Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1198 (Prince George's County Delegation and Montgomery County Delegation)

Environment and Transportation Budget and Taxation

Prince George's County - Maryland-National Capital Park and Planning Commission - Extraordinary Development District
PG/MC 109-16

This bill authorizes the Maryland-National Capital Park and Planning Commission (M-NCPPC) to enter into an agreement with Prince George's County to deposit all or a portion of M-NCPPC property taxes levied by the county on the tax increment in an "extraordinary development district" into a special fund for the extraordinary development district. An "extraordinary development district" is a development district that is designated as such by resolution and contains at least 50 acres, on all or part of which a federal law enforcement agency will be located. M-NCPPC may not enter into an agreement until Prince George's County has adopted a resolution designating the extraordinary development district and M-NCPPC has adopted a resolution approving the agreement. The bill specifies that M-NCPPC may not be an obligor for any bonds issued by Prince George's County for an extraordinary development district.

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: A portion of M-NCPPC property tax revenues imposed within the established extraordinary development district will be redirected for specified uses within the development district and will not be available for the general use of the commission.

Small Business Effect: Minimal.

Analysis

Current Law: All counties and municipalities are authorized to utilize tax increment financing (TIF) under Title 12, Subtitle 2 of the Economic Development Article (the Tax Increment Financing Act). In Baltimore City, the authority to use tax increment financing is provided in the city charter. Counties and municipalities (including Baltimore City) may issue bonds to finance the development of an industrial, commercial, or residential area. Generally, the bond proceeds may only be used (1) to buy, lease, condemn, or otherwise acquire property or an interest in property in the development district, a Regional Institution Strategic Enterprise (RISE) zone, or a sustainable community; or needed for a right-of-way or other easement to or from the development district, a RISE zone, or a sustainable community; (2) for site removal; (3) for surveys and studies; (4) to relocate businesses or residents; (5) to install utilities, to construct parks and playgrounds, and for other needed improvements including roads to, from, or in the development district; parking; and lighting; (6) to construct or rehabilitate buildings for a governmental purpose or use; (7) for reserves or capitalized interest; (8) for necessary costs to issue bonds; and (9) to pay the principal of and interest on loans, advances, or indebtedness that a political subdivision incurs for a specified purpose.

Bonds issued for use in a sustainable community or a RISE zone have different use criteria. The "original base" for a TIF district means the assessable base of the district: (1) as of January 1 of the year preceding the effective date of the resolution creating the district; or (2) if applicable, the original base for a brownfields site as determined by resolution of the political subdivision.

Background:

Tax Increment Financing

Tax increment financing is a public financing method that uses future gains in tax revenues to finance current improvements. The increase in the property tax revenue generated by new commercial development in a specific area, the TIF district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property. In a TIF district, the local government "freezes" the existing property tax base and uses the property tax revenue from this base as it would normally use such funds. The difference between the current tax base and the frozen base in each future year is termed the incremental valuation. The local government apportions the property tax revenue on the incremental valuation to a special account for certain purposes including to pay debt service on the bonds and to potentially pay for additional public expenditures in the TIF district. The TIF district ceases to exist upon the retirement of the bonds, and after that time, all property tax revenue may be appropriated by normal means.

Maryland-National Capital Park and Planning Commission

M-NCPPC is a bicounty agency serving Montgomery and Prince George's counties that was empowered by the State in 1927 to acquire and administer a regional system of parks within the Maryland-Washington Metropolitan District and administer a general plan for the physical development of the area. In 1970, M-NCPPC became responsible for managing the Prince George's County public recreation program. M-NCPPC imposes three countywide special property taxes in Prince George's County, as shown in **Exhibit 1**.

Exhibit 1
M-NCPPC Special Tax Rates
Fiscal 2016

Special Taxing District	Tax Rates	Property Tax Revenues
Administration	$0.0566	$43,886,700
Parks	0.1594	119,265,800
Recreation	0.0780	62,626,100
Total	**$0.294**	**$225,778,600**

Federal Bureau of Investigation Relocation

Plans are currently under way to relocate the FBI Headquarters from the J. Edgar Hoover Building in the District of Columbia to one of three locations in the Washington metropolitan area. Two of the locations are in Prince George's County (Greenbelt or Landover), and one is located in Northern Virginia (Springfield). In December 2015, the U.S. Congress pledged $390 million in funding for the proposed move.

Local Fiscal Effect: The bill authorizes M-NCPPC to enter into an agreement with Prince George's County to deposit all or a portion of its property taxes levied on the tax increment in an extraordinary development district in Prince George's County into a special fund for the extraordinary development district. Accordingly, a portion of M-NCPPC property tax revenues imposed within the established extraordinary development district will be redirected for specified uses within the development district and will not be available for the general use of the commission. For each $100 million in tax increment within the extraordinary development district, approximately $294,000 in commission property tax revenues will be redirected for specified uses within the development district.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Maryland-National Capital Park and Planning Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2016
kb/hlb Revised - House Third Reader - March 25, 2016

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