



Tax Increment Financing

Presentation to the
City of Bowie
November 18, 2009



Presentation Outline

- I. Experience with TIFs in U.S.
- II. Maryland Experience with TIFs
- III. Uses of tax increment financing
- IV. Tax increment financing process
- V. Preparation of the TIF plan
- VI. Public policy issues

Experience with TIFs in U.S.

- First used in the early 1950's
- TIF bonds were issued in 28 states in 2005 and 2006
- Total issuance of TIF bonds in 2005 and 2006 were \$5.1 billion
- Has spread throughout the country because it is a self-financing redevelopment tool

Maryland Experience With TIFs

Project

National Harbor

Greenbelt Metro Station

Arundel Mills

National Business Park

Parole Area

Savage MARC Station

Monocacy Boulevard

Clipper Mill

Charles Village

Strathdale Manor

Belvedere Square

Harborview

Johns Hopkins Technology Park

North Locust Point

Mondawmin Mall

Salisbury Mall

Northeast Collector

County

Prince George's County

Prince George's County

Anne Arundel County

Anne Arundel County

Anne Arundel County

Howard County

City of Frederick

City of Baltimore

City of Baltimore

City of Baltimore

City of Baltimore

City of Baltimore

City of Baltimore

City of Baltimore

City of Baltimore

City of Salisbury

City of Salisbury



Uses of Tax Increment Financing

TIF's are a self-financing tool available to local governments to:

- Redevelop urban renewal areas
- Encourage economic development
- Rebuild public infrastructure
- Change the character of existing land use in strategic locations

Uses of Tax Increment Financing (continued)

- Redevelopment
 - Clipper Mill
 - Charles Village
 - Parole Area
 - Belvedere Square
 - Mondawmin Mall
 - Salisbury Mall
- Economic Development
 - Arundel Mills
 - National Harbor
 - Johns Hopkins Technology Park



Uses of Tax Increment Financing (continued)

- Public Improvements
 - National Business Park
 - Monocacy Boulevard
 - Northeast Collector
 - North Locust Point
- Land Use Goals
 - Greenbelt Metro Station
 - Harborview
 - Savage MARC Station
- Affordable Housing
 - Strathdale Manor



Tax Increment Financing Process

1. Project conception
2. Preparation of TIF plan
3. Governmental approvals
4. Issuance of bonds
5. Monitoring and feedback

Preparation of the TIF Plan

- Constraints to TIF Plan
 - Development project
 - Legal authority
 - Financial markets
 - Public policy



Primary Public Policy Issues

1. Is public assistance appropriate for this project?
2. “But For” test
 - Financial analysis
 - Application of judgment
 - Do current conditions impair proposed development?
 - Is there some other reason the market acting alone will not produce the development?
3. How much assistance is appropriate?

Primary Public Policy Issues

(continued)

4. What is the sponsoring government agency receiving in return for the TIF? (TIF is both a financial and land use development tool.)
5. What is the amount of private investment (is the public investment adequately leveraging private investment)?
6. Will there be sufficient surplus tax revenues to cover costs of public services required for the project?

Primary Public Policy Issues (continued)

7. Is the proposed TIF economically efficient (i.e., more tax revenues or benefits than the No-TIF alternative)?
8. Are there clear linkages between the properties in the TIF area and the TIF plan?
9. What are the risks associated with the TIF plan and have the risks been addressed?



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