Agenda Item 9
March 2, 2010
Worksession

MEMORANDUM

TO: County Council

FROM: Michael Faden, Senior Legislative Attorney
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Glenn Orlin, Deputy Council Staff Director

SUBJECT: **Worksession:** White Flint Sector Plan – financing issues

Planning, Housing and Economic Development Committee/Management and Fiscal Policy Committee recommendation: no formal recommendation.

Committee worksessions On January 26, the Planning, Housing and Economic Development and Management and Fiscal Policy Committees, meeting jointly, received a briefing from Council and Executive staff on the infrastructure needs of the White Flint sector as it builds out and the options to finance those needs. The Executive staff's briefing centered on the list of options shown on ©4-10.

On February 23 the joint Committees received from Executive staff an updated list of White Flint sector infrastructure items (see ©2-3) and a brief White Flint financing strategy outline (see ©1). The Committees did not have time for extensive discussion of the Executive outline and did not attempt to generate recommendations to the Council.

Purpose There appears to be a consensus among the Executive, Planning Board, and stakeholders that the revised White Flint sector plan should not decide how to finance the many public facility improvements that will be needed to sustain the intensive land development which the proposed plan would encourage. However, almost every possible financing mechanism will require some kind of Council action – legislative, budgetary, or both – relatively soon after this plan is approved. Therefore, before the Council acts on this plan, Councilmembers, the Planning Board, and interested parties would benefit from reviewing the financing mechanisms that can be used to realize the plan's goals.

Magnitude Finance Department staff estimated the cost of specific transportation and other public facility items that government (County and/or State), private developers (as part of their normal exactions or commitments to obtain development approval), and a White Flint special financing district of some sort (a government-operated but privately-funded financing mechanism) would be called on to provide. See tables, ©2-3.

As analyzed by Finance Department staff and revised on February 23, over the life of this plan the needed infrastructure items on ©2-3 would roughly be allocated among the 3 providers this way:

• Direct developer-provided items	$339 million	30.7%
• State/County government-provided items	$375 million	34%
• White Flint special tax district-funded items	$389 million	35.3%
• *Total*	*$1103 million*	*100%*

These are all preliminary numbers. Both the cost of any one item, and the allocation of that item to a specific funding source, are likely to change and need not be debated here. But Council staff concurs that this allocation is a useful conceptual guide for planning purposes.

Core financing principles Discussions among Council, Executive branch, and Planning staff reached agreement on the following set of core principles which should guide the selection of any financing district mechanism:

1) Protect the Charter property tax limit
2) Secure revenue stream to pay off bonds
    - feasibility of bond funding: quality of bonds; guarantee that development will occur
3) Maintain County bond rating and good name; low risk exposure to County
4) Solid legal basis --avoid challenge to financing mechanisms
    - Property owners
    - IRS
5) Timely availability of revenue to produce infrastructure before/at development
6) Uniform/equitable approach regarding who pays
7) Clarity necessary for public understanding, acceptance

Goals of financing Similarly, the staffs jointly developed the following set of primary goals for each financing mechanism:

1) Assure sufficient resources up front
2) Assure that funds received every year as needed
3) Affordability to payers

Parties Council and Executive staff listed the various parties who could pay a fair share of infrastructure:

1) Government – State, County
2) Property owners who develop soon
3) Property owners who do not develop soon, or are already developed
    - Commercial
    - Residential
4) Taxpayers County-wide
5) Facility users (motorists, transit riders, etc.)

Financing options For the first joint Committee worksession, Finance Department staff provided a comprehensive table (see ©4-10) showing the most suitable financing options for a White Flint special tax district. At that worksession Finance staff reviewed each option and answered Councilmembers' questions about them.

Strategy outline The Executive staff outline on ©1 was presented and briefly reviewed at the February 23 joint Committee worksession. In Council staff's view, this outline is on target and is about as far as the development of financing options can go at this time.

Council staff concurs that the most promising financing options are a separate impact tax district and some form of development district, as Executive staff proposed. Normally impact taxes are used to fund transportation infrastructure (other than the separate school impact tax, which would also apply to any residential development in White Flint), and we assume that would be the case here. The "development financing district", as Executive staff calls it, could be a development district (or set of districts or subdistricts) created under current law (County Code Chapter 14) or a revised law, but in either case the goal would be to bring the district within the development district exception to the limit on property taxes in County Charter §305.

Among the financing options that this outline did not recommend is tax increment financing. Council staff concurs that tax increment financing is not among the most desirable options in this context. If Councilmembers believe that this mechanism should be kept on the list of possible financing options, that should be made clear soon.

If the Council agrees that this overall outline is aimed in the right directions, then Executive staff (working with Council and Planning staffs and the various stakeholders) would draft the specific legislative proposals and Capital Improvements Program items needed to carry it out. In doing so, they should answer such questions as:

- Would impact taxes be spread out over the life of bonds or only collected when a building permit is received?
- Which if any taxes or assessments would apply to existing developed properties?
- How would needed new parking be funded? How would existing parking lots be taxed? How would those properties be encouraged to be redeveloped?

Next steps: Executive staff will prepare a PDF for the proposed White Flint Facility Planning Capital Improvements Program project. Executive staff will draft legislation to create a White Flint impact tax district and a White Flint development district.

State legislation As the outline noted, County bond counsel have questioned whether added state legislation is needed to assure that the County can use special obligation bonds, which don't count against County debt capacity, to pay debt service other than in a development district created under chapter 14. Council President Floreen urged Executive staff to decided quickly whether state legislation will be needed in this session. Executive staff and the County Attorney are expected to address that question at this worksession.

Coordination The varied history of recent development and redevelopment in Silver Spring and Clarksburg shows, in our view, that successful large-scale development cannot occur without day-to-day, high-level coordination of financing and implementation among County and state governments, planning agencies, and private developers. The PHED Committee is scheduled to review Bill 1-10, Development – Coordination, Oversight, on April 5. Bill 1-10 would direct the County Executive to designate an employee in the Executive's or Chief Administrative Officer's Office as development coordinator for each approved development district and each geographic area where a newly revised master or sector plan has authorized intensive new development or redevelopment. Each coordinator can be an existing employee; Bill 1-10 does not require the Executive to create a new position unless he decides that no current employee can perform this function. In Council staff's view, the proposed coordinator or a similar operational focal point will be essential for development in the White Flint sector, including its financing, to proceed as the revised sector plan envisions.

This packet contains	Circle
Infrastructure financing strategy outline(Executive draft)	1
Infrastructure item allocation	2
Financing options	4

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PROPOSED WHITE FLINT FINANCING STRATEGY

Core Principles

- Legal feasibility
- Does not count against charter limit
- Does not count against debt capacity
- Generates revenue stream that is able to secure debt
- Fair and equitable application across plan area/properties benefitting from infrastructure

General Approach - Overview

1. Create up front funding mechanism to support planning and design and implementation efforts, and, if available, funds for immediate infrastructure needs
2. Create CIP Facility Planning project to capture budget for the above
3. Takes steps necessary to create long term funding mechanism that meets core principles

Financing Strategy

1. Create new White Flint Impact Tax District
   a. Determine funding needs, develop rate structure
   b. Draft legislation for Council action
   c. Fold in current White Flint Metro Station Policy Area
   d. Use revenues to fund new White Flint Facility Planning CIP project
   e. Use revenues **after accumulated** to fund up front infrastructure priorities.

2. Create new White Flint Facility Planning CIP project
   a. Facilitates planning for infrastructure and financing
   b. Fund dedicated staff resources necessary for implementation
   c. Fund facility planning and design
   d. Use for preliminary steps to financing – feasibility, appraisals, etc.
   e. Individual projects spin out into stand alone projects

3. Development Financing District
   a. Finalize infrastructure items to be financed
   b. Identify boundaries, values, rates required to support debt service on bonds
   c. Identify credits that would be available, and any exempt properties
   d. If required, draft state legislation to allow tax revenues to be pledged to debt service, allowing special obligation bonds that do not count against debt capacity

4. Implementation Efforts
   a. Develop tools to track development, project assessed value, and revenue stream
   b. Develop criteria for projects to be funded by district
   c. Develop criteria for exclusion of properties from district
   d. Determine projects and proposed district boundaries
   e. Refine estimates of financing needs
   f. Develop plan of finance

White Flint Sector Plan Executive Branch Cost Estimates

County Estimates Assume No Property Dedications

County ROW Estimates Based Solely on FAR at White Flint Partnership's estimated $50 per FAR foot

<u>N.B. land values are assumptions and not based on appraised values</u>

							County Estimates						
											Stage		
No.	REF. (Exec. Rec.)	MP #	Name	Limits	Comments	White Flint Partnership Estimate	County Estimated Construction Cost	Right of Way Acquisition	Total County Cost Estimate	Funds Already Programmed	Stage 1	Stage 2	Stage 3
Public Financing Mechanisms													
County (or State)													
16	6	A-90	Randolph Rd	Nebel Street to CSX tracks			$5,043,158		**$5,043,158**		$0	$5,043,158	$0
17	7	A-270	Montrose Pkwy Phase 1 (MD 355 Interchange Phase I)	Old Georgetown Rd to Chapman Ave	Funded and Under Construction		$0		**$0**		$0	$0	$0
18	*8*	*A-270*	*Montrose Pkwy Phase 2 (MD 355 Interchange Phase 2)*	*Chapman Ave to Parklawn Drive*			*$53,000,000*		***$53,000,000***	***$1,860,000***	*$0*	*$51,140,000*	*$0*
19[1]	10	B-2	East Jefferson St. Ext	Nebel Street to MARC station	Remove this project, not in the Plan		$0		**$0**		$0	$0	$0
22	20	B-5	Nebel Street Ext. (North)	Randolph Road to Plan Area Boundary			$6,126,561		**$6,126,561**	**$6,126,561**	$0	$0	$0
24	31	B-12	Chapman Ave (Citadel Ave/ Maple Ave)	Old Georgetown Road to Plan Area Boundary			$27,074,919		**$27,074,919**	**$27,074,919**	$0	$0	$0
26	42		Montgomery Aquatic Center (MAC) Expansion				$19,104,227		**$19,104,227**		$0	$0	$19,104,227
27	43		Fire Station with Police Substation and Urban District Office		(excludes operating and one time costs)		$29,960,000		**$29,960,000**		$29,960,000	$0	$0
28	44		Bus Depot				$130,530,000		**$130,530,000**		$0	$0	$130,530,000
29	*45*		*MARC Station*		*MTA*	**$15,480,000**	*$35,655,000*		***$35,655,000***		*$0*	*$0*	*$35,655,000*
30	46		Civic Green		1 acre		$11,390,000		**$11,390,000**		$0	$11,390,000	$0
31	47		Elementary School		(excludes operating and personnel costs)		$20,000,000		**$20,000,000**		$0	$0	$20,000,000
added	added		Recreation Center at Wall Park				$37,420,000		**$37,420,000**		$0	$37,420,000	$0
Subtotal County (or State)						**$15,480,000**	$375,303,865	$0	**$375,303,865**	**$35,061,480**	**$29,960,000**	**$104,993,158**	**$205,289,227**
Subtotal County (or State): Percent of Grand Total									**34.0%**				
District													
1[3]	1	M-4	Old Georgetown Rd (Md 187)	Tilden Lane to East Jefferson St			$23,045,814	$12,700,000	**$35,745,814**		$35,745,814	$0	$0
2	2	M-4	East Jefferson St Ext (Md 187)	Old (Old) Georgetown Road to Rockville Pike		**$2,920,664**	$7,700,000	$0	**$7,700,000**		$0	$0	$7,700,000
3	3	M-4A	Old Old Georgetown Rd	East Jefferson St Ext to Montrose Pkwy		**$9,274,816**	$19,700,000	$4,752,000	**$24,452,000**		$24,452,000	$0	$0
4[2]	4	M-6	Rockville Pike (Md 355)	Flanders Ave to Hubbard Drive		**$91,519,031**	$106,238,000	$30,275,000	**$136,513,000**		$13,300,000	$0	$123,213,000
5	5	A-69	Nicholson Lane	Old Georgetown Road to CSX tracks			$61,826,160	$11,616,000	**$73,442,160**		$0	$73,442,160	$0
7	15	B-4	Citadel Avenue	Existing Terminus to Marinelli Road			$2,595,938	$650,000	**$3,245,938**		$3,245,938	$0	$0
8[3]	19	B-5	Nebel Street	Nicholson Lane to Randolph Road			$37,193,788	$1,584,000	**$38,777,788**		$0	$38,777,788	$0
23[2]	23	B-15 (not B-7)	Executive Blvd Ext (North)	East Jefferson St Marinelli	VOB Service bldg		$13,500,000	$10,000,000	**$23,500,000**		$23,500,000	$0	$0
13	37A	LB-1	Main Street	Old Georgetown Rd to Executive Blvd.	Bikeway		$1,712,500	$2,000,000	**$3,712,500**		$3,712,500	$0	$0
14	38		Circulator bus infrastructure			**$1,250,000**	$1,250,000		**$1,250,000**		$1,250,000	$0	$0
15	39		Second entrance to Metro (includes construction, planning, design, and permitting, construction administration, and contingency/escalation)			**$32,250,000**	$35,000,000		**$35,000,000**		$0	$35,000,000	$0
added	Added	B-10	Main Street/Market Street	Executive Blvd to MD 187			$5,800,000		**$5,800,000**			$5,800,000	
Subtotal District						**$137,214,511**	**$315,562,200**	**$73,577,000**	**$389,139,200**	**$0**	**$105,206,252**	**$153,019,948**	**$130,913,000**
Subtotal District: Percent of Grand Total									**35.3%**				
Subtotal of Public Financing Mechanisms						**$152,694,511**	**$690,866,065**	**$73,577,000**	**$764,443,065**				
Subtotal of Public Financing Mechanisms: % of Grand Total									**69.3%**				

February 22, 2009

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White Flint Sector Plan Executive Branch Cost Estimates

County Estimates Assume No Property Dedications

County ROW Estimates Based Solely on FAR at White Flint Partnership's estimated $50 per FAR foot

N.B. land values are assumptions and not based on appraised values

							County Estimates						
											Stage		
No.	REF. (Exec. Rec.)	MP #	Name	Limits	Comments	White Flint Partnership Estimate	County Estimated Construction Cost	Right of Way Acquisition	Total County Cost Estimate	Funds Already Programmed	Stage 1	Stage 2	Stage 3
Developer													
6	9	B-2	East Jefferson St , Ext	Rockville Pike to Nebel Street			$8,141,283		**$8,141,283**		$0	$8,141,283	$0
20[4]	11	B-3	Woodglen Drive	Edson Lane to Nicholson Lane			$9,919,800		**$9,919,800**		$0	$9,919,800	$0
32	12	B-4	Huff Court Ext	Nebel St Ext to Executive Blvd	White Flint Garage 2 level		$32,702,720		**$32,702,720**		$0	$0	$32,702,720
21[4]	13	B-4	Huff Court	Executive Blvd to Nicholson Lane			$6,651,880		**$6,651,880**		$0	$6,651,880	$0
33	14	B-4	Citadel Avenue	Nicholson Lane to existing terminus			$3,234,375		**$3,234,375**		$0	$3,234,375	$0
34	16	B-4	Citadel Avenue Ext (?)	Marinelli Road to Old Georgetown Rd			$6,928,650		**$6,928,650**		$6,928,650	$0	$0
35[4]	17	B-5	Edson Lane	Woodglen Drive to Rockville Pike			$8,214,375		**$8,214,375**		$8,214,375	$0	$0
36[4]	18	B-5	Nebel Street Ext. (South)	Rockville Pike to Nicholson Lane	3 bldgs	**$19,538,640**	$50,005,750		**$50,005,750**		$0	$50,005,750	$0
9[3][4]	21	B-6	Marinelli Road	Executive Blvd to Nebel Street			$28,408,448		**$28,408,448**		$0	$28,408,448	$0
37	22	B-7	Executive Blvd Ext (North)	B-16 to East Jefferson Street	Old Toys R US/ AC Moore Bldg		$26,794,290		**$26,794,290**		$26,794,290	$0	$0
10	24	B-7	Executive Blvd Ext	Marinelli Road to Woodglen Drive			$17,605,632		**$17,605,632**		$0	$17,605,632	$0
38	25	B-7	Executive Blvd Ext	Woodglen Drive to Rockville Pike			$5,894,328		**$5,894,328**		$0	$5,894,328	$0
11	26	B-7	Executive Blvd Ext (East)	Rockville Pike to Huff Court		**$4,915,680**	$9,854,328		**$9,854,328**		$0	$0	$9,854,328
12	27	B-10	Main Street (B-10 Market St)	Executive Blvd to Rockville Pike	numbers 2, 3 23, and 27 from REF. column	**$44,952,160**	$18,800,000		**$18,800,000**		$9,400,000	$9,400,000	$0
39	28	B-10	Main Street (B-10 Market St)	Rockville Pike to B-13			$21,807,720		**$21,807,720**		$0	$21,807,720	$0
40	29	B-11	Station Street	Marinelli Road to Old Georgetown Rd			$17,310,558		**$17,310,558**		$17,310,558	$0	$0
41	30	B-12	Chapman Ave (or other name	Marinelli Road to Old Georgetown Rd			$16,290,159		**$16,290,159**		$16,290,159	$0	$0
42[2]	32	B-13	New Street	Marinelli Road to Nebel Street			$8,431,583		**$8,431,583**		$0	$0	$8,431,583
43	33	B-14	Realigned Nicholson Court	Nebel Ext to cul-de-sac			$3,820,000		**$3,820,000**		$0	$0	$3,820,000
44	34	B-16	Midpike Plaza Rung	Existing Terminus to B-13 (approx 900')			$16,367,208		**$16,367,208**		$0	$16,367,208	$0
25	35	B-18	Security Lane	Woodglen Drive to Rockville Pike			$6,086,784		**$6,086,784**		$0	$0	$6,086,784
45	36	B-18	Security Lane Extended	Rockville Pike to B-4			$5,890,500		**$5,890,500**		$0	$0	$5,890,500
13	37B	LB-1	Main Street	Executive Blvd. to Rockville Pike	Bikeway		$2,568,750		**$2,568,750**		$2,568,750	$0	$0
46	40		FULL Library		one-time capital costs		$6,270,000		**$6,270,000**		$6,270,000	$0	$0
47	41		Satellite Regional Services Center		one-time capital costs		$1,060,000		**$1,060,000**		$1,060,000	$0	$0
Subtotal Developer [7]						**$69,406,480**	$339,059,121	$0	**$339,059,121**		**$94,836,782**	**$177,436,424**	**$66,785,915**
Subtotal Developer: Percent of Grand Total [5]									**30.7%**				
GRAND TOTAL Cost Estimate						**$222,100,991**	$1,029,925,186	$73,577,000	**$1,103,502,186**	**$35,061,480**	**$230,003,034**	**$435,449,530**	**$402,988,142**
GRAND TOTAL Compared to October 2009 Estimate							$135,624,577	$73,577,000	$209,201,577				

(1) Estimated ROW cost of $6 million and total cost of $10.8 million if MARC station is located here.

(2) Based on FAR split zone, FAR average of 3.5.

(3) Based on FAR split zone, FAR average of 1.5.

(4) Based on FAR split zone, FAR average of 2.5.

(5) Developer Contribution would equal 32.9% of the grand total if all ROW is dedicated.

(6) Some portion of the streetscaping may be paid by the Developer.

(7) The White Flint Partnership's Total for Developer Paid Costs is about $290 million.

Sources of Funding for Public Infrastructure Being Considered for White Flint "District" Financing

Finance Structure	Legal County Financial Considerations Equity Revenue Stream Other Considerations	Core Principles
Impact taxes (Development Impact Tax for Transportation Improvements)	Cash payments made at time of permit. Rates are based on residential unit type or gross floor area and building type for non-residential. Funds transportation improvements as specified in Code, collected Countywide. Used as current revenue (cash) funding source for transportation projects in the CIP.	
	Legal • An existing mechanism, proven but unreliable revenue stream. • Rates may be changed by County Council. • A special White Flint district may be created with funds collected designated to be used for transportation improvements in the policy area from which the funds were collected or an adjacent policy area.	Existing law or ability to modify locally
	County Financial Considerations • Does not count against Charter Limit. • Does not count against debt capacity. • Depending on how structured, could subtract from General County impact tax revenues • Might be more appropriate for County, rather than district infrastructure	Does not count against Charter Limit or Debt Capacity
	Equity • One-time, up-front charge (affects affordability for developers) • Current revenue source—not appropriate for securing bonds • Applies only to new development—an equity issue for property owners who benefit but don't redevelop (and therefore don't pay the tax) • Limited by limits on what the market can bear • Geographic and temporal proximity issues	
	Revenue Stream • Up-front extractions from builders paid at time of permit • Could also be paid over time, possibly at higher rate • Impact taxes are accumulated by the County and improvements constructed as sufficient taxes are accumulated • Unreliable revenue stream – not appropriate to secure debt	Revenue stream not appropriate to secure debt
	Potential Changes • Could allow payment up front or over time • Can create a dedicated area coincident with White Flint sector plan area	

Other excise taxes	Taxation of a specific activity or purchase, such as fuel/energy taxes, admission & amusement taxes, hotel/motel, etc. Rates can be structured in a variety of ways. Possible applications to raise revenues for White Flint could be a tax on rental or business activity, parking spaces, etc. Excise taxes might be used in conjunction with other taxation, possibly to achieve equity or to balance benefits.	
	Legal • Cannot be based on assessed value or sales • Requires some activity to trigger the tax. • Requires County legislation. • Could be levied on existing development. • Excise taxes can be used in much the same manner as special taxes and special assessments.	Requires County legislation
	County Financial Considerations • Does not count against the Charter Limit. • Likely not to count against debt capacity • Dependability of revenue stream could be an issue, no history, unlikely to be able to secure debt	Does not count against Charter Limit or Debt Capacity
	Equity • Not subject to the same narrow benefit and nexus requirements as special assessments.	Equity subject to details of how tax is structured
	Revenue Stream • Risky, uncertain revenue stream probably not good security for bonds. • Untested	Revenue stream not appropriate to secure debt
	Other Considerations • Depending on how structured, may have loopholes • May be complex and costly to administer	

Development Districts - Chapter 14	Special (ad valorem or other) taxes and benefit based assessments are levied on property within district. Revenues are pledged/dedicated to pay debt service on bonds used to fund infrastructure. Limitations on application to broad areas due to consent requirements in State law.	
	Legal • Proven funding mechanism – two funded districts exist in Germantown • The high consent level may help overcome any stricter limitations of nexus and benefit requirements. • Amendments to Chapter 14 in 2008 provide ability to levy tax up front and form subdistricts	Existing law requires 80/80 consent levels
	County Financial Considerations • Ad valorem property taxes that do not count against Charter Limit. • Does not count against debt capacity – special obligation bonds • Existing law allows taxes to be collected immediately upon formation, building up revenue and acclimating property owners to taxes. • Additional taxation is an increment above existing taxes; revenues generated by development remain available to general County purposes. • Spreads most costs to ultimate owner/lessee via taxes over 20+ years. • Development districts can levy special taxes and/or special assessments. • Can apply to undeveloped property, or triggered by redevelopment	Does not count against Charter Limit or Debt Capacity
	Equity • A high consent level effectively limits the use of development districts primarily to property owners who consent to the imposition of the charges. • Applies only to new development—an equity issue for property owners who benefit but don't redevelop (and therefore don't pay the tax). • Under current law (80/80 consent requirement), consent addresses equity • This could be viewed differently if lower consent levels were required • Burden for improvements is on those property owners in the district, may not be viewed as equitable if other property owners outside district also benefit significantly from district infrastructure	Equitable within areas consenting to taxes
	Revenue Stream • Strong – revenues collected on property tax bill along with other property taxes • Steady revenue stream can be used as current revenue source and also can secure debt. Ad valorem taxes provide dependable revenue stream	Revenue stream can secure debt
	Other Considerations	

Development District - Special Taxing Area	Ad valorem taxes would be levied on all properties in a specified district, with the tax revenues pledged to repay debt service on bonds issued for infrastructure. Closest precedent is Noise Abatement Districts – taxes are collected in small residential area to pay debt service on bonds used to build noise walls along the Capital Beltway. All residential and commercial property would be taxed at the same rate. Properties otherwise exempt from real property taxes would also be exempt from development district tax, e.g. federal property, churches, etc.	
	Legal • Would be considered a development district and tax revenues therefore not subject to Charter Limit (may be challenged) • Additional legal analysis/research needed to confirm intent of existing Charter language • Per bond counsel, would require change in state law if revenues are pledged to debt service on bonds, thus allowing issuance of special obligation bonds, which do not count against debt capacity • Otherwise would count against debt capacity • Need to review the statutory provisions to impose special taxes in Montgomery County	Would not count against Charter Limit With change in State Law, would not count against debt capacity
	County Financial Considerations • Envisioned as a property tax not subject to Charter limit • Likely would count against debt capacity calculations • Ability to collect revenues and advance improvements ahead of development.	
	Equity • Ability to raise revenues from a broad base, including existing development • All taxpayers in district pay for infrastructure	Broad application
	Revenue Stream • Strong – revenues collected on property tax bill along with other property taxes • Strong revenue stream appropriate to support debt	Revenue stream can secure debt
	Other considerations	

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FINANCE DEPARTMENT DOES NOT RECOMMEND FOR FURTHER CONSIDERATION		
Tax increment financing	A portion or all of new property tax revenue generated by development is used to finance debt issued to support the development, usually for infrastructure. The increment in property tax revenues is channeled to allow the new development to occur, and are not available for other general county uses. Typically used in distressed areas where development or redevelopment would otherwise not occur.	
	Legal • Legal authority exists in state law • Never used in Montgomery County (no bonds issued)	
	Equity • Could be levied on existing development. • Inappropriate for broad area financing (hard to justify "but for" test)	Equitable approach in specified district, but draws from general County resources
	County Financial Considerations • Redirects revenues from general availability and dedicates them to debt service retirement, thereby redirecting revenues under Charter Limit • Debt service counts against debt capacity. • Risk that failed development can result in default on bonds and affect County's standing in the municipal bond market.	Counts against Charter Limit Counts against debt capacity
	Revenue Stream • Steady stream of revenue is appropriate to secure debt.	Revenue stream can secure debt
	County Financial Considerations • "But for" financing mechanism • Not suitable for broad areas • Typically used as last resort to remedy urban blight • Takes away from revenues to fund general county services	
	Other Considerations • Tax increment financing is normally a source of last resort, associated with urban blight • Risk involved - if the increase in property taxes from new development is not sufficient to cover debt service, property owners should be required to make up the shortfall with a special tax, excise tax, or special assessment	

Special assessments		
	Legal • Potentially lengthy, contentious process of assessing benefits and imposing a charge • Under existing case law, limited by restrictive benefit and nexus requirements • Due to past problems, County has not used for some time	
	County Financial Considerations Ability to collect revenues immediately and advance improvements ahead of development	
	• Equity •	
	• Revenue Stream	
	• Other Considerations	

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GENERAL COUNTY FUNDING SOURCES -- NOT SUITABLE FOR "DISTRICT" FINANCING MECHANISM		
GO Bonds, Recovery Zone Bonds (ED)	• Competes directly with schools, roads, government facilities • Counts against SAG limits and debt capacity	
Revenue Authority, MEDCO	• lease revenue bonds backed by the County's appropriation pledge issued by a conduit for the County would still count against County debt capacity	
Parking revenue bonds	• Needs strong feasibility and revenue stream for marketability. Parking revenue bonds are available with parking facilities that produce income, although established revenues or another credit source (e.g., special taxes) may be required to support the bonds. • Needs land for parking facilities	

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