

## **Tax Increment Financing Guidelines Anne Arundel County, Maryland**

### **Purpose:**

These guidelines are intended to establish the considerations that the County will use in its decision making process in reviewing proposals for tax increment financing (TIF) to fund public infrastructure. These guidelines have been prepared for the purpose of (1) evaluating the feasibility of a TIF as a mechanism to fund public infrastructure improvements in connection with private development projects, and (2) to determine whether the private development and public improvements within the TIF district will meet the County's economic development, land use, and other strategic goals.

### **Background:**

**Title 12, Subtitle 2 of the Economic Development Article of the Annotated Code of Maryland (the Tax Increment Financing Act)** authorizes the creation of tax increment financing (TIF) districts as a means to finance infrastructure in connection with private development. The purpose of designing TIF districts is to provide another tool for local governments to finance public infrastructure benefiting commercial and certain residential projects and the general public so as to generate economic development which will enhance County revenues beyond the debt service requirements.

Under the TIF process, special obligation debt is issued by the County to provide funding for the infrastructure improvements benefiting the TIF district. The incremental real property tax revenues are pledged to the repayment of the special obligation debt. Theoretically, there will be incremental real property tax revenues created because the assessed value of the TIF district properties increases as a result of the new infrastructure and resulting development. Because only the incremental tax revenue is pledged to repay the debt service, the TIF structure allows the County to continue to receive the tax revenues after the debt has been repaid. Ideally, during the period the debt is being repaid there will also be additional incremental revenue (that is not required for the repayment of the debt) that will be available to provide for the cost of public services required for the project. The key to the success of the TIF is to have sufficient incremental property tax revenue created to pay the debt service on the special obligation debt. It is intended that TIFs will be used as part of an overall funding package for projects that benefit citizens and add significant income and property tax revenues to Anne Arundel County.

### **Guidelines:**

In order to assure that TIF financing at a proposed location will accomplish its stated benefits, the County Administration will evaluate an application to establish a TIF District utilizing these guidelines, prior to any required action of the County's governing body pursuant to the Tax Increment Financing Act. The ability to utilize TIF financing is not a right or entitlement established by Maryland law or these guidelines. The County reserves the right, in its sole discretion, to amend or waive these guidelines when such a waiver would further the County's goals for establishment of the TIF. A TIF application, in a form determined by the Controller, will be evaluated to determine if:

1. The proposed public improvements meet all requirements of the Tax Increment Financing Act.
2. The establishment of a special tax assessment district is desirable to supplement the Tax Increment to ensure repayment of the bonds or other obligations incurred, and the public

improvements meet all the applicable requirements of State law for the establishment of a special taxing district.

3. The proposed public infrastructure furthers the goals and policies set forth in the County's General Development Plan, and goals and policies established in other plans adopted by the County Council or other County agencies.
4. The proposed private development is consistent with the County's Comprehensive Zoning Plan, and the Anne Arundel County zoning and Subdivision Regulations.
5. The developer requesting the TIF financing has a significant investment at risk in the development relative to the amount of the County investment in the public infrastructure funded through the TIF.
6. The public and private development will yield a public benefit to residents outside of the TIF District.
7. The proposed private development would not be economically feasible but for the establishment of a TIF District, and the financial assistance resulting from the TIF financing is limited to the amount required to make the development feasible.
8. The proposed private developments will be economically viable throughout the term of the bonds issued (or other obligations incurred) to finance the public infrastructure.
9. The total incremental tax revenues (from all sources) generated by the development exceed the annual debt service on the bonds issued to finance the public infrastructure to the extent needed to offset the fiscal burden placed on the County to provide services to the new development (such as the cost of new students in the school system, law enforcement and fire protection).
10. The issuance of bonds or other obligations incurred to finance the public infrastructure will not have an adverse impact on the County's credit rating.

The County will perform a due diligence investigation to confirm information regarding the developer's ability to complete the project as well as the ability of the property to generate incremental tax revenues to pay the debt service on the bonds. The investigation must also include a review of the developer's and property owner's financial resources to sustain the project. The project will be evaluated by the TIF review committee. The committee members include the Chief Administrative Officer, the Budget Officer, the Controller, the Planning and Zoning Officer, the Director of Public Works, the Director of Programming (President/CEO of Economic Development), and the County Attorney, or their designees, as well as other appropriate staff and consultants. This review team will recommend approval, denial or revised terms of the TIF to the County Executive and County Council.

The applicant must complete an application in its entirety.

**Application for Tax Increment Financing:**

An application for the Tax Increment Financing is available from the Office of Finance and on the County's website at [www.aacounty.org](http://www.aacounty.org).