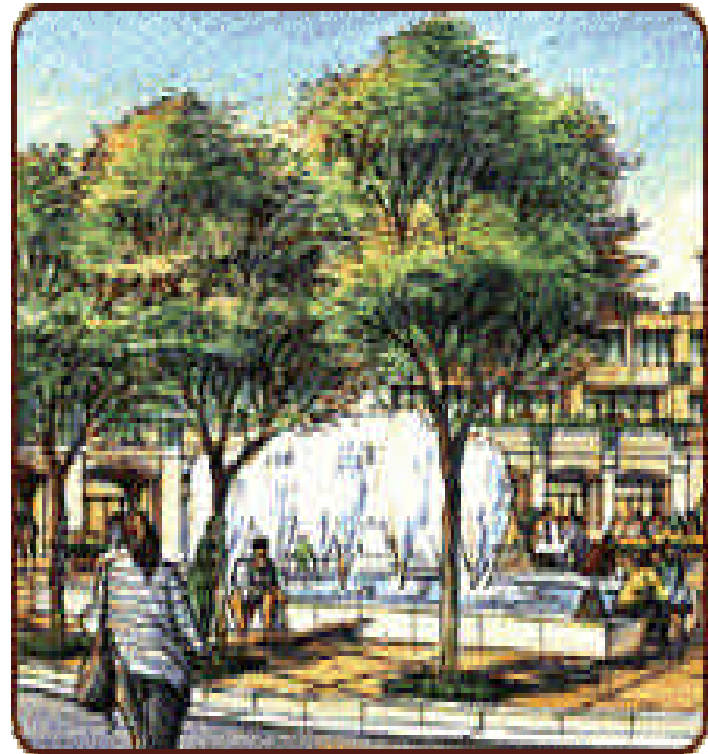


MUNICAP, INC.

Tax Increment Financing – Best Practices in the Northeastern States

Presentation to the
Texas Economic
Development Council

May 4, 2007



May 4, 2007

MuniCap, Inc.

Presentation Outline

- I. Sampling of projects
- II. Overview of best practices
- III. Case studies

New York Avenue Metro Station



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New York Avenue Metro Station

(Project Summary)

- First new Metro station in Washington, DC in 30 years
 - Cost approximately \$75 million
- Site of the new headquarters for the Bureau of Alcohol, Tobacco and Firearms
- Public private partnership
 - 1/3 U.S. government
 - 1/3 Washington, DC
 - 1/3 surrounding property owners
- Property owners contributed their share through special assessments imposed on the property
 - Used to support bonds issued by the district
 - Property owners receive credit for tax increment revenue produced by projects

Greenbelt Metro Station



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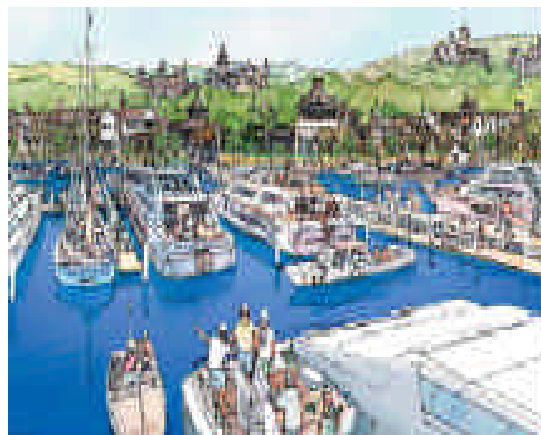
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Greenbelt Metro Station

(Project Summary)

- Metro station serves commuters
- Very large surface parking lot
- Key strategic location
 - Three interstates and mass transit line
- Parking lot produces no tax revenues and greatly underutilizes the property
- Parking lot replaced with the parking structure, allowing 2.5 million SF of commercial space and 1,200 homes to be put on the tax rolls.
- Smart growth

Harbor Station



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Harbor Station

(Project Summary)

- In-fill property close to Washington, DC on the Potomac River and I-95
- 2,500 housing units and 2.0 million SF of office space
- Superior location for U.S. government space
 - Ability to provide security clearance
 - Mass transit required by the U.S. government
 - Transit line runs through property but no station

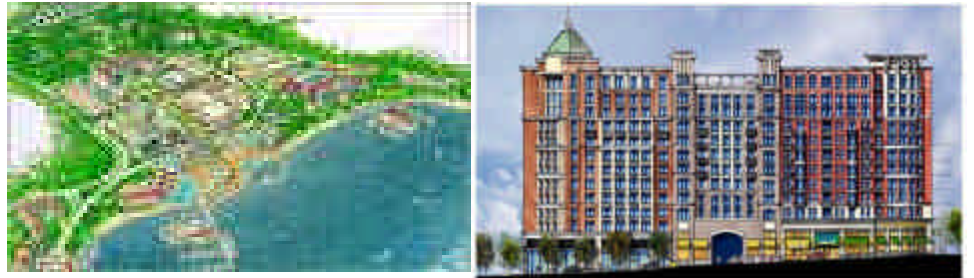
National Harbor



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National Harbor



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National Harbor



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National Harbor

(Project Summary)

- Waterfront property located on Potomac River
- Anchored by a new Gaylord hotel
 - 2,000 rooms and 425,000 SF convention center
- Over 1,000,000 SF of commercial development
- 2,500 resort residential units
- Over \$1.0 billion of investment

The Science and Technology Park at Johns Hopkins



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The Science and Technology Park at Johns Hopkins (Project Summary)

- Joint venture by the City of Baltimore and Johns Hopkins Medical Center
- Capitalize on research and spin-off business opportunities related to Johns Hopkins Medical Center
- Over 1.0 million SF of research and office space
- 700 housing units

Yonkers



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Yonkers



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Yonkers

(Project Summary)

- Redevelopment on the Hudson Riverfront
- Connecting riverfront, transit station, Main Street in downtown, and new baseball stadium
- Daylighting river through downtown
- 15 minute train ride to Madison Square Garden
- 700,000 SF of retail
- 500,000 SF of office
- Hotel
- 1,400 residential units

South Weymouth



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South Weymouth



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South Weymouth

(Project Summary)

- Redevelopment of military base south east of Boston
- Transit access to Boston
- 3,000 new residential units
- 2,000,000 SF of commercial space

Tax Increment Financing Process

1. Project conception
2. Preparation of the TIF plan
3. Governmental approvals
4. Implementing the financing
5. Monitoring and adjustments

Preparation of the TIF Plan - Tax Increment Financing Constraints

I. Development Project

II. Legal Authority

III. Financial Markets

IV. 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?
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)?

Primary Public Policy Issues

(continued)

6. Will there be sufficient surplus tax revenues to cover costs of public services required for the project?
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?

New York Avenue Metro Station

1. Is public assistance appropriate?
 - Metro station
 - Urban redevelopment
2. But for test
 - Most projects do not pay for a Metro station (extraordinary cost).
3. What is the sponsoring agency receiving?
 - New Metro station
 - U.S. government agency headquarters

Greenbelt Metro Station

1. How much assistance is appropriate?
 - 50% of the costs are paid by an additional special tax
2. Will there be sufficient surplus tax revenues to cover the cost of public services?
 - Limited tax increment revenues to 50%, the balance of the costs were paid by an additional special tax

Harbor Station

- How much assistance is appropriate?
 - Limited assistance to the creation of the district and issuance of bonds
 - Bonds repaid from additional special tax

Yonkers

- How much assistance is appropriate?
 - Limited to the gap in cost of parking
 - Parking for office and retail
 - Contribution to parking from projects equivalent to cost of surface parking
 - Parking revenues applied first
- What is the city receiving in return for TIF?
 - Daylighting of river
 - Redevelopment around train station, river and along Main street
 - Substantially additional tax revenues

South Weymouth

- But for test
 - \$180 million of new public infrastructure required.
- How much assistance is appropriate?
 - Limited to major infrastructure
 - Paid mostly with special assessments and water and sewer user fees
 - TIF limited to portion of local tax revenues typically spent on capital projections



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