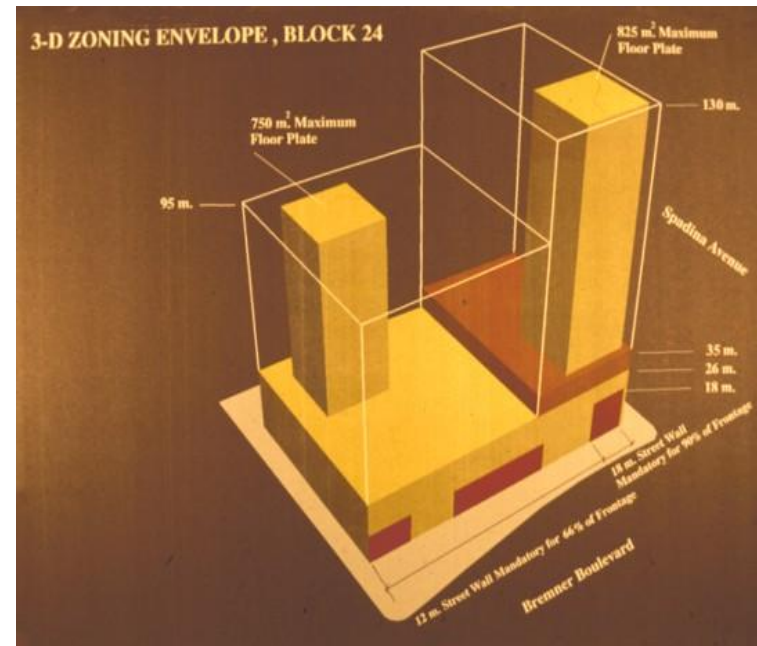


imaginary money



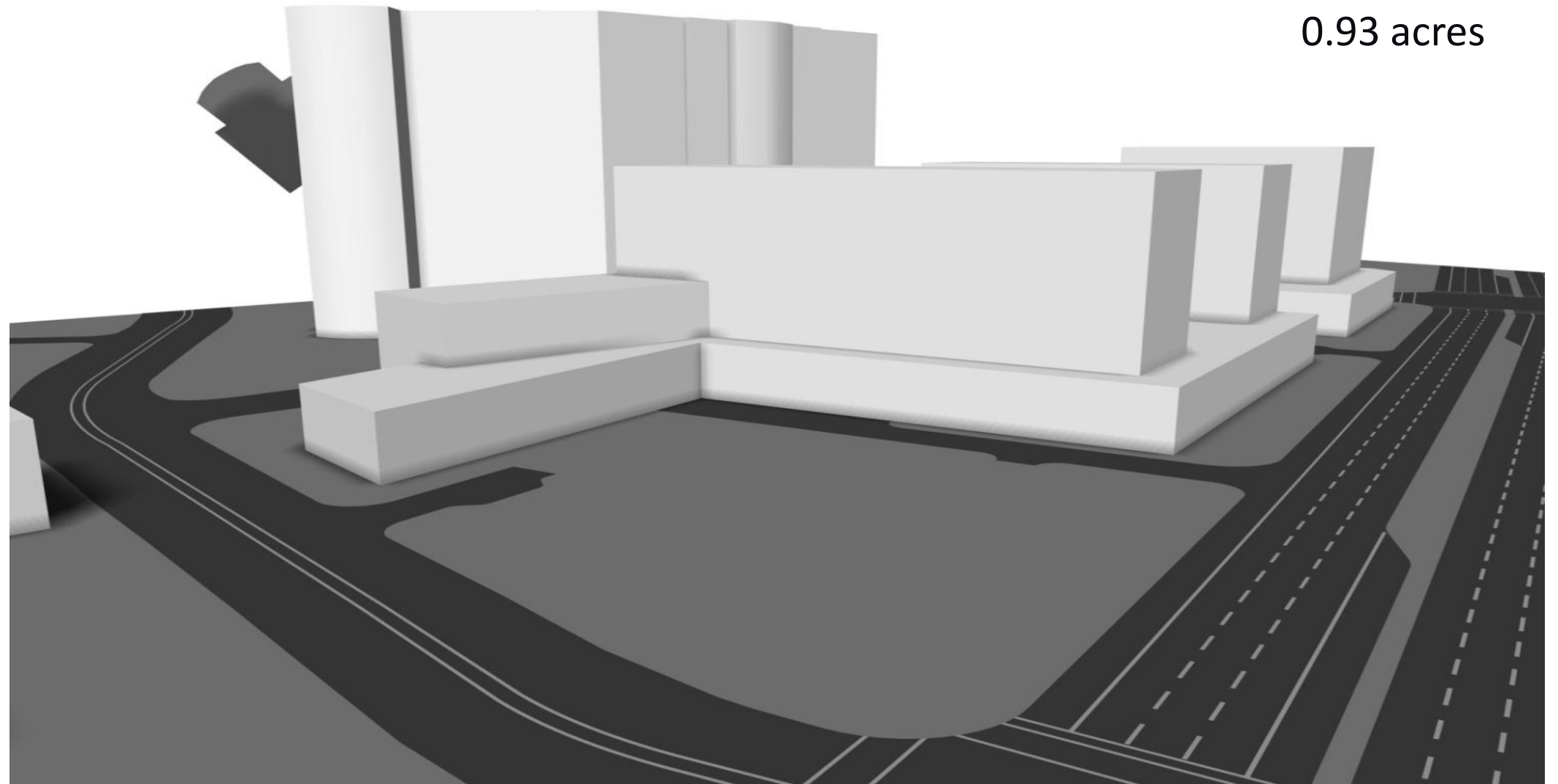
imaginary money - give me density of give me death

is floor area worth something ?
leverage it at no cost



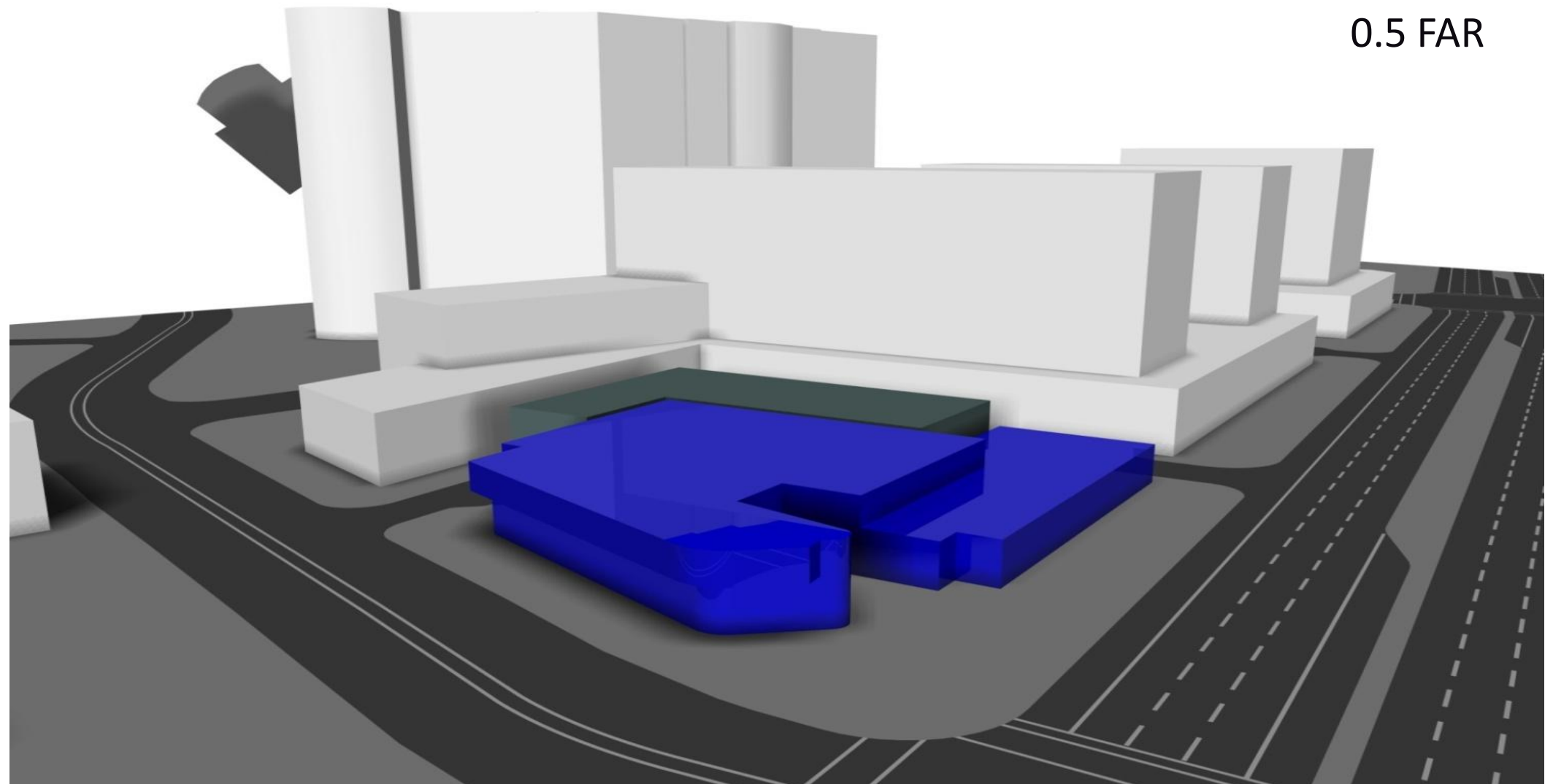
blanc flint - MoCo

CR-4.0, C3.5, R3.5, H300
0.93 acres



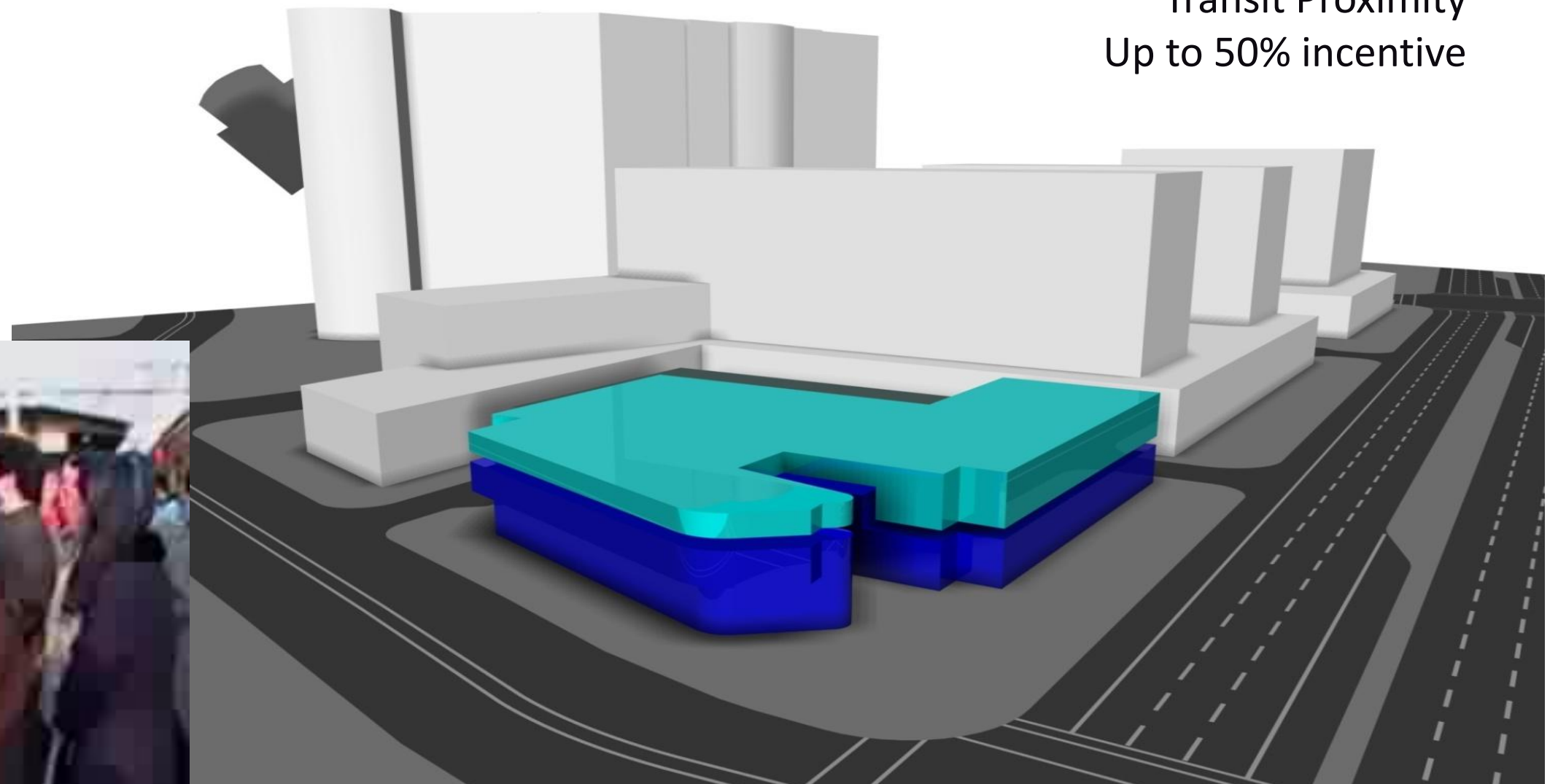
blanc flint

Standard Method
0.5 FAR



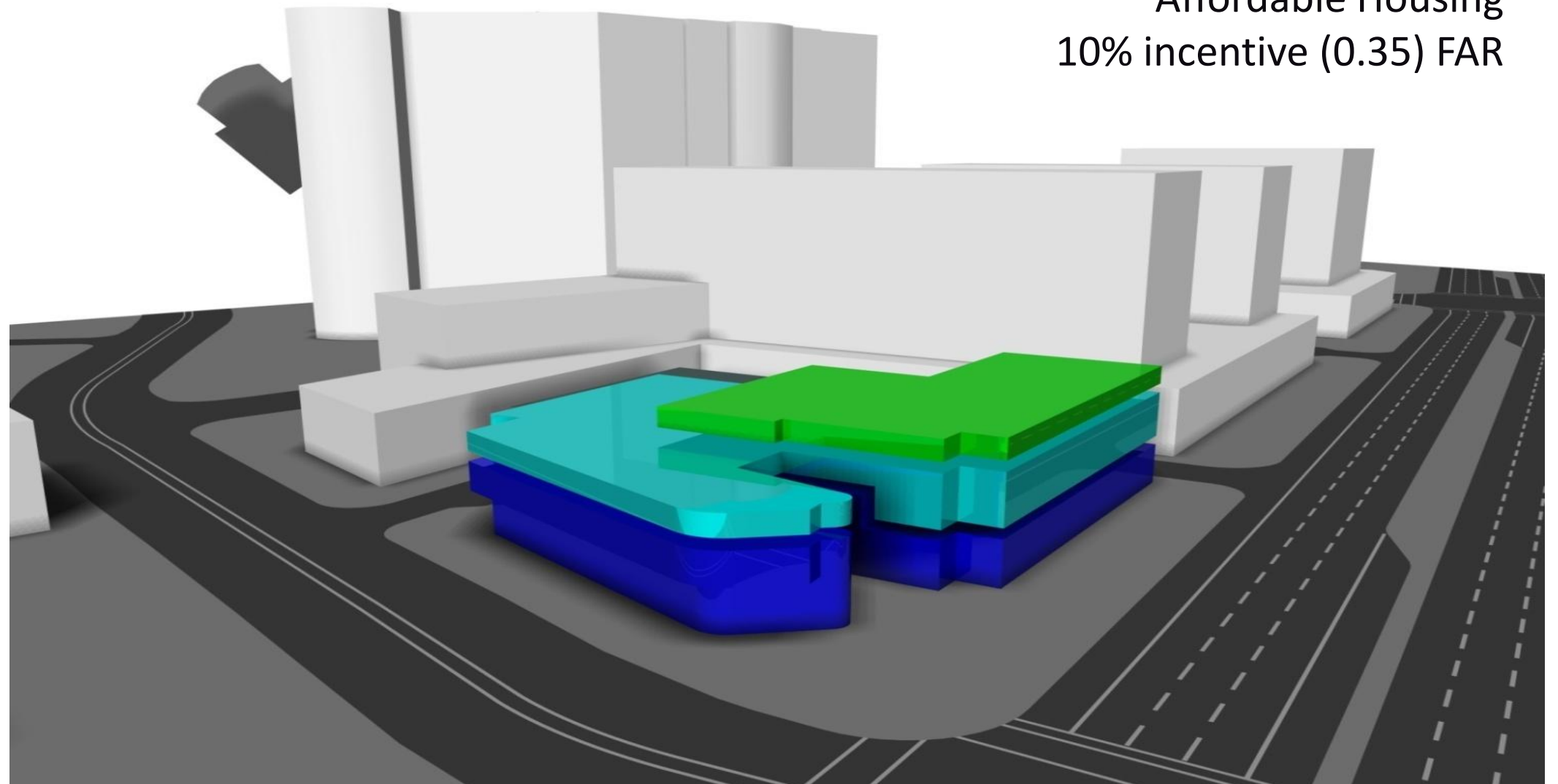
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Transit Proximity
Up to 50% incentive



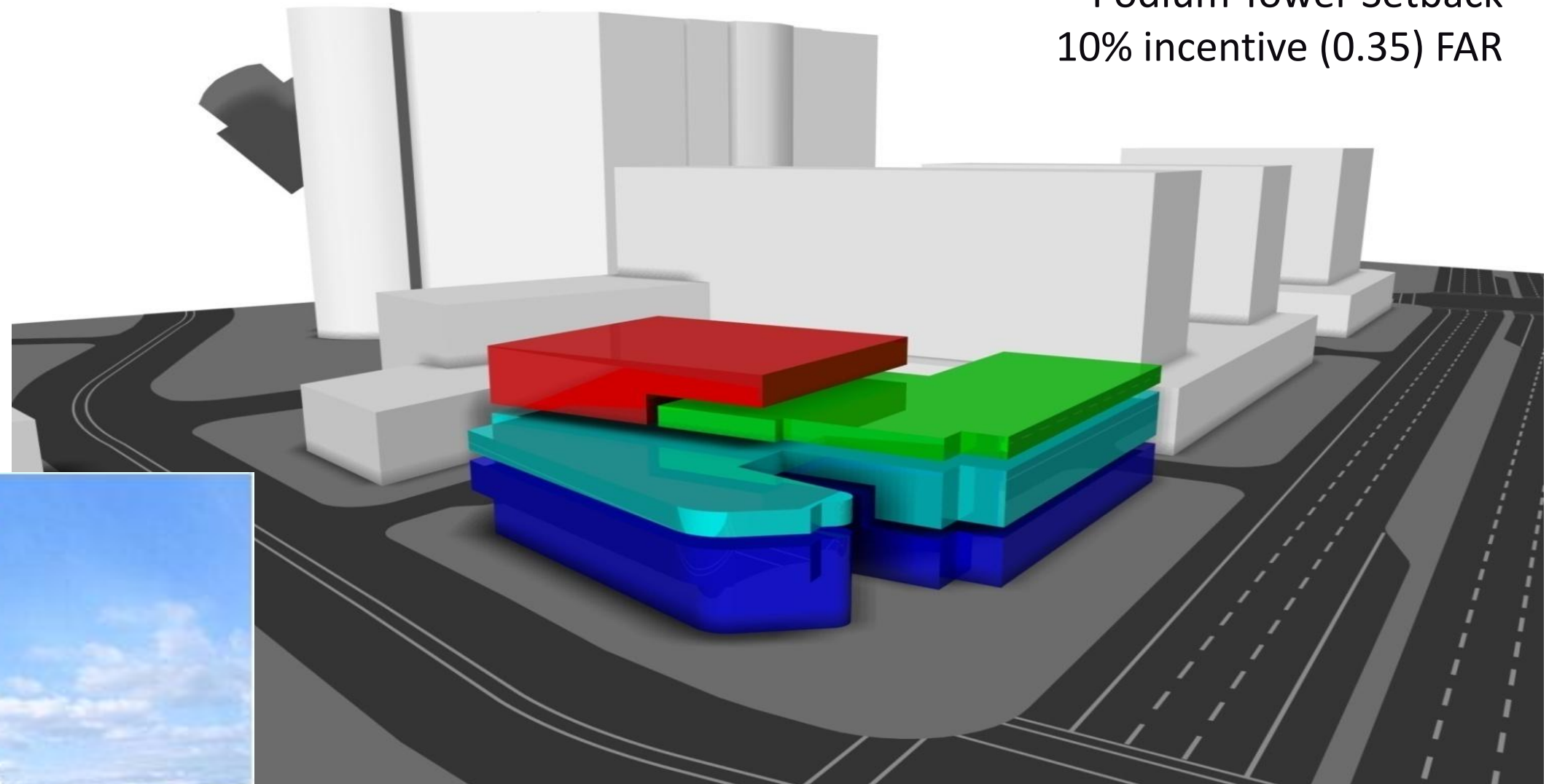
blanc flint

Affordable Housing
10% incentive (0.35) FAR



blanc flint

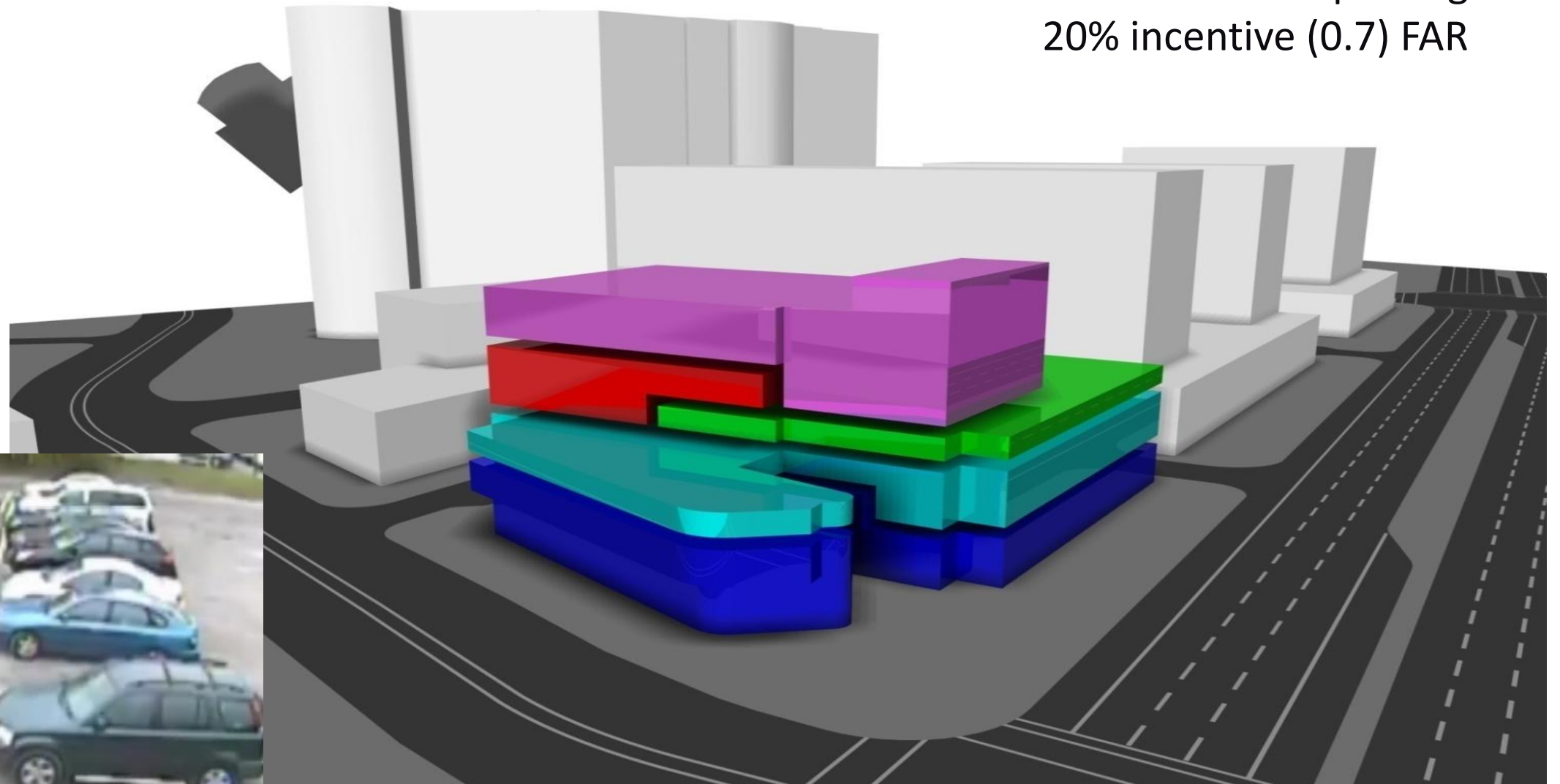
Podium Tower Setback
10% incentive (0.35) FAR



blanc flint



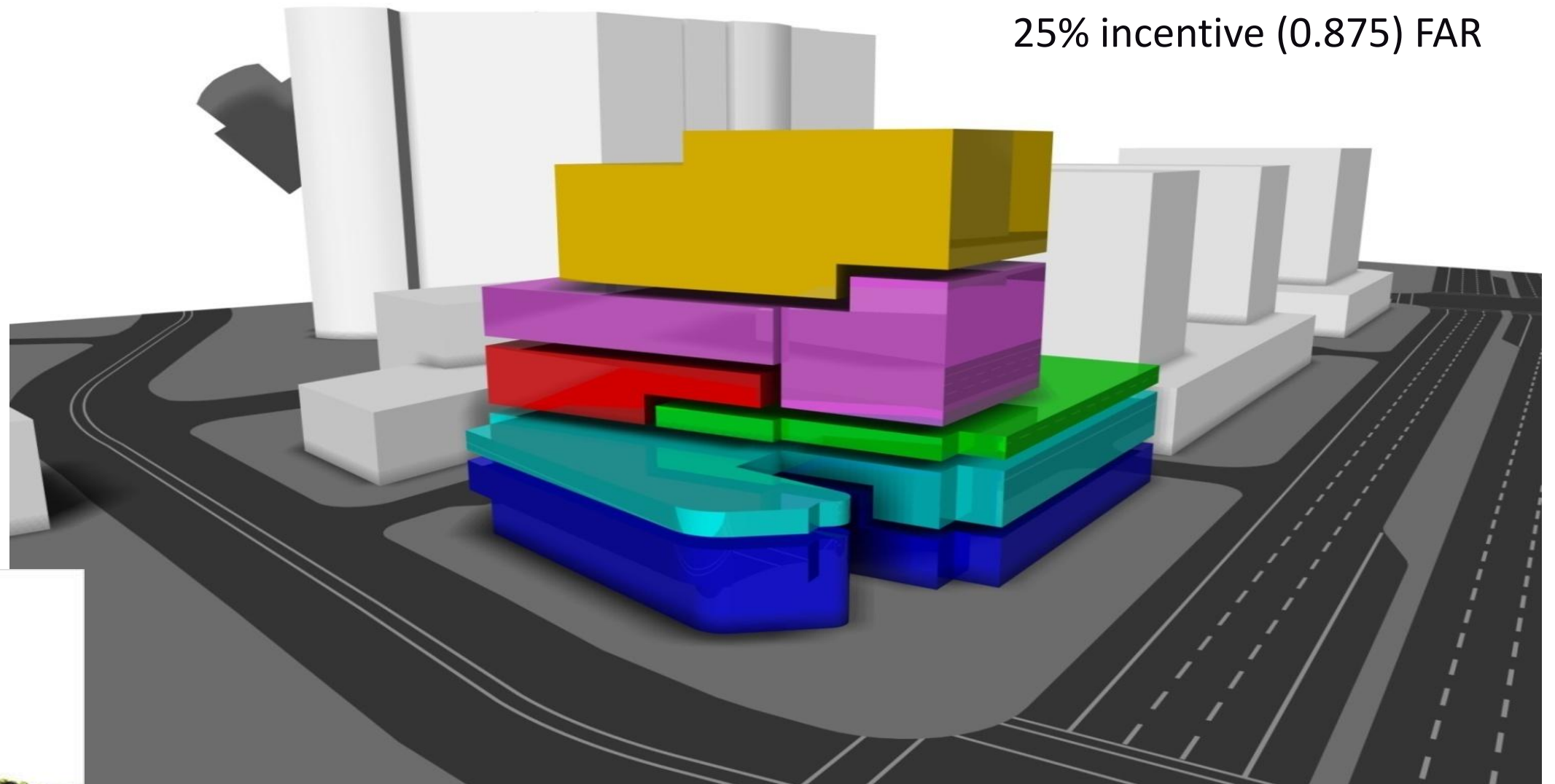
parking
20% incentive (0.7) FAR



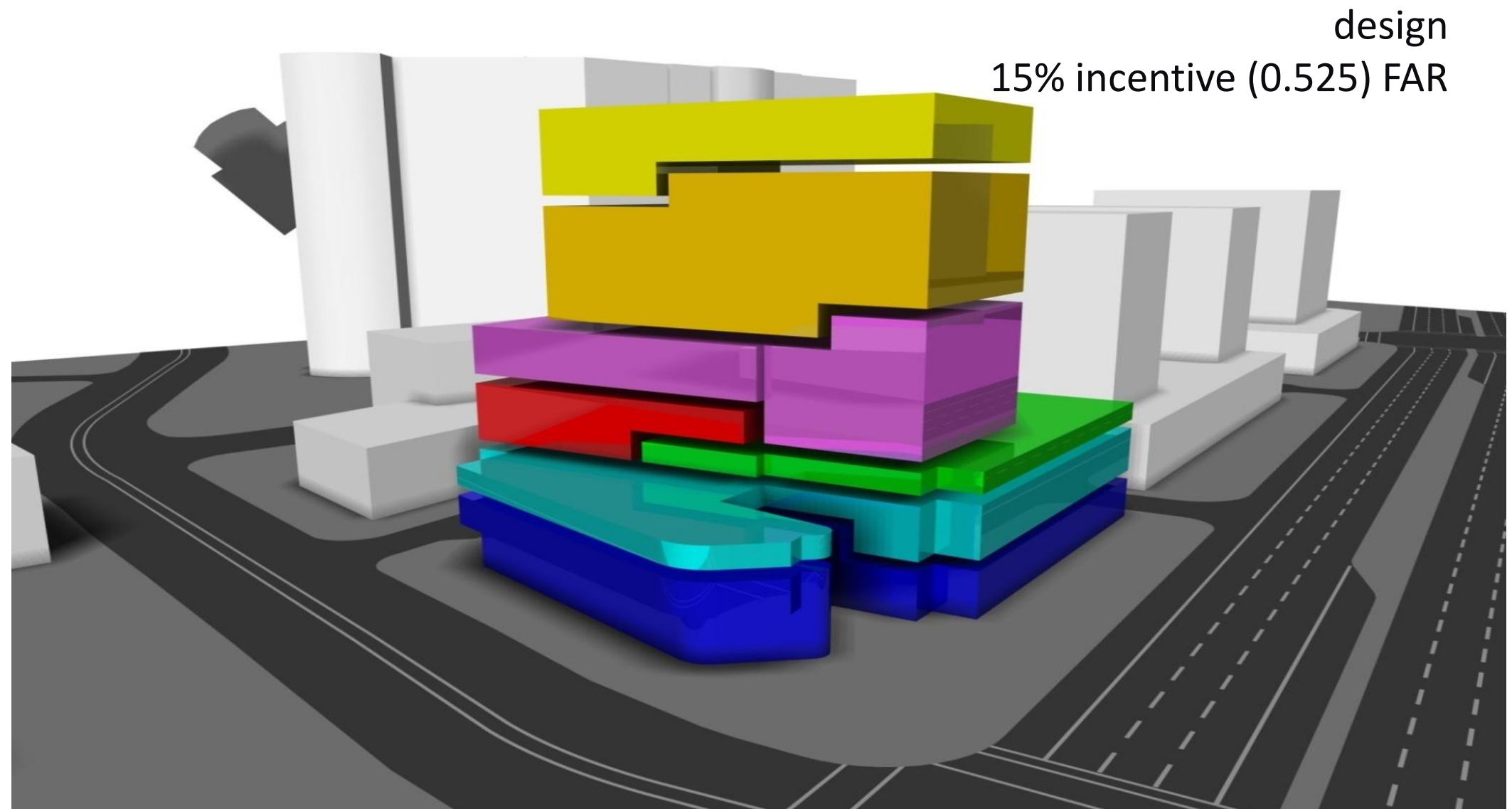
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Green elements
25% incentive (0.875) FAR

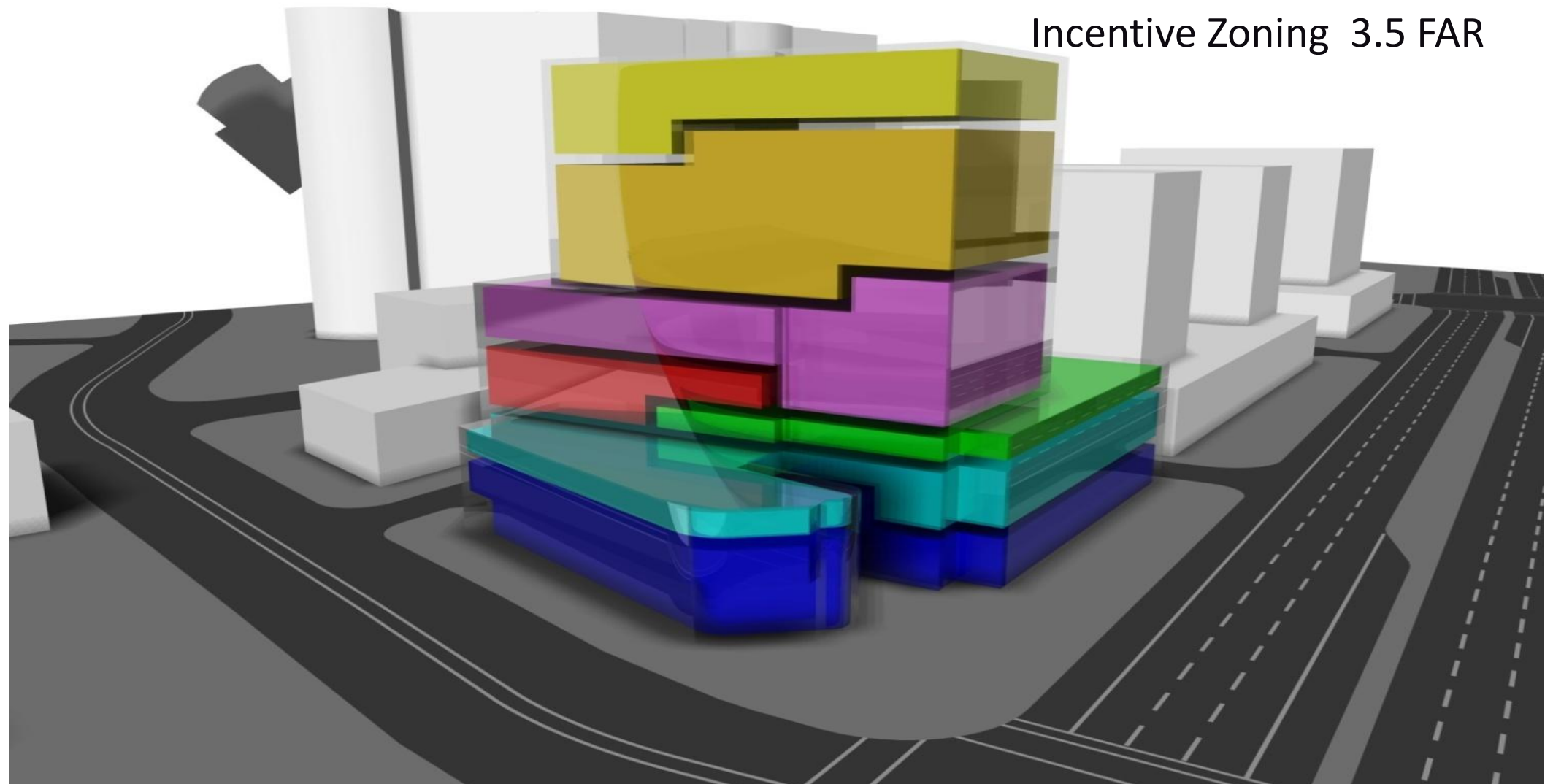


blanc flint



blanc flint

Standard Method 0.5 FAR
Incentive Zoning 3.5 FAR



next steps



applicability to all environments



develop list of funding priorities
infrastructure needs

evaluate current state programs
identified infrastructure needs

Key Maryland Business Lending Resources

Program Name and Sponsor	Products	Uses	Eligible Applicants	Terms & Conditions	Target Audience
Maryland Economic Development Assistance Authority and Fund/Five financing capabilities available	Loans Grants Investments	Land acquisition, infrastructure improvements, buildings, fixed assets, leasehold improvements, working capital, studies, strategic plans, revolving loan funds, and special purposes	Below market financing to specific industry sectors locating or expanding in a Priority Funding Area	Assistance cannot exceed the lesser of \$10 million or 20% of the current fund balance	Businesses in eligible industry sectors
Maryland Industrial Development Financing Authority	Loan Guarantees Bonds	Land acquisition, building acquisition, construction cost, machinery and equipment, furniture and fixtures, leasehold improvements, certain eligible "soft costs," energy-related projects and working capital	Commercial and industrial businesses (with the exception of retail), manufacturers, not-for-profit entities and day care providers	Financial obligation may be up to 80% of loan amount not to exceed \$2.5 million, insurance on export transactions may be up to 90% of obligation, insurance of tax-exempt, taxable and energy bonds issued by MIDFA may be up to 100% of bond amount not to exceed \$7.5 million	Financial Institutions
Maryland Industrial Development Financing Authority	Small Business Recovery Guarantees	Fixed assets and working capital	Commercial and industrial businesses (with the exception of retail), manufacturers, not-for-profit entities and day care providers	Up to \$50,000 not to exceed 50% of loans up to \$100,000, up to \$250,000 not to exceed 25% of loans up to \$1 million	Financial Institutions
Maryland Small Business Development Financing Authority/ Contract Financing	Direct loans Loan Guarantees Equity Investments	Working capital, supplies and materials, and acquisition of machinery and equipment needed to complete a contract	Small businesses that do not meet the established credit criteria of financial institutions, and consequently are unable to obtain adequate business financing on reasonable terms through normal financing channels	Loans and guarantees subject to cap of \$2 million, equity guarantees limited to lesser of \$250,000 or 10% of proposed equity investment	Small Businesses
Maryland Small Business Development Financing Authority/ Equity Participation Investment	Loans Loan Guarantees Equity Investments	Land acquisition, leasehold improvements, acquisition of M&E, purchase of existing franchise, construction or renovation, and franchise fees	Small businesses that do not meet the established credit criteria of financial institutions, and consequently are unable to obtain adequate business financing on reasonable terms through normal financing channels	Franchising & business acquisition-equity investment or loan cannot exceed \$2 million, with a term not to exceed 7 years Technology-loan or investment not to exceed \$2 million, with a term not to exceed 10 years	Small Businesses



best practices

narrow search to funding priorities

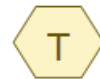
barriers to raising new revenue sources

policy, legal, practice issues

legislative change

GENERAL

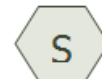
Icon Legend:



Transportation



Public Facilities



Sustainability

Federal Level

State Level



Bond Banks

Bond banks are state-sponsored entities that make local infrastructure projects feasible by providing access to the municipal bond market and direct and indirect financial subsidies to local jurisdictions.¹ Bond banks consolidate local bond issues to create a single, pooled issue. This capability takes advantage of high investment grade ratings and spreads the risk, netting better interest rates and lower issuing costs. For smaller localities with smaller bond issues and fewer staff resources to handle the paperwork and administration, bond banks save time and money.² Bond banks can help local jurisdictions finance water and sewer, school, transportation, solid waste and economic development projects.

While most bond banks operate as independent self-supporting authorities, some rely on state appropriations to subsidize their operations. Self-supporting bond banks generally rely on local borrower fees for support, charging either a lump-sum fee at closing or an annual fee. Long-term bond pools, including refunding, cash flow financing, and equipment lease financing are the most common forms of financing offered by bond banks.³



implementation

develop legislative campaign
professional assistance
draft legislation



