

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



DEPARTMENT OF LAW

GEORGE A. NILSON, City Solicitor
101 City Hall
Baltimore, Maryland 21202

June 20, 2012

The Honorable President and Members
of the Baltimore City Council
Attn: Karen Randle, Executive Secretary
Room 409, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

Re: City Council Bill 12-0066 – Payments in Lieu of Taxes – Ward 043,
Section 10, Block 0620, Lots 4-51 - “Lexington Square”

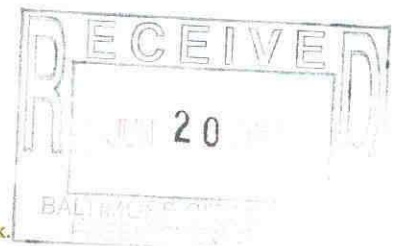
Dear President and Members of the City Council:

The Law Department has reviewed City Council Bill 12-0066 for form and legal sufficiency. The bill is a resolution of the Mayor and City Council that would authorize the Board of Estimates to enter into a payment in lieu of taxes (PILOT) agreement with Lexington Square Partners, LLC (Owner) for market rate rental units and related structured parking facility. The residential space will contain approximately 296 market rental units, and the parking facility will contain approximately 650 parking spaces.

Eligibility

The Maryland Property Tax Article contains numerous requirements for a project to be eligible for an exemption or partial exemption from Baltimore City real property tax. First, the project must be an “economic development project”, which is a real estate development project that consists of newly constructed or rehabilitated commercial or multifamily residential property, and must be located on a parcel or parcels of land, all of which are situated in an urban renewal area. Maryland Code Ann., Tax-Property § 7-504.3(a).

This project is known as “Lexington Square” and consists of newly constructed commercial property and is located within the Market Center Urban Renewal Area as required by Sec. 7-504.3(b)(3). This residential portion of the project is eligible for the exemption, because it: (1) has a private capital investment of equity and debt combined of at least \$5 million. *See id.* The parking garage is also eligible for the exemption, because it: (1) contains at least 250 parking spaces; and (2) has a private capital investment of equity and debt combined of at least \$2.5 million. *See id.*



Board of Estimates Approval

The owner(s) of the economic development project must demonstrate to the satisfaction of the Board of Estimates:

- (1) that the City or its designated agency has conducted an economic analysis of the project, with certain requirements;
- (2) the public benefit that the project will provide meets certain requirements;
- (3) the financial necessity for an exemption; and
- (4) that the private capital being invested includes an equity investment with certain requirements. Maryland Code Ann., Tax-Property § 7-504.3(b).

City Council

Additionally, the Mayor and City Council must authorize the project by a resolution that stipulates that the project will not involve gambling activities:

- (1) beyond those gambling activities allowed by law as of January 1, 1999; or
- (2) related to any game not authorized by the Maryland State Lottery. *Id.*

Payment in Lieu of Taxes Agreement

Since this is an economic development project that is newly constructed or rehabilitated multifamily property, the amount of the payment in lieu of taxes must not be less than the sum of the taxes on the property before the construction or rehabilitation of the project and 5% of the Baltimore City real property taxes related to the project that would have been due absent the PILOT agreement. *Id.* The PILOT agreement must also specify that the term of the agreement may not exceed 25 years from the date a certificate of occupancy for the project is issued, and that each year after the expiration of the agreement, full property taxes must be payable on the property. *Id.*

City Council Bill 66 specifies that the payments for the project PILOT and meets the requirements of Sec. 7-504.3(b)(3).

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As discussed above, the subject PILOT meets the requirements as set forth in the Maryland Property Tax Article. Maryland Code Ann., Tax-Property § 7-504.3. Accordingly, the Law Department approves Council Bill 12-0066 for form and legal sufficiency.

Very truly yours,



Elena R. DiPietro
Chief Solicitor

cc: George Nilson, City Solicitor
Angela C. Gibson, Mayor's Legislative Liaison
Hilary Ruley, Assistant Solicitor
Victor Tervalá, Assistant Solicitor