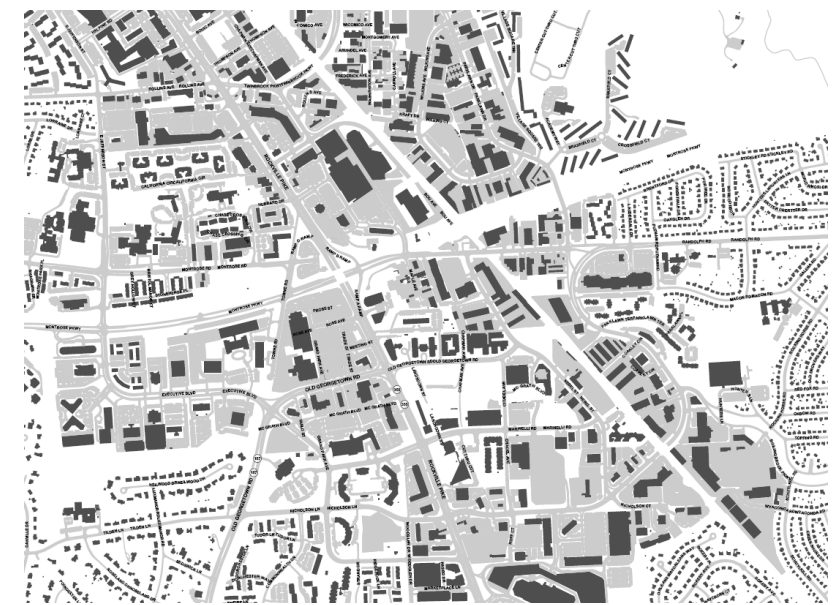
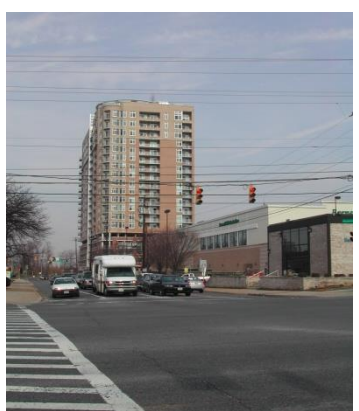
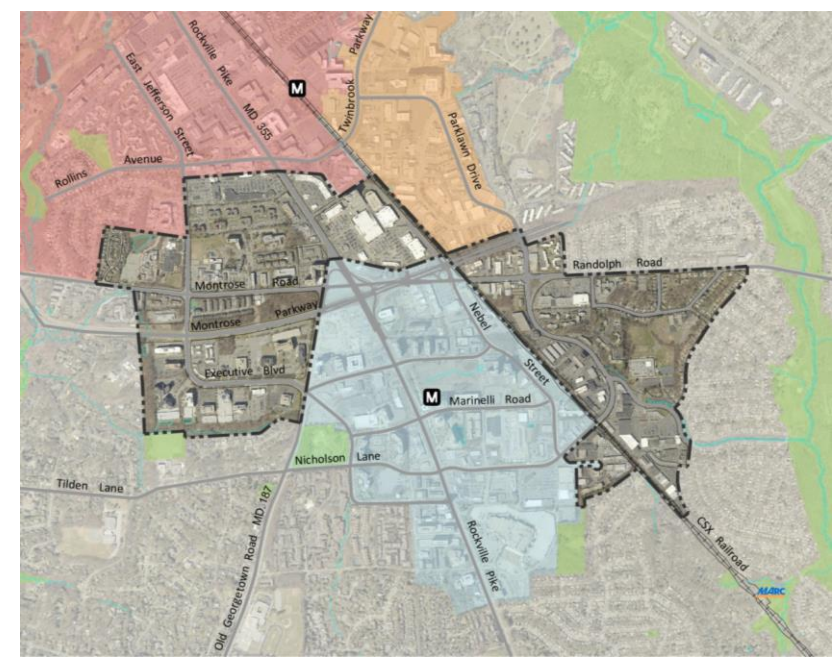
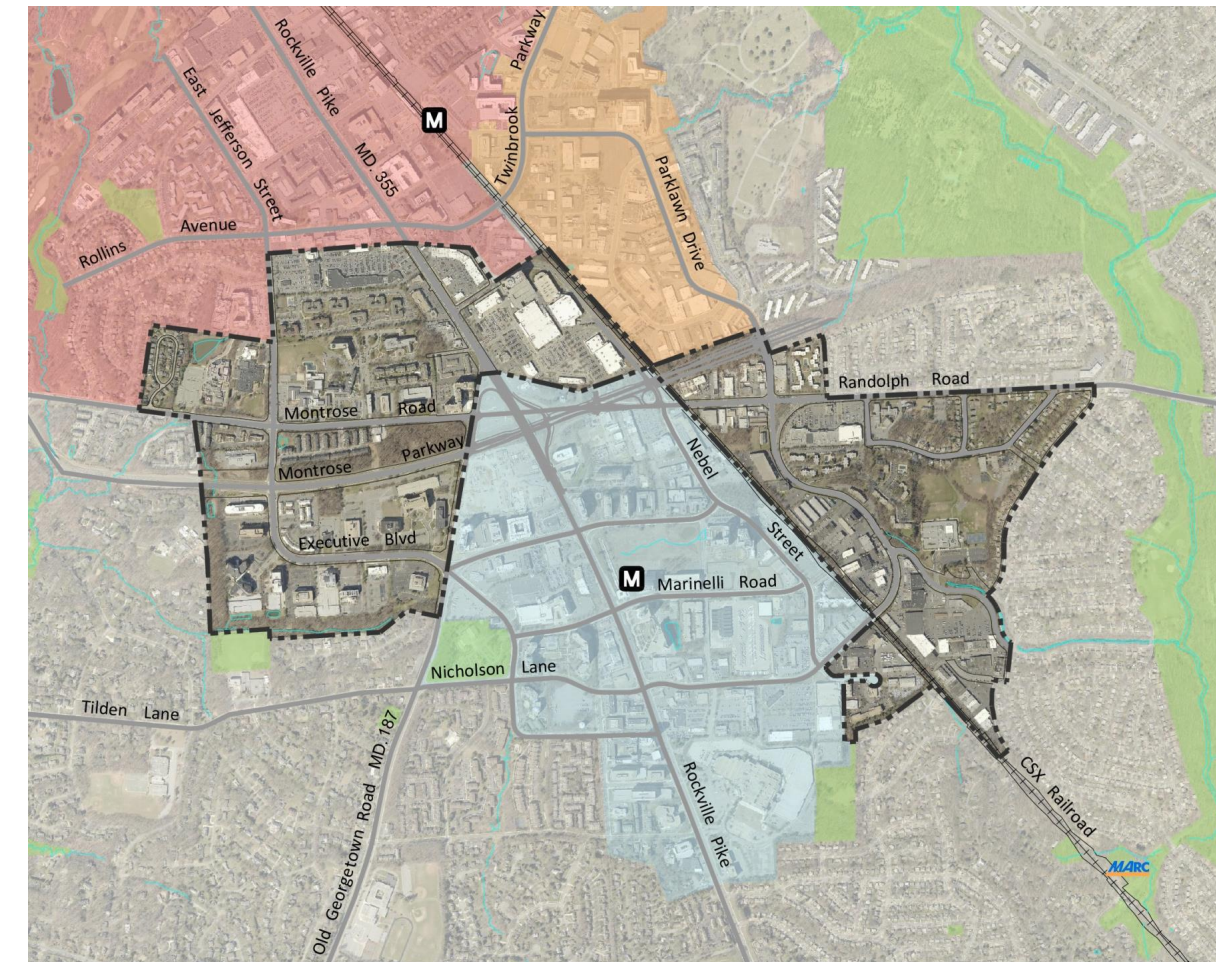


# Planning Board Worksession No.6: Financing Alternatives

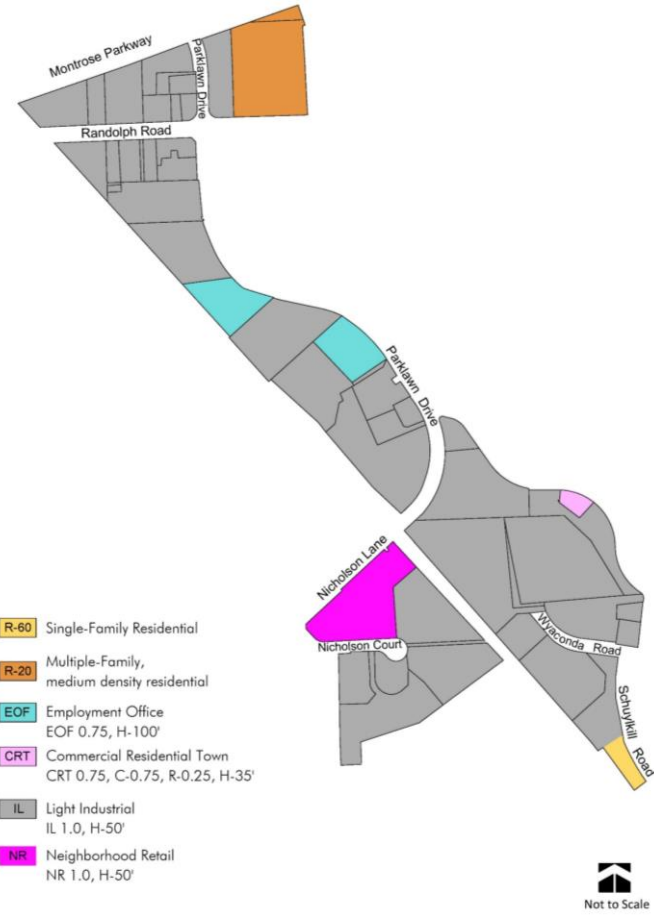


## Prior Worksessions

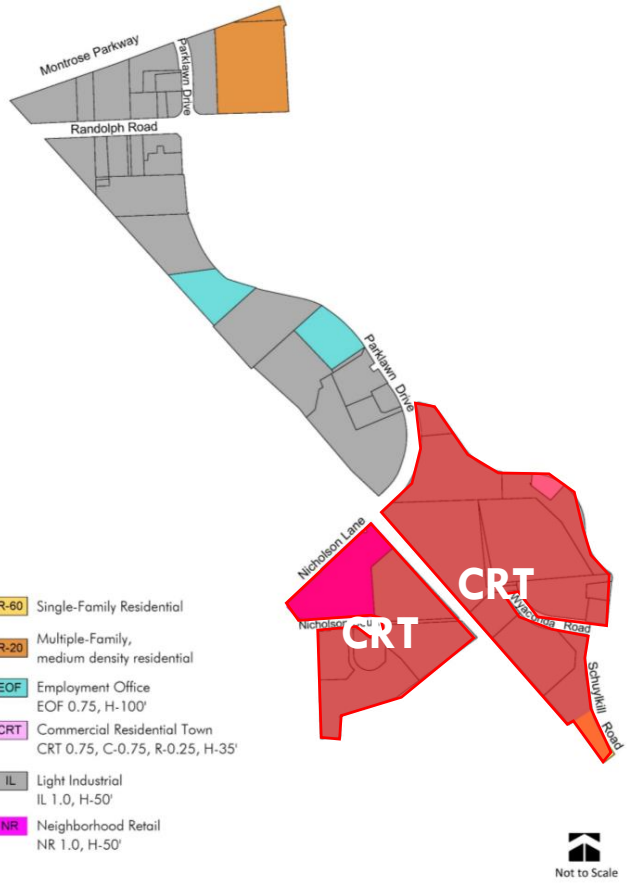


- **January 27:** Focused on transportation analysis and staging recommendations in the Draft Plan.
- **February 9:** Reviewed the Executive Boulevard District and associated economic feasibility analysis for some properties.
- **February 16:** A joint meeting with the Rock Spring Master Plan on school issues within the Walter Johnson Cluster.
- **February 23:** Reviewed the Rockville-Pike Montrose North District and revisited five properties in the Executive Boulevard district.
- **March 9:** Reviewed the Randolph Hills district and Parklawn South district, and addressed industrial issues and multifamily residential issues.

Prior Worksession



Public Hearing Draft Plan Zoning

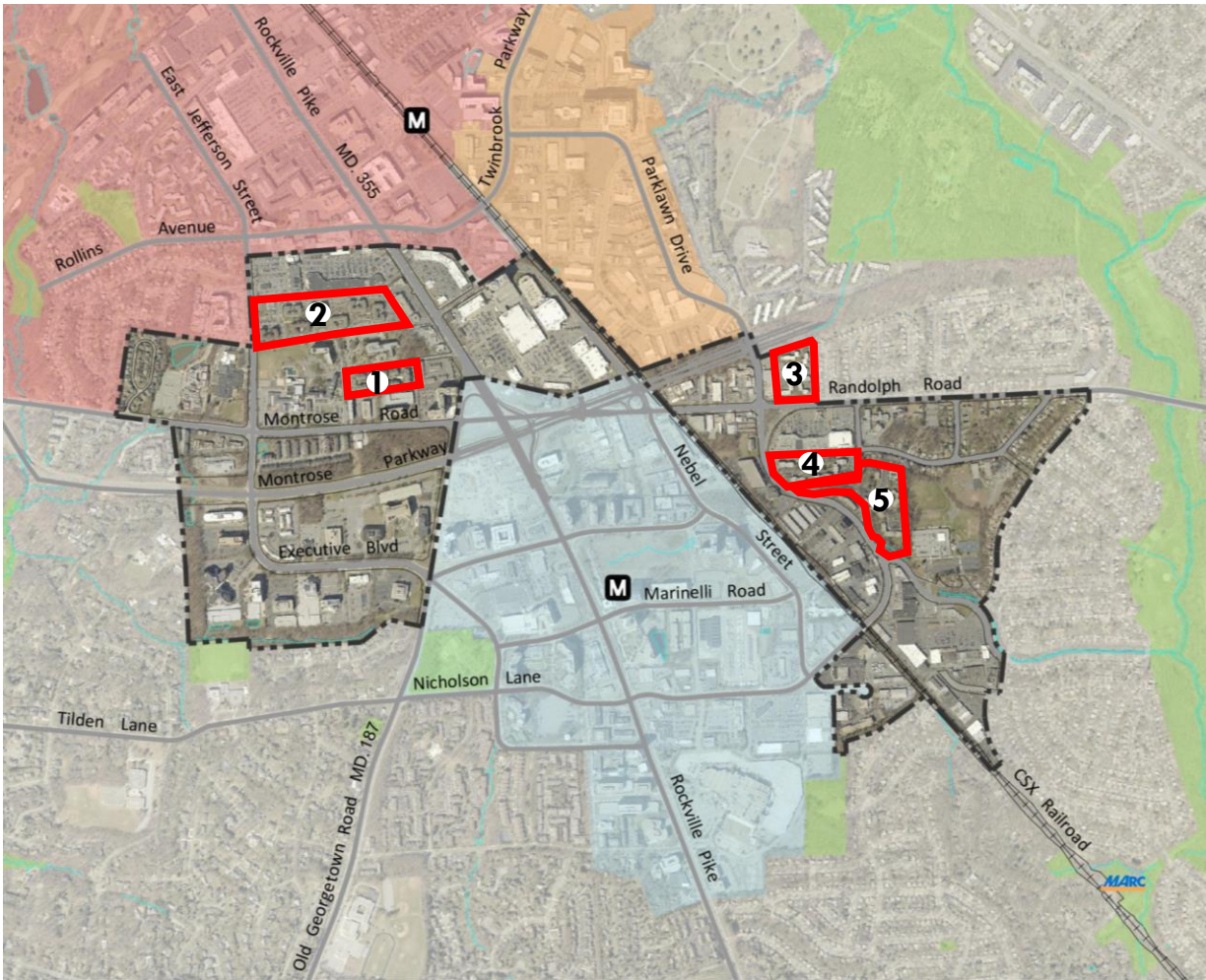


Planning Board Decision

Industrial Properties

- Floating Commercial Residential Town (CRT) for the Nicholson Court and Randolph Hills Shopping Center areas
  - Pedestrian crossing (CRT 1.5)
  - MARC station (CRT 2.0)

## Prior Worksession



Multifamily Zoned Properties: R-20 and R-30

## Key Decision

### Multifamily Zoned Residential Properties

- Retention of the R-20 Zone for the Morgan, Miramont Apartments and Condos, and Randolph Square (Numbers 1-3)
- Walnut Grove Condominium and Oxford Square to the CRT C0.5 R1.0 H-65 (Numbers 4-5)

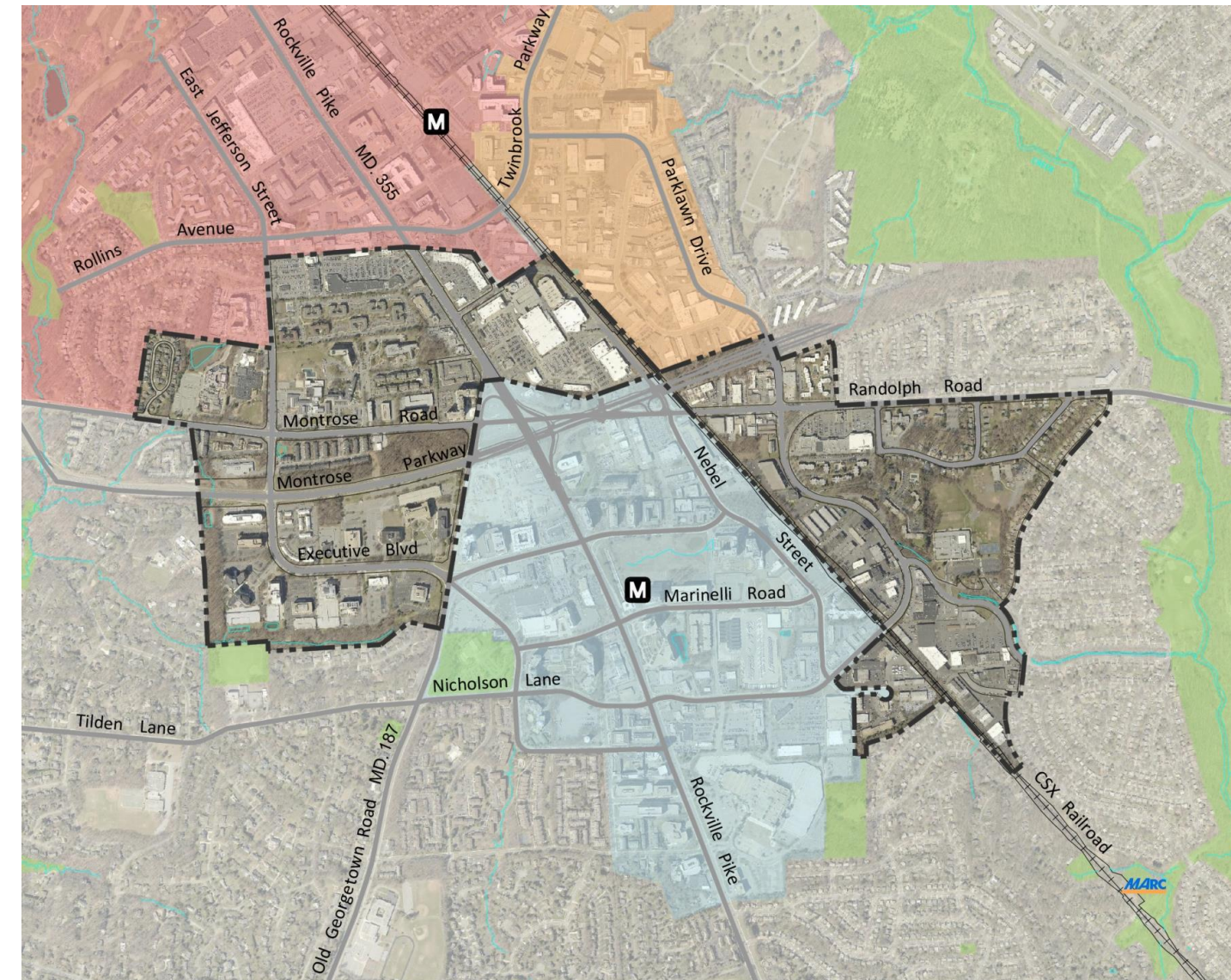


Walnut Grove



Oxford Square

## Future Worksessions



### Transportation

- Highway Capacity Manual (HCM) analysis
- MARC/MTA
- CSX crossing

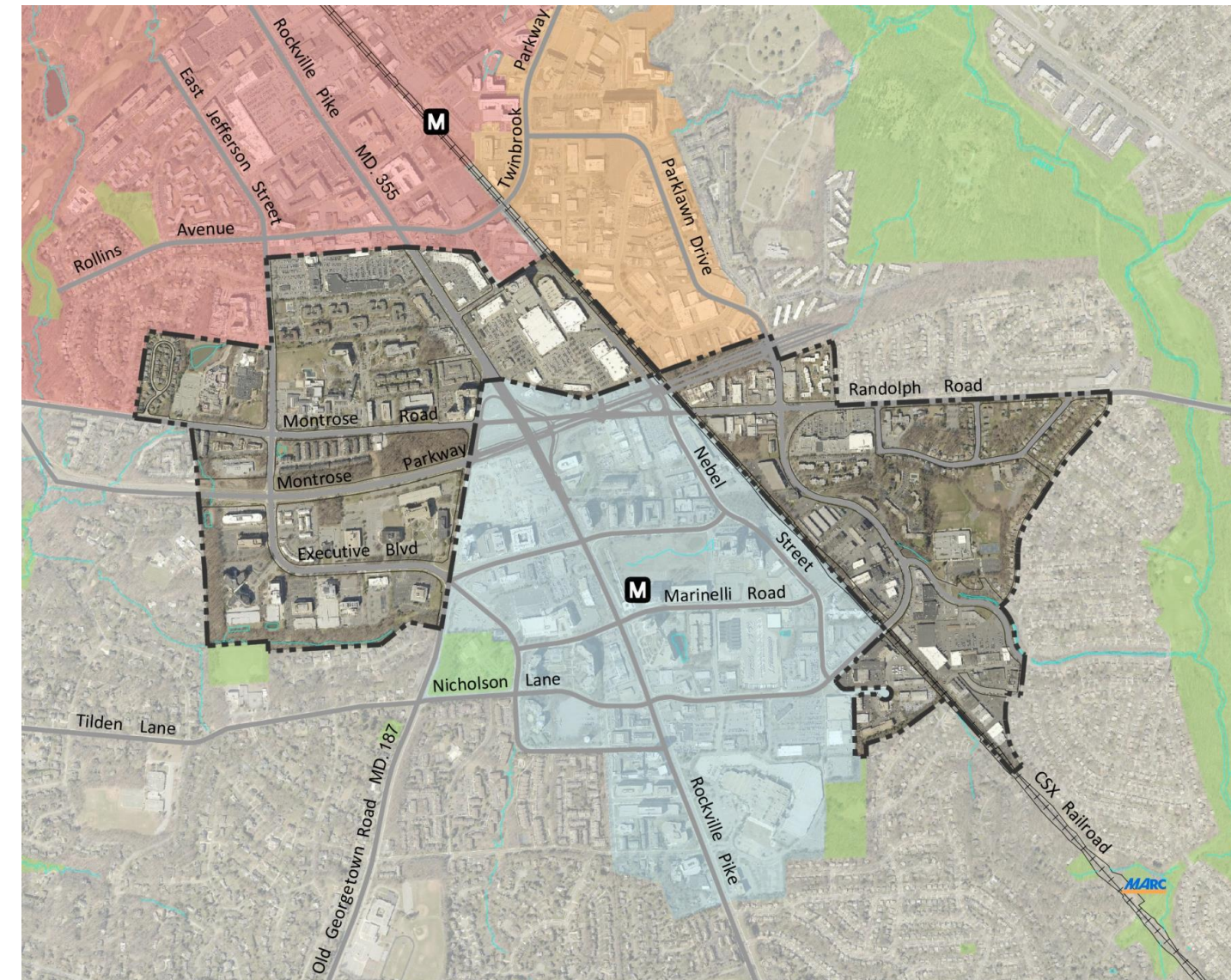
### Land Use/Districts

- Executive Boulevard
- Rockville Pike/Montrose North

### Staging

### Urban Design Guidelines

# Worksession Overview



Today's worksession is focused on financing alternatives that could support funding the infrastructure items for the Plan area.

## Background: 2010 White Flint Sector Plan

### Recommendation

The 2010 *White Flint Sector Plan* recommended the creation of public entities or financing mechanisms to implement the Sector Plan, within 6 months of adopting the Sectional Map Amendment (SMA).

### White Flint Special Taxing District

The White Flint Special Taxing District, an *ad valorem* property tax, was established in 2011 to fund specific transportation infrastructure improvements required to implement specific transportation projects. The established tax rate is \$0.103 per \$100 of assessed value.

This tax district also replaced the adequate public facilities requirements of Local Area Transportation Review (LATR) and Transportation Policy Area Review (TPAR).

The tax district has collected less money than initially projected during the creation of the district. The exclusion of multifamily residential apartments and condominiums, and the slow pace of new development have also contributed to the reduced tax revenue.

Improvement Description	Estimated Cost
Old Georgetown Road (MD 187): Nicholson La./Tilden La. to Executive Blvd.	\$17,774,000
Old Georgetown Road (MD 187): Hoya St. to Rockville Pike (MD 355)	1,789,000
Hoya Street (formerly Old Old Georgetown Rd.): Executive Blvd. to Montrose Pkwy.	15,344,000
Rockville Pike (MD 355): Flanders Ave. to Hubbard Drive	66,961,000
Nicholson Lane: Old Georgetown Rd. (MD 187) to CSX tracks	12,942,000
Executive Blvd. Ext.: Marinelli Rd. to Old Georgetown Rd (MD 187)	23,500,000
Main St./Market St.: Old Georgetown Rd. (MD 187) to Executive Blvd. Extended (Bikeway)	1,713,000
Main St./Market St.: Old Georgetown Rd. (MD 187) to Executive Blvd. Ext.	4,933,000
Main St./Market St.: Executive Blvd. to Rockville Pike (MD 355)	4,661,000
Market Street from Maryland Route 355 to Station Street	7,200,000
Executive Blvd. Ext. (East): Rockville Pike (MD 355) to Nebel St. Ext. (South)	16,700,000
Nebel St. Ext. (South): Nicholson La. to Executive Blvd. Ext. (East)	8,200,000
<b>TOTAL</b>	<b>181,717,000</b>

White Flint Special Taxing District  
Funded Improvements

## Draft Plan Recommendations

### Finance

- The County Council and County Executive will determine how to fund the infrastructure projects recommended in this Plan. Methods could include:
  - extending the existing White Flint Special Taxing District to all or portions of the White Flint 2 Plan area;
  - modifying the level and distribution of transportation impact fees; and
  - potentially assessing fees and taxes commensurate with the benefit a property receives from the infrastructure projects.

These approaches could be implemented in conjunction with the staging plan.

### Pre-Staging

- Within 12 months of adopting the Sectional Map Amendment (SMA), determine if a public financing mechanism will be established to fund public infrastructure recommended for the White Flint 2 Sector Plan area.



## **Draft Plan Recommendations**

### **Public Testimony**

Federal Realty Investment Trust, owner of Montrose Crossing and Federal Plaza, supports some form of financing option that would be sector-wide and replace the transportation impact tax, similar to White Flint Special Taxing District.

Some Executive Boulevard property owners have discussed including their properties into the White Flint Special Taxing District only if zoning, densities, and heights are sufficient to incentivize redevelopment.

The City of Rockville has testified that impact fees charged for development must be sufficient to fund the necessary infrastructure.

## Financing Mechanism

### White Flint I Financing: Lessons Learned

- Lessons Learned
  - Need for equity
    - Within tax district
    - Outside tax district
  - Need for revenue predictability
  - Caution on market/timing of development

# Financing Mechanism

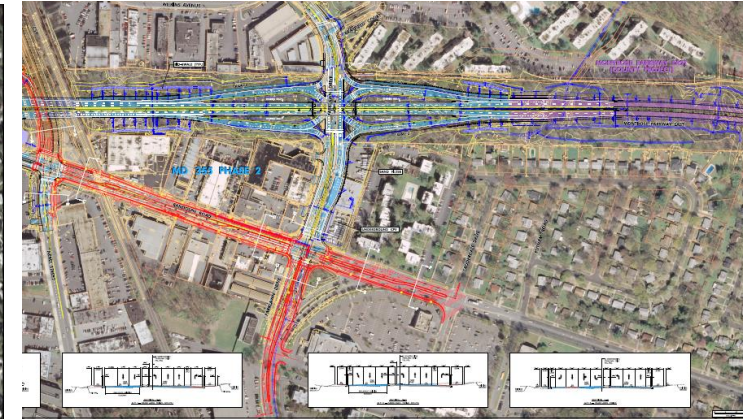
## White Flint 2 Public Infrastructure

Capital Project Costs (White Flint 2)	
Second Metro Station Entrance (White Flint)	\$13.5M - \$35M (2008 estimate)
MARC Station (near White Flint)	\$20M (2008 estimate)
Shuttle/Circulator	\$1.25M - \$5M
Bikeways	TBD
Pedestrian Bridge over CSX	TBD
Roadway Realignment of Parklawn Drive and Randolph Road	\$10M
<b>Estimated Total</b>	<b>\$45-70M+</b>

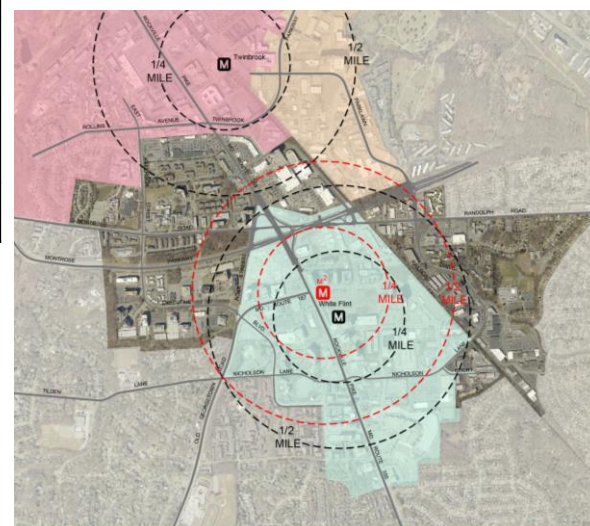


MARC Station Concept (2008)

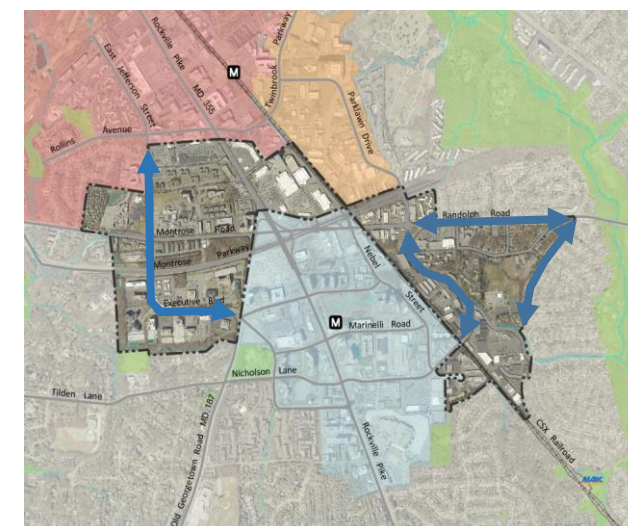
- M Metro Station
- M Proposed Metro Station Entrance



Realignment of Parklawn Drive and Randolph Road



Second Metro Station Entrance



New bikeways

## **Financing Mechanism**

### **How Transportation Projects are Typically Financed**

1. Capital Improvement Plan (CIP)
2. State Comprehensive Transportation Plan (CTP)
3. Developer Provided Items

## **Financing Mechanism**

### **Financing Mechanisms**

1. Development Impact Tax for Transportation Improvements
2. Development Districts
3. Excise Taxes
4. Tax Increment Financing
5. Special Taxing District
6. Transportation Impact Fee (Pro-Rata Share)

## Financing Mechanism

### Core Principles

- Protect Charter property tax limit
- Secure revenue stream
- Maintain low risk exposure to County
- Ease of legal implementation with precedent in County
- Timely availability of revenue
- Uniform/equitable approach
- Clarity necessary for public acceptance

## Financing Mechanism

### Development Impact Taxes for Transportation Improvements

*Description:* Impact tax on new development countywide to fund transportation projects in the Capital Improvement Plan. Payments made at time of building permit.

#### Advantages

- Does not count against charter limit or debt capacity
- Widely used, existing funding mechanism

#### Disadvantages

- Unreliable revenue stream
- Existing property owners may benefit without paying tax
- Revenues are used toward transportation projects Countywide

## Financing Mechanism

---

### Development Districts

*Description:* Formed voluntarily by property owners within an area. Additional taxes/assessments are levied on new development to pay for infrastructure improvements.

#### Advantages

- Does not count against charter limit or debt capacity
- Steady revenue stream can secure debt
- Represents additional tax above and beyond existing taxes/fees
- Proven mechanism – two funded districts exist in Germantown

#### Disadvantages

- High consent level at 80 percent of property owners limits application
- Taxes apply only to new development, not everyone that benefits



## Financing Mechanism

### Excise Taxes

*Description:* Taxation of a specific activity or purchase, such as fuel/energy taxes, admission & amusement taxes, hotel/motel taxes, parking spaces, etc. Can be used in conjunction with other taxes.

#### Advantages

- Does not count against charter limit or debt capacity
- Both new and existing development can be taxed

#### Disadvantages

- Revenue raised likely to be modest – requires activity to trigger tax
- Risky, uncertain revenue stream unlikely to secure bonds
- Equity issues created from taxing outside the district
- Untested in County to fund public improvements

## Financing Mechanism

### Tax Increment Financing (TIF)

*Description:* A portion or all of future property tax revenue increases generated by development in an area, is used to finance debt issued for infrastructure. Usually used in distressed areas where redevelopment would not typically occur.

#### Advantages

- Legal authority exists in state law
- Can be levied on existing development and create security for debt
- Directly funds area infrastructure

#### Disadvantages

- Takes away from County revenues
- Counts against debt capacity
- Risk of failed development can result in default on bonds and affect County bond rating and borrowing costs

## Financing Mechanism

### Special Taxing District

*Description:* Ad valorem tax (based on property assessment value) levied on all properties in a specified district, with tax revenues pledged to repay debt service on special obligation bonds issued for infrastructure. Used in White Flint 1.

#### Advantages

- Does not count against charter limit
- Steady revenue stream can secure debt
- Proven mechanism - Used in White Flint I
- Tax rate assessed on both new and existing development fosters equity

#### Disadvantages

- Lessons learned from White Flint I

## Financing Mechanism

### Transportation Impact Fee (Pro-Rata Share)

*Description:* An additional transportation fee levied on new construction covering a development's pro-rata local area transportation impact. Used in White Oak in lieu of LATR improvements.

#### Advantages

- Does not count against charter limit or debt capacity
- Directly funds area infrastructure
- Proven mechanism – Used in White Oak

#### Disadvantages

- Unreliable revenue stream
- May limit local transportation review or site-specific improvements
- Taxes apply only to new development, not everyone that benefits

## Financing Mechanism

### Financing Mechanisms for Consideration

**Retain Draft Plan Recommendation:** Maintain flexibility of options

Possible Pathways:

- Special Taxing District Options (Recommended)
- Transportation Impact Fee - Pro-Rata Share (Alternative)

Reasons

- Meets most of the seven core principles of financing
- Precedent in recent Master Plans

## Financing Mechanism

---

### Alternative Tool: Transportation Impact Fee (Pro-Rata Share)

- Used in White Oak – in place of Local Area Transportation Review (LATR) studies and improvements
  - “Pay-as-you-go”
  - Comprehensive Areawide Traffic Study (MCDOT)
    - Identified trips generated via development
    - Identified local transportation improvements and costs
      - \$5,000 mitigation fee per trip
    - Transportation impact fees earmarked for local capital projects
  - Separate from countywide development impact fees for transportation

## Financing Mechanism

### White Flint Special Taxing District Highlights

#### Used in White Flint I

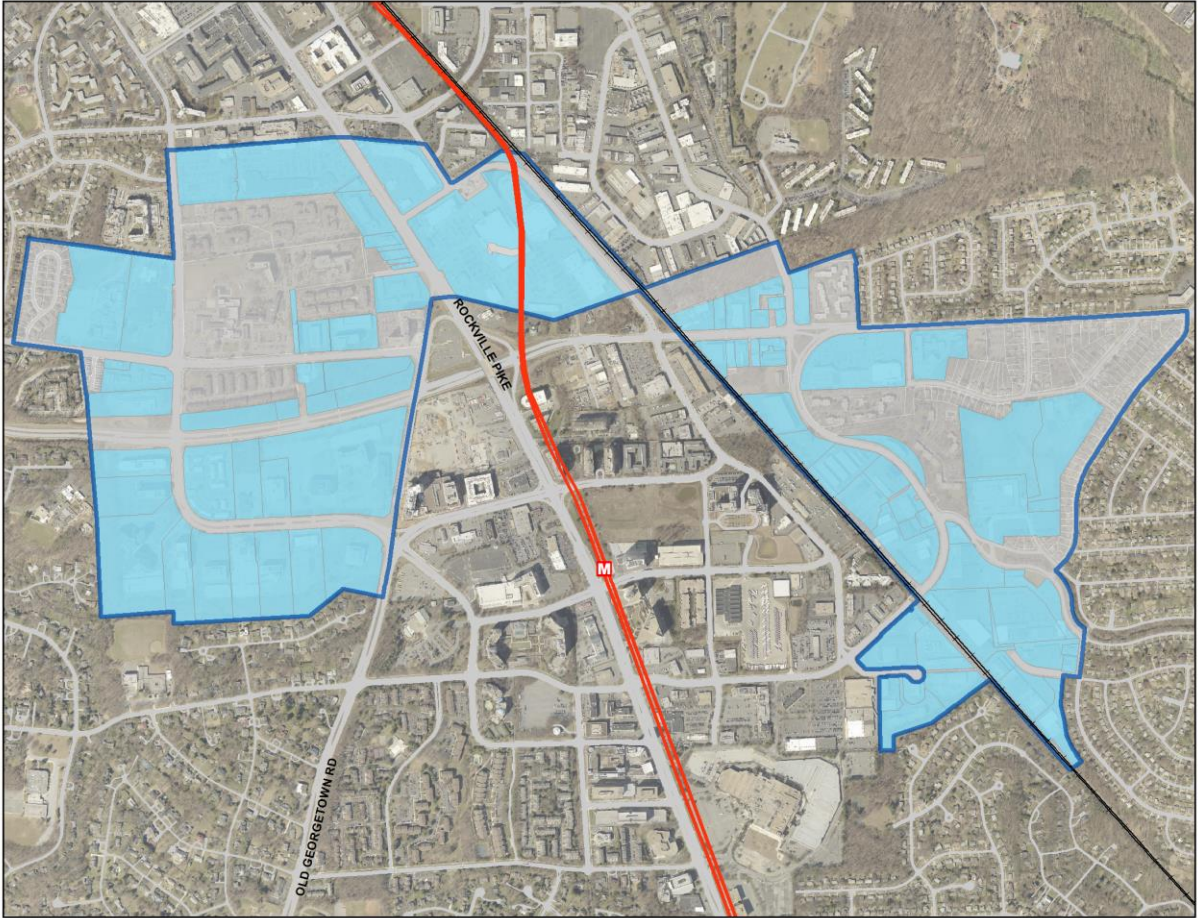
- \$0.103 per \$100 of assessed value (or 0.10%)
  - Initially intended to fund 41.4% of White Flint I project costs (remainder through County/State and developer provided items)
- Excludes existing residential properties and pipeline

#### Key Issues

- District properties for inclusion
- Pace of development/timing
- Proportion of funded improvements
  - White Flint I
  - County/State, developers

# Financing Mechanism

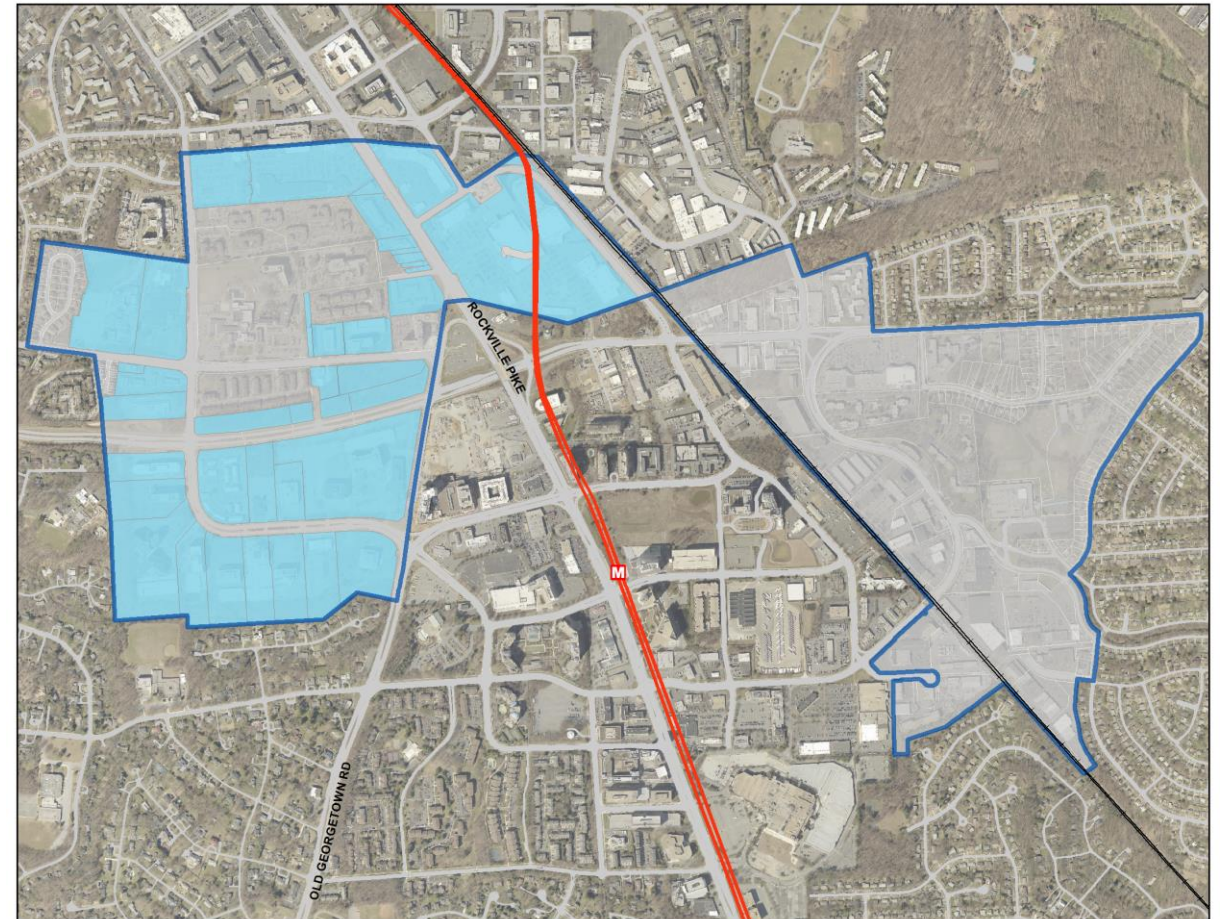
WF2 Properties (All Properties)	
Annual Special District Taxes (Existing Development)	\$ 1.1M
Annual Special District Taxes (Assuming 70% Buildout)	\$ 4.5M
Cumulative 30-Year Special District Taxes (Existing Development)	\$ 31.8M
Cumulative 30-Year Special District Taxes (Assuming 70% Buildout)	\$ 85.0M
<p><i>Assumes Tax rate at \$0.103 per assessed \$100</i>  <i>Excludes existing residential</i>  <i>Assumes buildout occurs equally spaced across 30 years</i></p>	





# Financing Mechanism

WF2 Properties (West of Rail Tracks)	
Annual Special District Taxes (Existing Development)	\$ 0.78M
Annual Special District Taxes (Assuming 70% Buildout)	\$ 3.8M
Cumulative 30-Year Special District Taxes (Existing Development)	\$ 23.4M
Cumulative 30-Year Special District Taxes (Assuming 70% Buildout)	\$ 70.0M
<p><i>Assumes Tax rate at \$0.103 per assessed \$100</i>  <i>Excludes existing residential</i>  <i>Assumes buildout occurs equally spaced across 30 years</i></p>	



# Financing Mechanism

<b>WF2 Properties (Recommended for Upzoning)</b>	
Annual Special District Taxes (Existing Development)	\$ 0.74M
Annual Special District Taxes (Assuming 70% Buildout)	\$ 4.2M
Cumulative 30-Year Special District Taxes (Existing Development)	\$ 22.1M
Cumulative 30-Year Special District Taxes (Assuming 70% Buildout)	\$ 75.3M
<i>Assumes Tax rate at \$0.103 per assessed \$100                      Excludes existing residential                      Assumes buildout occurs equally spaced across 30 years</i>	

