

CITY OF BALTIMORE
ORDINANCE _____
Council Bill 08-0161

Introduced by: The Council President
At the request of: The Administration (Baltimore Development Corporation)
Introduced and read first time: July 21, 2008
Assigned to: Taxation, Finance and Economic Development Committee

Committee Report: Favorable with amendments
Council action: Adopted
Read second time: November 24, 2008

AN ORDINANCE CONCERNING

Westport Waterfront Special Taxing District

1
2 FOR the purpose of designating a “special taxing district” to be known as the “Westport
3 Waterfront Special Taxing District”; providing for and determining various matters in
4 connection with the establishment of the special taxing district; creating a special fund for the
5 special taxing district; providing for the levy of a special tax on all taxable real and personal
6 property located in the special taxing district; providing for a special effective date; and
7 generally providing for matters relating to the designation and operation of the special taxing
8 district, the establishment and use of the special fund as well as authorizing the pledge of the
9 special tax revenues to the payment by or reimbursement to the City for debt service or
10 related costs which the City is obligated to pay or has paid (whether such obligation is
11 general or limited) on any special obligation bonds or notes issued by the City or any “state
12 obligations” issued in connection with the special taxing district, the replenishment of any
13 reserve fund, and the payment of certain expenses and administrative costs related to the
14 operation of the special taxing district.

15 BY authority of
16 Article II - General Powers
17 Section (62A)
18 Baltimore City Charter
19 (1996 Edition)

Recitals

21 The Special Taxing District Act, Article II, Section (62A) of the Baltimore City
22 Charter (the “Act”) authorizes the Mayor and City Council of Baltimore (the
23 “City”) to establish a “special taxing district” (as defined in the Act) and a special
24 fund into which the special taxes levied in the special taxing district are deposited
25 for the purpose of providing financing, refinancing, or reimbursement for the cost
26 (as defined in the Act) of infrastructure improvements (as defined in the Act).

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.
Underlining indicates matter added to the bill by amendment.
~~Strike out~~ indicates matter stricken from the bill by
amendment or deleted from existing law by amendment.

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1 The Act also authorizes the City, subject to certain requirements, to borrow
2 money by issuing and selling Bonds (as defined herein), for the purpose of
3 providing financing, refinancing, or reimbursement for the cost of the
4 infrastructure improvements.

5 The Act also authorizes the City, subject to certain requirements, to pledge special
6 tax revenues to the payment by or reimbursement to the City for debt service
7 which the City is obligated to pay or has paid (whether such obligation is general
8 or limited) on Bonds or State Obligations (as defined herein) issued and sold by
9 the Maryland Economic Development Corporation (“MEDCO”) or any other
10 State Issuer (as defined herein) for the purpose of providing financing,
11 refinancing, or reimbursement for the cost of infrastructure improvements.

12 MEDCO, pursuant to a resolution adopted on February 25, 2008, authorized the
13 issuance of its non-recourse, tax-exempt, limited obligation revenue bonds, from
14 time to time and in one or more issues or series, pursuant to the provisions of
15 Sections 5-201 through 5-217, inclusive, of Article 83A of the Annotated Code of
16 Maryland, as amended, for the purpose of financing and refinancing the costs of
17 the Project (as defined herein).

18 The City has been requested to designate and create the Westport Waterfront
19 Special Taxing District from both (i) the owners of at least two-thirds of the
20 assessed valuation of the real property located in the proposed special taxing
21 district; and (ii) at least two-thirds of the owners of the real property located in the
22 proposed special taxing district as determined by the provisions of the Act.

23 The Act provides that no bonds may be issued until an ordinance is enacted that
24 (i) designates an area or areas as a “special taxing district”; (ii) creates a special
25 fund for the special taxing district; and (iii) provides for the levy of an ad valorem
26 or special tax on all real and personal property in the special taxing district at a
27 rate or amount designed to provide adequate revenues to pay the principal of,
28 interest on, and redemption premium, if any, on the Bonds or the State
29 Obligations, to replenish any debt service reserve fund, and for any other purpose
30 related to the ongoing expenses of or security for the Bonds or the State
31 Obligations.

32 The Mayor and City Council wishes to establish a special taxing district within
33 the City, establish a special fund for the special taxing district, and provide for the
34 levy of a special tax on all taxable real and personal property in the special taxing
35 district for the purpose of providing funds for the costs of the infrastructure
36 improvements, including, without limitation, street and road improvements, the
37 acquisition of land, construction of buildings or structures that will provide
38 affordable housing or otherwise be devoted to a governmental use or purpose, and
39 other improvements relating to the development of residential, commercial and
40 office uses within the special taxing district or, if outside the special taxing
41 district, reasonably relating to the improvements within the special taxing district.

42 **SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE,** That for
43 the purposes of this Ordinance, the following terms have the meanings indicated:

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- 1 (a) “Act” means the Special Taxing District Act, as codified in Article II, Section (62A)
2 of the Baltimore City Charter.
- 3 (b) “Bond” means any bond, note, or other similar instrument issued by the Mayor and
4 City Council of Baltimore under the Act.
- 5 (c) “City expenses” shall have the meaning set forth in the Pledge Ordinance.
- 6 (d) “Contribution Agreement” means one or more contribution agreements or such other
7 agreements executed by the City and a State Issuer, pursuant to which the City will
8 evidence a pledge of certain tax and other revenues for the purpose of securing the
9 payment of debt service on State Obligations, the replenishment of any reserve fund,
10 and the payment of other costs with respect to the State Obligations, including,
11 without limitation, any City expenses, State Issuer Expenses, and other administrative
12 costs.
- 13 (e) “MEDCO” means the Maryland Economic Development Corporation.
- 14 (f) “Pledge Ordinance” means the Ordinance of the City authorizing the pledge of
15 certain tax and other revenues for the purposes set forth therein.
- 16 (g) “Project” means the following improvements and activities completed in accordance
17 with all required City approvals:
- 18 (1) the design and construction of street and road improvements to, from or within
19 the Special Taxing District, including, without limitation, the installation of curbs,
20 gutters, sidewalks, lighting, and landscaping, and the improvements to the
21 Waterview Avenue bridge which are designed to improve traffic flow to and from
22 the Special Taxing District;
- 23 (2) the installation of utilities, including, without limitation, water and sewer, and the
24 construction of bike trails, parks and playgrounds, and other necessary
25 improvements including lighting, stormwater management facilities and other
26 facilities;
- 27 (3) the acquisition by purchase, lease, or condemnation of land or other property, or
28 an interest in them, in the Special Taxing District or as necessary for a right-of-
29 way or other easement to or from the Special Taxing District;
- 30 (4) the acquisition, design, construction, reconstruction, renovation, and development
31 of buildings that provide units of affordable housing and condemning or
32 otherwise acquiring structures, real or personal property, rights, rights-of-way,
33 franchises, easements, and interests in furtherance of this purpose;
- 34 (5) parking facilities;
- 35 (6) site removal, including site preparation, earthwork, clearing, grading, and filling;
36 and
- 37 (7) the acquisition, construction, renovation, and development of other related
38 infrastructure improvements and the financing or refinancing of any related costs

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1 as permitted by the Act that are necessary for the completion of the foregoing for
2 their intended public purposes.

- 3 (h) “Special Tax Fund” means the special fund established by Section 4 of this
4 Ordinance.
- 5 (i) “Special Taxing District” means the area in the City designated in Section 3 of this
6 Ordinance as a special taxing district under the Act.
- 7 (j) “State Issuer” means MEDCO, the State of Maryland, or any agency, department, or
8 political subdivision thereof.
- 9 (k) “State Issuer Expenses” means administrative costs and other expenses related to the
10 State Obligations of the State Issuer permitted by the Act and approved by the
11 Director of Finance to be paid by the City pursuant to a ~~contribution agreement~~
12 Contribution Agreement.
- 13 (l) “State Obligations” means any bonds or bond, notes or note, or other similar
14 instruments or instrument issued by a State Issuer, the proceeds of which have been
15 used to finance a portion of the costs of the Project, including, without limitation,
16 bonds issued by MEDCO pursuant to the provisions of Sections 5-201 through 5-217,
17 inclusive, of Article 83A of the Annotated Code of Maryland, as amended.

18 **SECTION 2. AND BE IT FURTHER ORDAINED**, That the Mayor and City Council of Baltimore
19 finds and determines that the establishment of the Special Taxing District, the creation of the
20 Special Tax Fund for that District and the pledge of amounts on deposit in such Special Tax
21 Fund to the payment of debt service and other costs on or related to Bonds or State Obligations
22 pursuant to the Pledge Ordinance and the Contribution Agreement, all for the purpose of
23 providing funds for the financing and refinancing of a portion of the costs of the Project,
24 accomplishes the purposes of the Act, serves public purposes, including the direct and indirect
25 enhancement of the taxable base of the City and the facilitation of planned improvements to the
26 Special Taxing District, and generally promotes the health, welfare, and safety of the residents of
27 the State of Maryland and of the City of Baltimore.

28 **SECTION 3. AND BE IT FURTHER ORDAINED**, That the contiguous area consisting of the
29 properties designated as Ward 25, Section 05, Block 7611, Lot 001 and Block 7612, Lots 001,
30 003, 005, 005A and 006 (as the same may be renumbered or redesignated as a result of any
31 resubdivision of such property), together with the adjoining roads, highways, alleys,
32 rights-of-way and other similar property, shown on the map attached to this Ordinance as
33 Exhibit 1, and made a part of this Ordinance, is designated as a special taxing district to be
34 known as the “Westport Waterfront Special Taxing District.”

35 **SECTION 4. AND BE IT FURTHER ORDAINED**, That a special fund is established for the
36 Special Taxing District to be known as the “Westport Waterfront Special Tax Fund.” The
37 Director of Finance shall deposit in the Special Tax Fund all special taxes levied and collected in
38 accordance with Section 5 of this Ordinance. The Director of Finance and other officers and
39 employees of the City shall take all necessary steps in order to establish the Special Tax Fund as
40 a separate fund to be held by or for the account of the City.

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SECTION 5. AND BE IT FURTHER ORDAINED, That:

- (a) A special tax shall be levied upon all real and personal property in the Special Taxing District, unless exempted by the provisions of this Ordinance or otherwise by law, for the purposes, to the extent and in the manner set forth in the Rate and Method of Apportionment of the Special Taxes attached to this Ordinance as Exhibit 2 and made a part of this Ordinance and the Pledge Ordinance.
- (b) The revenues and receipts from the special tax, the Special Tax Fund, and any other fund into which all or any of these revenues and receipts are deposited after they have been appropriated by the City are authorized to be pledged to the payment of the principal of and interest on the Bonds or the State Obligations, the replenishment of any reserves and the payment of any City expenses, State Issuer Expenses, and administrative costs pursuant to the Contribution Agreement. These revenues, receipts and funds are not, however, irrevocably pledged to the payment of the principal of and interest on and related costs of the Bonds or the State Obligations and the obligation to pay this principal and interest and these related costs is subject to annual appropriation by the City.
- (c) Special taxes levied in the Special Taxing District may not be accelerated by reason of Bond or State Obligation default. The maximum special taxes as described in the Rate and Method (as defined in the Pledge Ordinance) applicable to any individual property may not be increased in the event that other property owners become delinquent in the payment of the special taxes.

SECTION 6. AND BE IT FURTHER ORDAINED, That the Mayor and City Council of Baltimore finds that:

- (a) The construction of the Project will create a public benefit and special benefits to the properties in the Special Taxing District;
- (b) The special taxes levied under this Ordinance are levied in an amount that does not exceed the special benefit that the properties within the Special Taxing District will receive from the Project, as shown by the Special Tax Allocation Report attached to this Ordinance as Exhibit 3 and made a part of this Ordinance; and
- (c) The special taxes levied on each property in the Special Taxing District are a fair allocation of the cost of the Project to each property in the Special Taxing District, as shown by the Special Tax Allocation Report.

SECTION 7. AND BE IT FURTHER ORDAINED, That the Director of Finance may do all acts and things and execute all documents and certificates relating to the Special Taxing District and the Special Tax Fund.

SECTION 8. AND BE IT FURTHER ORDAINED, That any approvals, authorizations, or activities provided in this Ordinance do not constitute and may not be deemed to constitute or imply that the City Council, the Mayor, or any department, office or agency of the City has given or will give, any approval, authorization or consent to any action or activity within or required for the development of the Special Taxing District, including any land use approval, requirements for the provision of public utilities or services, or any other administrative, judicial, quasi-judicial, or legislative approval, authorization, or consent.

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1 **SECTION 9. AND BE IT FURTHER ORDAINED,** That this Ordinance may be amended by a
2 subsequent ordinance of the Mayor and City Council of Baltimore, which ordinance may enlarge
3 or reduce the size of the Special Taxing District, upon receipt of a request from both (i) the
4 owners of at least two-thirds of the assessed valuation of the real property located with the
5 proposed special taxing district; and (ii) at least two-thirds of the owners of the real property
6 located within the proposed special taxing district as determined by the provisions of the Act.
7 However, no ordinance may be effective to reduce the size of the Special Taxing District so long
8 as there are any outstanding Bonds or State Obligations secured by the Special Tax Fund, unless
9 the ordinance authorizing the issuance of the Bonds or the State Obligations permits the City to
10 reduce the area constituting the Special Taxing District, the holders of the Bonds or the State
11 Obligations or an authorized representative on their behalf consents to the reduction or the
12 indenture authorizing the Bonds or the State Obligations permits the reduction.

13 **SECTION 10. AND BE IT FURTHER ORDAINED,** That the provisions of this Ordinance are
14 severable. If any provision, sentence, clause, section or other part of this Ordinance is held or
15 determined to be illegal, invalid, unconstitutional, or inapplicable to any person or
16 circumstances, that illegality, invalidity, unconstitutionality, or inapplicability does not affect or
17 impair any of the remaining provisions, sentences, clauses, sections, or parts of this Ordinance or
18 their application to other persons or circumstances. It is the intent of the Mayor and City
19 Council that this Ordinance would have been passed even if the illegal, invalid, unconstitutional,
20 or inapplicable provision, sentence, clause, section, or other part had not been included in this
21 Ordinance, and as if the person or circumstances to which this Ordinance or part are inapplicable
22 had been specifically exempted.

23 **SECTION 11. AND BE IT FURTHER ORDAINED,** That this Ordinance takes effect on the date it
24 is enacted.

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EXHIBIT 1

Map of Special Taxing District

1

2

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EXHIBIT 2

Rate and Method of Apportionment of the Special Taxes

1

2

CITY OF BALTIMORE, MARYLAND
WESTPORT WATERFRONT SPECIAL TAXING DISTRICT

*RATE AND METHOD OF APPORTIONMENT
OF SPECIAL TAXES*

A Special Tax is hereby levied and shall be collected in the City of Baltimore Westport Waterfront Special Taxing District (the "District") each Fiscal Year, beginning with the 2009-2010 Fiscal Year and continuing until the year provided for in Section F hereof, in an amount determined by the procedures described below. All of the real and personal property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms used herein shall have the following meanings:

"Act" means Article II, Section (62A) of the Baltimore City Charter, as amended from time to time.

"Adjusted Maximum Special Tax" means the Special Tax determined in accordance with Section B.2.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee employed by the City or State Issuer in connection with any Bonds; the expenses of the City or State Issuer in carrying out their respective duties under the Indenture of Trust or Contribution Agreement, including, but not limited to, levying and collecting the Special Tax and complying with arbitrage rebate requirements and obligated persons disclosure requirements associated with applicable federal and state securities law, including the costs of any employees of the City or State Issuer and fees of any professionals retained by the City or State Issuer to provide services for such purposes; and all other costs and expenses of the City, State Issuer, Trustee, or Administrator incurred in connection with the discharge of their respective duties under the Indenture of Trust or Contribution Agreement, as applicable, including legal expenses associated with such duties; and, in the case of the City or State Issuer, in any way related to the administration of the District.

"Administrator" means the designee of the Director of Finance for purposes of estimating the annual Special Tax Requirement and the Special Tax to be levied each Fiscal Year and for providing other services as required by the Indenture of Trust or the Contribution Agreement.

"Bond Year" shall have the meaning given to such term in the Indenture of Trust.

"Bonds" means any bonds or other debt, including refunding bonds, whether in one or more series, issued for the District by the City pursuant to the Act or by the State Issuer.

"Building Square Footage" means the actual, or for property not yet developed, the estimated, leasable building area as shown on the building permit, architectural plans or other available documents, as estimated by the Administrator.

"City" means the Mayor and City Council of Baltimore, Maryland, and any authorized designee of the City for the purposes of implementing this Rate and Method of Apportionment of Special Taxes.

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- 1 ~~“Commercial Property” means Taxable Property other than Residential Property and Parking~~
2 ~~Property.~~
- 3 ~~“Contribution Agreement” means a contribution agreement or similar agreement between the City~~
4 ~~and a State Issuer evidencing a pledge of Tax Increment Revenues and Special Tax Revenues.~~
- 5 ~~“Developed Property” means Parcels of Taxable Property for which a building permit has been~~
6 ~~issued that allows the construction of a structure intended for occupancy.~~
- 7 ~~“Director of Finance” means the official of the City who is the director of finance or other~~
8 ~~comparable officer of the City or designee thereof.~~
- 9 ~~“Equivalent Unit Factors” means 1.0 for each unit of For Sale Residential Property, 0.39 for each~~
10 ~~unit of Rental Residential Property, 0.62 per 1,000 square feet of Building Square Footage for~~
11 ~~Commercial Property (or portion thereof), and 0.04 per parking space for Parking Property.~~
- 12 ~~“Equivalent Units” means the Equivalent Unit Factor for Rental Residential Property, For Sale~~
13 ~~Residential Property, Commercial Property, and Parking Property multiplied by the number of units~~
14 ~~of Residential Property, per 1,000 square feet of Building Square Footage for Commercial Property,~~
15 ~~and per parking space for Parking Property, respectively. The computation of the Equivalent Units~~
16 ~~for each Parcel shall be based on the information available regarding the use of the Parcel, which~~
17 ~~may include acreage and reasonable density ratios, and such computation shall be conclusive as long~~
18 ~~as there is a reasonable basis for such determination.~~
- 19 ~~“Fiscal Year” means the period starting any July 1 and ending on the following June 30.~~
- 20 ~~“For Sale Residential Property” means Residential Property not classified as Rental Residential~~
21 ~~Property, including any ancillary uses thereto.~~
- 22 ~~“Indenture of Trust” means the indenture of trust relating to the Bonds, as modified, amended~~
23 ~~and/or supplemented from time to time.~~
- 24 ~~“Maximum Special Tax” means the Special Tax determined in accordance with Section B.1.~~
- 25 ~~“MEDCO” means the Maryland Economic Development Corporation.~~
- 26 ~~“Owner Association Property” means, for any Fiscal Year, any real property within the~~
27 ~~boundaries of the District that is owned by or irrevocably offered for dedication to a property~~
28 ~~owner's association and available for use in common by the homeowners; provided, however, that~~
29 ~~real property that has been irrevocably offered for dedication includes only those parcels for which~~
30 ~~a copy of the offer has been provided to the Administrator.~~
- 31 ~~“Parcel” means a lot or parcel of real property within the District with a parcel number assigned~~
32 ~~by the Supervisor.~~
- 33 ~~“Parking Property” means property used primarily for the purpose of parking vehicles, not~~
34 ~~including parking primarily dedicated to the use by occupants of residential units.~~

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1 ~~“Proportionately” means that the ratio of the Special Tax actually levied as a percent of the~~
2 ~~Adjusted Maximum Special Tax is equal for each Parcel (excluding those Parcels for which the~~
3 ~~Adjusted Special Tax is zero).~~

4 ~~“Public Improvements” means those improvements the City has authorized to be provided by the~~
5 ~~District.~~

6 ~~“Public Property” means property within the boundaries of the District owned by, or irrevocably~~
7 ~~offered for dedication (in a plat map approved by the City or otherwise) to the federal government,~~
8 ~~State of Maryland, City, MEDCO, or other public agency or easements for the exclusive use of a~~
9 ~~public utility provider; provided, however, that exclusive use utility easements and real property that~~
10 ~~has been irrevocably dedicated includes only those parcels for which a copy of the easement or offer~~
11 ~~has been provided to the Administrator.~~

12 ~~“Rental Residential Property” means Residential Property intended for residential dwelling units~~
13 ~~that is either rental units, all of which within a project are under common management, or for which~~
14 ~~the sales prices is restricted based on the income of the owner, including any ancillary uses thereto.~~

15 ~~“Residential Property” means property for which a building permit has or is intended to be issued~~
16 ~~for purposes of constructing a residential dwelling unit(s).~~

17 ~~“Special Tax” means the Special Tax that may be levied by the City each Fiscal Year to fund the~~
18 ~~Special Tax Requirement.~~

19 ~~“Special Tax Credit” means, for any Fiscal Year, Tax Increment Revenues collected from a Parcel~~
20 ~~for that Fiscal Year. For purposes of calculating the Tax Increment Revenues for each Parcel, the~~
21 ~~base year value shall be allocated to each Parcel on the basis of the assessed value of each Parcel.~~

22 ~~“Special Tax Requirement” has the meaning given to it in Section C.1.~~

23 ~~“State Issuer” means MEDCO, the State of Maryland, or any agency, department or political~~
24 ~~subdivision thereof.~~

25 ~~“Supervisor” means the Supervisor of Assessments for the City.~~

26 ~~“Tax Increment Fund” means the account of such name established for the District pursuant to an~~
27 ~~ordinance enacted by the City.~~

28 ~~“Tax Increment Revenues” means the amounts paid into the Tax Increment Fund each year by the~~
29 ~~City.~~

30 ~~“Taxable Property” means any Parcel that is not Public Property or Owner Association Property.~~

31 ~~“Trustee” means the trustee appointed by the City or a State Issuer for the District to carry out the~~
32 ~~duties of the trustee specified in the Indenture of Trust.~~

33 **B. — SPECIAL TAX RATES**

34 **1. — Maximum Special Tax**

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1 The Maximum Special Tax for the 2009-2010 Fiscal Year shall be equal to \$12,580,000. On each
2 July 1, commencing July 1, 2010, the Maximum Special Tax shall be increased to 102 percent of
3 the respective Maximum Special Tax in effect in the previous Fiscal Year. The Maximum Special
4 Tax for each Parcel shall be equal to the following formula:

5
$$A = (B \div C) \times D$$

6 Where the terms have the following meaning:

- 7 A = The Maximum Special Tax for a Parcel
- 8 B = The Equivalent Units built or expected to be built on a Parcel
- 9 C = The total Equivalent Units estimated for all of the Parcels in the District
- 10 D = The Maximum Special Tax as stated above.

11 ~~2. Adjusted Maximum Special Tax~~

12 ~~The Adjusted Maximum Special Tax for each Parcel shall be equal to the lesser of (but not less~~
13 ~~than zero) (i) the Maximum Special Tax for the Parcel and (ii) the amount calculated by the~~
14 ~~following formula:~~

15
$$A = B - C$$

16 Where the terms have the following meaning:

- 17 A = ~~The Adjusted Special Tax for a Parcel~~
- 18 B = ~~The Maximum Special Tax for the Parcel~~
- 19 C = ~~The Special Tax Credit for the Parcel~~

20 ~~The Special Tax Credit applied to all Parcels shall not exceed the Tax Increment Revenues~~
21 ~~applied to the Special Tax Requirement as provided for in Section C. 1.~~

22 ~~3. Personal Property~~

23 ~~The special tax rate on personal property shall be zero.~~

24 ~~C. LEVY OF THE SPECIAL TAX~~

25 ~~1. Special Tax Requirement~~

26 ~~The Special Tax Requirement for any Fiscal Year shall be estimated by the Administrator and~~
27 ~~determined by the City and shall be an amount equal to (A) the amount required in any Fiscal~~
28 ~~Year to pay: (1) debt service and other periodic costs (including deposits to any sinking funds)~~
29 ~~on the Bonds to be paid from the Special Taxes collected in such Fiscal Year, (2) Administrative~~
30 ~~Expenses to be incurred in the Fiscal Year or incurred in any previous Fiscal Year and not paid~~
31 ~~by the District, (3) any amount required to replenish any reserve fund established in association~~
32 ~~with any Bonds, (4) an amount equal to the estimated delinquencies expected in payment of the~~
33 ~~Special Tax not otherwise taken into account, and (5) the costs of remarketing, credit~~
34 ~~enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that~~
35 ~~serve as the basis of a reserve fund related to any indebtedness in lieu of cash), less (B) (1) Tax~~
36 ~~Increment Revenues available to apply to the Special Tax Requirement for that Fiscal Year,~~
37 ~~(2) any credits available pursuant to the Indenture of Trust or Contribution Agreement, such as~~

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1 capitalized interest, reserves, and investment earnings on any account balances, and (3) any other
2 revenues available to apply to the Special Tax Requirement.

3 2. ~~Levy of the Special Tax~~

4 Commencing with the 2009-2010 Fiscal Year and for each following Fiscal Year, the City shall
5 determine the Special Tax Requirement, if any, for the applicable Fiscal Year and shall levy the
6 Special Tax Proportionately on each Parcel of Taxable Property in an amount up to the Adjusted
7 Maximum Special Tax for each Parcel such that the total of the Special Tax levied is equal to the
8 Special Tax Requirement.

9 ~~The Administrator shall provide an estimate to the City each Fiscal Year of the amount of the~~
10 ~~Special Tax to be levied on each Parcel in conformance with the provisions of this section.~~

11 3. ~~Circumstances Under Which the Special Tax May be Increased as a Result of a Default~~

12 ~~The circumstances under which the Special Tax levied on any Parcel may be increased as a~~
13 ~~result of a default in the payment of the Special Tax levied on any other Parcel is based on the~~
14 ~~provisions of Section C. 1. and 2. The Special Tax levied on any Parcel cannot be increased~~
15 ~~above the Adjusted Maximum Special Tax as a result of a default in the payment of the Special~~
16 ~~Tax levied on any other Parcel. If the Special Tax levied on any Parcel pursuant to the~~
17 ~~provisions of Section C.1. and 2. is less than the Adjusted Maximum Special Tax for such~~
18 ~~Parcel, the Special Tax may be increased up to the Adjusted Maximum Special Tax as a result of~~
19 ~~a default in the payment of the Special Tax levied on any Parcel.~~

20 **D. ~~EXEMPTIONS~~**

21 ~~A Special Tax shall not be levied on Public Property or Owner Association Property.~~

22 **E. ~~MANNER OF COLLECTION~~**

23 ~~The Special Tax will be collected in the same manner and at the same time as ordinary real~~
24 ~~property taxes; provided, however, the Special Tax may be collected at a different time or in a~~
25 ~~different manner as determined by the Director of Finance, provided that such time or manner is~~
26 ~~not inconsistent with the provisions of the Indenture of Trust or any Contribution Agreement.~~

27 **F. ~~TERMINATION OF SPECIAL TAX~~**

28 ~~Except for any delinquent Special Taxes and related penalties and interest;~~
29 ~~Special Taxes shall not be collected from any Parcel after the earlier of (i) the~~
30 ~~repayment or defeasance of the Bonds, (ii) the fortieth (40th) Fiscal Year in which~~
31 ~~such Parcel was taxed as Developed Property, and (iii) such time provided for by the~~
32 ~~Indenture of Trust and any Contribution Agreement.~~

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~~G. — REDUCTION IN THE MAXIMUM PROPERTY TAX RATE~~

~~The Maximum Special Tax shall be reduced by the Director of Finance once the Bonds are issued to reflect the actual rate of interest on the Bonds and the amount of Bonds actually issued, to a rate that provides for adequate Special Tax revenue to pay the debt service on the Bonds and any other expected amounts of the Special Tax Requirement as provided for in the Indenture of Trust or Contribution Agreement. The methodology for determining the reduced Maximum Special Tax shall be the same as that used to calculate the Maximum Special Tax provided for herein, adjusting only for the actual annual payments due on the Bonds.~~

~~H. — APPEALS OF THE LEVY OF THE SPECIAL TAX~~

~~Any property owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the Director of Finance not later than one calendar year after having paid the Special Tax that is disputed. Such appeal may not affect the due date of the payment of the Special Tax. The Director of Finance, or the designee of the Director of Finance, shall promptly review the appeal and, if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the decision of the Director of Finance requires the Special Tax to be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy or unless sufficient funds will otherwise be available to meet the Special Tax Requirement), but an adjustment shall be made to the next Special Tax levy on that Parcel. The decision of the Director of Finance may be appealed to the City. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.~~

~~I. — AMENDMENTS~~

~~This Rate and Method of Apportionment of Special Taxes may be amended by the City and, to the maximum extent permitted by the Act, such amendments may be made without further notice under the Act and without notice to owners of Taxable Property within the District in order to (i) clarify or correct minor inconsistencies in the matters set forth herein, (ii) provide for lawful procedures for the collection and enforcement of the Special Tax so as to assure the efficient collection of the Special Tax for the benefit of the owners of the Bonds, and (iii) otherwise improve the ability of the City to fulfill its obligations to levy and collect the Special Tax and to make it available for the payment of the Bonds and Administrative Expenses. No such amendment shall be approved unless and until the City has found and determined that the amendment is necessary and appropriate and does not materially adversely affect the rights of the owners of the Bonds. Any such amendment may not increase the Maximum Special Tax.~~

~~J. — INTERPRETATION OF PROVISIONS~~

~~The City shall make all interpretations and determinations related to the application of this Rate and Method of Apportionment of Special Taxes, unless stated otherwise herein or in the Indenture of Trust or the Contribution Agreement, and as long as there is a rational basis for the determination made by the City, such determination shall be conclusive.~~

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CITY OF BALTIMORE, MARYLAND
WESTPORT WATERFRONT SPECIAL TAXING DISTRICT

RATE AND METHOD OF APPORTIONMENT
OF SPECIAL TAXES

A Special Tax is hereby levied and shall be collected in the City of Baltimore Westport Waterfront Special Taxing District (the “District”) each Fiscal Year, beginning with the 2009-2010 Fiscal Year and continuing until the year provided for in Section F hereof, in an amount determined by the procedures described below. All of the real and personal property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms used herein shall have the following meanings:

“Act” means Article II, Section (62A) of the Baltimore City Charter, as amended from time to time.

“Adjusted Maximum Special Tax” means the Special Tax determined in accordance with Section B.3.

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee employed by the City or State Issuer in connection with any Bonds; the expenses of the City or State Issuer in carrying out their respective duties under the Indenture of Trust or Contribution Agreement, including, but not limited to, levying and collecting the Special Tax and complying with arbitrage rebate requirements and obligated persons disclosure requirements associated with applicable federal and state securities law, including the costs of any employees of the City or State Issuer and fees of any professionals retained by the City or Issuer to provide services for such purposes; and all other costs and expenses of the City, State Issuer, Trustee, or Administrator incurred in connection with the discharge of their respective duties under the Indenture of Trust or Contribution Agreement, as applicable, including legal expenses associated with such duties, any fees due to the State Issuer, and, in the case of the City or State Issuer, in any way related to the administration of the District.

“Administrator” means the designee of the Director of Finance for purposes of estimating the annual Special Tax Requirement and the Special Tax to be levied each Fiscal Year and for providing other services as required by the Indenture of Trust.

“Annual Revenue Requirement” means, for any Fiscal Year, the Special Tax Requirement less the Tax Increment Revenues available to apply to the Special Tax Requirement for that Fiscal Year.

“Bond Year” shall have the meaning given to such term in the Indenture of Trust.

“Bonds” means any bonds or other debt, including refunding bonds, whether in one or more series, issued for the District by the City pursuant to the Act or by the State Issuer.

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1 “Building Square Footage” or “BSF” means the actual, or for property not yet developed, the
2 estimated, leasable building area as shown on the building permit, architectural plans or other
3 available documents, as estimated by the Administrator.

4 “City” means the Mayor and City Council of Baltimore and any authorized designee of the City for
5 the purposes of implementing this Rate and Method of Apportionment of Special Taxes.

6 “Commercial Property” means Taxable Property other than Residential Property and Parking
7 Property.

8 “Contribution Agreement” means a contribution agreement or similar agreement between the City
9 and a State Issuer evidencing a pledge of Tax Increment Revenues, Tax Agreement Revenues, and
10 Special Tax Revenues as such terms are defined therein.

11 “Date of Classification” means the date each year determined by the City to classify property for
12 purposes of determining the Special Tax for each Parcel.

13 “Developed Property” means Parcels of Taxable Property for which a building permit has been
14 issued that allows the construction of a structure intended for occupancy, whether for commercial,
15 parking, or residential purposes.

16 “Director of Finance” means the official of the City who is the director of finance or other
17 comparable officer of the City or designee thereof.

18 “District Minimum Special Tax” has the meaning given to the term in Section K.

19 “District Maximum Special Tax” has the meaning given to the term in Section K.

20 “Fiscal Year” means the period starting any July 1 and ending on the following June 30.

21 “For Sale Residential Property” means Residential Property not classified as Rental Residential
22 Property, including any ancillary uses thereto.

23 “Indenture of Trust” means the indenture of trust relating to the Bonds, as modified, amended
24 and/or supplemented from time to time.

25 “Mandatory Prepayment of the Special Tax” means the required partial prepayment of the
26 Special Tax pursuant to Section K.

27 “Maximum Special Tax” means the Special Tax determined in accordance with Section B.1. or
28 B.2.

29 “Maximum Special Tax Rates” mean the rates shown in Table A increased each year as provided
30 for in Section B.1. as reduced pursuant to Section G.

31 “MEDCO” means the Maryland Economic Development Corporation.

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1 “Net Land Area” means the estimated area of Taxable Property of a Parcel on which buildings,
2 parking, or related improvements may be constructed, taking into consideration the development
3 legally permissible, the proposed or planned development, and existing or proposed Public Property,
4 exclusive use easements, and other areas on which development may not occur.

5 “Owner Association Property” means, for any Fiscal Year, any real property within the
6 boundaries of the District that is owned by or irrevocably offered for dedication to a property
7 owner's association and available for use in common by the homeowners; provided, however, that
8 real property that has been irrevocably offered for dedication includes only those parcels for which
9 a copy of the offer has been provided to the Administrator.

10 “Parcel” means a lot or parcel of real property within the District with a parcel number assigned
11 by the Supervisor.

12 “Parking Property” means property used primarily for the purpose of parking vehicles, not
13 including parking primarily dedicated to the use by occupants of residential units.

14 “Proportionately” means that the ratio of the Special Tax actually to be collected as a percent of
15 the Adjusted Maximum Special Tax is equal for each Parcel (excluding those Parcels for which the
16 Adjusted Special Tax is zero).

17 “Public Improvements” means those improvements the City has authorized to be provided by the
18 District.

19 “Public Property” means property within the boundaries of the District owned by, or irrevocably
20 offered for dedication (in a plat map approved by the City or otherwise) to the federal government,
21 State of Maryland, City, MEDCO, or other public agency or easements for the exclusive use of a
22 public utility provider; provided, however, that exclusive use utility easements and real property that
23 has been irrevocably dedicated includes only those parcels for which a copy of the easement or offer
24 has been provided to the Administrator. Public Property does not include property that would
25 otherwise be Public Property if the owner consents in a form acceptable to the City of being subject
26 to Special Taxes.

27 “Rental Residential Property” means Residential Property intended for residential dwelling units
28 that is either rental units, all of which within a project are under common management, or for which
29 the sales prices is restricted based on the income of the owner, including any ancillary uses thereto.

30 “Residential Property” means property for which a building permit has or is intended to be issued
31 for purposes of constructing a residential dwelling unit(s).

32 “Special Tax” means the Special Tax that may be collected by the City each Fiscal Year to fund
33 the Special Tax Requirement.

34 “Special Tax Credit” means, for any Fiscal Year, Tax Increment Revenues and Tax Agreement
35 Revenues collected from a Parcel for that Fiscal Year. For purposes of calculating the Tax
36 Increment Revenues for each Parcel, the base year value shall be allocated to each Parcel on the
37 basis of the assessed value of each Parcel.

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1 “Special Tax Report” means the Westport Waterfront Special Taxing District, City of Baltimore,
2 Maryland, Special Tax Report.

3 “Special Tax Requirement” has the meaning given to it in Section C.1.

4 “State Issuer” means MEDCO, the State of Maryland, or any agency, department or political
5 subdivision thereof.

6 “Supervisor” means the Supervisor of Assessments for the City.

7 “Tax Agreement Revenues” means amounts collected by the City that are payments in lieu of taxes
8 or from any similar agreement or arrangement between the City and an owner or lessee of properties
9 within the Development District and that are pledged to the payment of debt service on the Bonds
10 in accordance with an ordinance enacted by the City.

11 “Tax Increment Fund” means the account of such name established for the District pursuant to an
12 ordinance enacted by the City.

13 “Tax Increment Revenues” means the amounts paid into the Tax Increment Fund each year by the
14 City.

15 “Taxable Property” means any Parcel that is not Public Property or Owner Association Property.

16 “Trustee” means the trustee appointed by the City or a State Issuer for the District to carry out the
17 duties of the trustee specified in the Indenture of Trust.

18 “Undeveloped Property” means Parcels of Taxable Property not classified as Developed Property.

19 B. SPECIAL TAX RATES

20 1. Developed Property

21 The Maximum Special Tax for the 2009-2010 Fiscal Year for each Parcel of Developed Property
22 shall be equal to the product of the number of residential dwelling units, Building Square Footage,
23 or parking spaces that may be built on such Parcel and the Maximum Special Tax Rate for each class
24 of property shown in Table A.

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TABLE A

Developed Property
Maximum Special Tax Rates
2009-2010 Fiscal Year

<u>Property Class</u>	<u>Special Tax Rates</u>
<u>Commercial Property</u>	<u>\$3.00 per BSF</u>
<u>Rental Residential Property</u>	<u>\$1,875 per unit</u>
<u>For Sale Residential Property</u>	<u>\$4,800 per unit</u>
<u>Parking Property</u>	<u>\$200 per parking space</u>

On each July 1, commencing July 1, 2010, the Assigned Special Tax Rates shown in Table A shall be increased to 102 percent of the respective Assigned Special Tax Rate in effect in the previous Fiscal Year.

The computation of the number of units, BSF, or parking spaces for each Parcel shall be based on the information available regarding the use of the Parcel, which may include acreage and reasonable density ratios, and such computation shall be conclusive as long as there is a reasonable basis for such determination.

2. Undeveloped Property

The Maximum Special Tax for any Fiscal Year for each Parcel classified as Undeveloped Property shall be determined by the following formula:

$$A = (B - C) \times (D \div F)$$

Where the terms have the following meaning:

- A = The Maximum Special Tax for a Parcel of Undeveloped Property
- B = The Annual Revenue Requirement
- C = The Special Taxes to be collected from Developed Property
- D = The Net Land Area of the Parcel for which the Special Tax is being calculated
- E = The Net Land Area of all of the Parcels of Undeveloped Property.

3. Adjusted Maximum Special Tax

The Adjusted Maximum Special Tax for each Parcel shall be equal to the lesser of (but not less than zero) (i) the Maximum Special Tax for the Parcel and (ii) the amount calculated by the following formula:

$$A = B - C$$

Where the terms have the following meaning:

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1	<u>A</u>	=	<u>The Adjusted Special Tax for a Parcel</u>
2	<u>B</u>	=	<u>The Maximum Special Tax for the Parcel</u>
3	<u>C</u>	=	<u>The Special Tax Credit for the Parcel</u>

4 The Special Tax Credit applied to all Parcels shall not exceed the Tax Increment Revenues and
5 Tax Agreement Revenues applied to the Special Tax Requirement as provided for in Section
6 C. 1.

7 4. Personal Property

8 The special tax rate on personal property shall be zero.

9 **C. LEVY OF THE SPECIAL TAX**

10 Special Taxes have been levied each Fiscal Year, beginning with the 2009-2010 Fiscal Year and
11 continuing until the year provided for in Section F hereof, at the Maximum Special Tax. The
12 Special Taxes shall be collected each Fiscal Year as provided for below.

13 1. Special Tax Requirement

14 The Special Tax Requirement for any Fiscal Year shall be estimated by the Administrator and
15 determined by the City and shall be an amount equal to (A) the amount required in any Fiscal
16 Year to pay: (1) debt service and other periodic costs (including deposits to any sinking funds)
17 on the Bonds to be paid from the Special Taxes collected in such Fiscal Year, (2) Administrative
18 Expenses to be incurred in the Fiscal Year or incurred in any previous Fiscal Year and not paid
19 by the District, (3) any amount required to replenish any reserve fund established in association
20 with any Bonds, (4) an amount equal to the estimated delinquencies expected in payment of the
21 Special Tax not otherwise taken into account, and (5) the costs of remarketing, credit
22 enhancement, bond insurance, and liquidity facility fees (including such fees for instruments that
23 serve as the basis of a reserve fund related to any indebtedness in lieu of cash), (6) fees to be
24 paid to any State Issuer, less (B) (1) Tax Increment Revenues and Tax Agreement Revenues
25 available to apply to the Special Tax Requirement for that Fiscal Year, (2) any credits available
26 pursuant to the Indenture of Trust, such as capitalized interest, reserves, and investment earnings
27 on any account balances, and (3) any other revenues available to apply to the Special Tax
28 Requirement.

29 2. Assignment to Land Use Categories

30 For each Fiscal Year, each Parcel shall be classified as Public Property, Owner Association
31 Property, or Taxable Property. Each Parcel of Taxable Property shall be classified as Developed
32 Property or Undeveloped Property. Each Parcel of Developed Property shall be classified as
33 Commercial Property, Parking Property, Rental Residential Property, or For Sale Residential
34 Property. Each classification shall be made on the basis of the classification that most nearly
35 matches the property being classified. The classification of Parcels shall be made based on the
36 status of each Parcel as of the Date of Classification.

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1 3. Determination of the Special Tax to be Collected

2 Commencing with Fiscal Year 2009-2010 and for each following Fiscal Year, the Special Tax
3 shall be collected as provided below.

4 **First:** The Special Tax shall be collected Proportionately from each Parcel of Undeveloped
5 Property up to the Adjusted Maximum Special Tax for such property to the extent necessary to
6 fund the Special Tax Requirement.

7 **Second:** If additional monies are needed to fund the Special Tax Requirement after the first step
8 has been completed, the Special Tax shall be collected Proportionately from each Parcel of
9 Developed Property up to 100 percent of the Adjusted Maximum Special Tax for such property,
10 to the extent necessary to fund the Special Tax Requirement.

11
12 The Administrator shall provide an estimate to the City prior to each Fiscal Year of the amount
13 of the Special Tax to be collected from each Parcel in conformance with the provisions of this
14 section.

15 4. Circumstances Under Which the Special Tax May be Increased as a Result of a Default

16 The circumstances under which the Special Tax levied on any Parcel may be increased as a
17 result of a default in the payment of the Special Tax levied on any other Parcel is based on the
18 provisions of Section C. 1. and C. 2. The Special Tax levied on any Parcel cannot be increased
19 above the Adjusted Maximum Special Tax as a result of a default in the payment of the Special
20 Tax levied on any other Parcel. However, if the Special Tax levied on any Parcel pursuant to the
21 provisions of Section C. 1. and C. 2. is less than the Adjusted Maximum Special Tax for such
22 Parcel, the Special Tax may be increased up to the Adjusted Maximum Special Tax as a result of
23 a default in the payment of the Special Tax levied on any Parcel.

24 **D. EXEMPTIONS**

25 A Special Tax shall not be levied on Public Property or Owner Association Property.

26 **E. MANNER OF COLLECTION**

27 The Special Tax will be collected in the same manner and at the same time as ordinary real
28 property taxes; provided, however, the Special Tax may be collected at a different time or in a
29 different manner as determined by the Director of Finance, provided that such time or manner is
30 not inconsistent with the provisions of the Indenture of Trust or any Contribution Agreement.

31 **F. TERMINATION OF SPECIAL TAX**

32 Except for any delinquent Special Taxes and related penalties and interest, Special Taxes shall
33 not be collected from any Parcel after the earlier of (i) the repayment or defeasance of the Bonds,
34 (ii) the fortieth (40th) Fiscal Year in which such Parcel was taxed as Developed Property, and
35 (iii) such time provided for by the Indenture of Trust and any Contribution Agreement.

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G. REDUCTION IN THE MAXIMUM SPECIAL TAX RATE

The Maximum Special Tax Rates may be reduced by the Director of Finance once all of the Bonds are issued to reflect the actual rate of interest on the Bonds and the amount of Bonds actually issued such that the Maximum Special Tax that may be collected from all Parcels of Developed Property at the expected build-out of the District is equal to 130% of maximum annual debt service in any year on outstanding Bonds, discounted to the current year by two percent per year.

H. APPEALS OF THE LEVY OF THE SPECIAL TAX

Any property owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the Director of Finance not later than one calendar year after having paid the Special Tax that is disputed. Such appeal may not affect the due date of the payment of the Special Tax. The Director of Finance, or the designee of the Director of Finance, shall promptly review the appeal and, if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the decision of the Director of Finance requires the Special Tax to be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy or unless sufficient funds will otherwise be available to meet the Special Tax Requirement), but an adjustment shall be made to the next Special Tax levy on that Parcel. The decision of the Director of Finance may be appealed to the City. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

I. PREPAYMENT OF SPECIAL TAX

The Special Tax for any Parcel of Developed Property may be prepaid and the obligation to pay the Special Tax for the Parcel permanently satisfied as provided for herein. The Special Tax prepayment amount shall be equal to the following: (a) the sum of the following: (i) Principal, (ii) Premium, (iii) Defeasance, and (iv) Fees, (b) less the Reserve Fund Credit, plus any delinquent Special Taxes on such Parcel, including any applicable penalties and related costs, where the terms have the following meanings:

Principal means a portion of the principal of the Bonds equal to (i) the Maximum Special Tax for the Parcel for which the Special Tax is being prepaid for the Fiscal Year in which such prepayment is made divided by (ii) the District Maximum Special Tax for the Fiscal Year in which such prepayment is made with the result multiplied by (iii) the total Bonds outstanding after application of the Special Taxes collected in the corresponding Fiscal Year plus any additional Bonds authorized to be issued net of costs associated with the issuance of such Bonds.

Premium means an amount equal to the Principal multiplied by the applicable redemption premium, if any, for the Bonds to be redeemed, as provided for in the Indenture of Trust. There shall be no Premium if the prepayment is made prior to the issuance of the Bonds.

Defeasance means the amount needed to pay interest on the Principal until the earliest call date for the Bonds, less (a) the amount that will be received by the Trustee from the reinvestment of

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1 the Special Tax prepayment until the Bonds are redeemed from the prepayment and (b) the
2 Special Tax paid prior to the prepayment that will be applied to the interest on or principal of the
3 Bonds that is included in the calculation of the Principal or Defeasance.

4 **Fees** means Administrative Expenses associated with the prepayment, including but not limited
5 to the calculation of the prepayment, the costs of redeeming the Bonds, and the costs of
6 recording or publishing any notices related to the prepayment and the redemption of the Bonds.

7 **Reserve Fund Credit** means any reduction in the reserve fund resulting from the redemption of
8 Bonds, as provided for the Indenture of Trust.

9 The sum of the amounts calculated herein shall be paid to the City or the Trustee and shall be
10 used to pay and redeem the Bonds in accordance with the Indenture of Trust and to pay the
11 Administrative Expenses associated with the prepayment. Upon the payment of such
12 prepayment amount to the City or the Trustee, the obligation to pay the Special Tax for such
13 Parcel shall be deemed to be permanently satisfied, and the Special Tax shall not be collected
14 thereafter from such Parcel.

15 **J. PARTIAL PREPAYMENT OF THE SPECIAL TAX**

16 The Special Tax for any Parcel of Developed Property may be partially prepaid in an amount
17 convenient to call Bonds as determined by the Administrator and that portion of the Special Tax
18 obligation permanently satisfied. The amount of the prepayment shall be calculated as in
19 Section I; except, however, the principal portion shall be calculated according to the following
20 formula:

21
$$A = B \times C$$

22 Where the terms have the following meaning:

- 23 A = the principal portion of the partial prepayment
- 24 B = the principal portion of the prepayment calculated according to Section I
- 25 C = the percent by which the owner of the Parcels is to partially prepay the
- 26 Special Tax

27 With respect to any Parcel for which the Special Tax is partially prepaid, the City shall (i)
28 distribute the funds remitted to it by the settlement agent according to the Indenture of Trust, and
29 (ii) indicate in the records of the District that there has been a partial prepayment of the Special
30 Tax and that this portion of the Special Tax shall not be collected thereafter from these Parcels.
31 Following a partial prepayment of the Special Tax with respect to any Parcels, the outstanding
32 percentage of the Special Tax shall continue to be collected from such Parcels.

33 **K. MANDATORY PREPAYMENT OF SPECIAL TAX**

34 A Mandatory Prepayment of the Special Tax shall be required upon any event that results in a
35 reduction in the District Maximum Special Tax to an amount that is less than the District
36 Minimum Special Tax. The Mandatory Prepayment shall be due from the Parcel (or any

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1 resultant Parcels) that results in the application of the provisions of this section based on the
2 proposed development for each block as shown in Table C of the Special Tax Report, as updated
3 from time to time in a manner approved by the Director of Finance.

4 The District Minimum Special Tax shall be an amount equal to 120% of maximum annual debt
5 service in any year on outstanding Bonds, discounted to the Bond Year to be paid from Special
6 Taxes in the current tax year by two percent per year.

7 The District Maximum Special Tax means the Maximum Special Tax that may be collected from
8 all Parcels of Developed Property at the expected build-out of the District based on the
9 Maximum Special Tax Rates for the current tax year, accounting for any prepayments of Special
10 Taxes pursuant to Sections I and J.

11 The Mandatory Prepayment shall be calculated as set forth in Section I; however, "Principal"
12 shall be equal to the following: (i) the reduction in District Maximum Special Tax divided by (ii)
13 the District Maximum Special Tax prior to the reduction with the result multiplied by (iii) the
14 total principal amount of Bonds outstanding.

15 The amounts calculated in the preceding formula shall be paid to the City or the Trustee and
16 shall be used to pay and redeem the Bonds in accordance with the Indenture of Trust and to pay
17 the Administrative Expenses associated with the Mandatory Prepayment.

18 The Mandatory Prepayment shall be due prior to the recordation, conveyance, or other action
19 that results in a change to any Parcel resulting in a Mandatory Prepayment. In the event the
20 Mandatory Prepayment is not paid prior to the change in any Parcel, the total Mandatory
21 Prepayment may be levied on any and all of the resulting Parcels. The Mandatory Prepayment
22 shall have the same sale and lien priorities as provided for by law for Special Taxes.

23 The Mandatory Prepayment shall not exceed the principal amount of the outstanding Bonds plus
24 any amounts owed on the Bonds, including accrued interest and redemption fees, plus any
25 additional Bonds authorized to be issued.

26 L. AMENDMENTS

27 This Rate and Method of Apportionment of Special Taxes may be amended by the City and, to
28 the maximum extent permitted by the Act, such amendments may be made without further notice
29 under the Act and without notice to owners of Taxable Property within the District in order to (i)
30 clarify or correct minor inconsistencies in the matters set forth herein, (ii) provide for lawful
31 procedures for the collection and enforcement of the Special Tax so as to assure the efficient
32 collection of the Special Tax for the benefit of the owners of the Bonds, and (iii) otherwise
33 improve the ability of the City to fulfill its obligations to levy and collect the Special Tax and to
34 make it available for the payment of the Bonds and Administrative Expenses. No such
35 amendment shall be approved unless and until the City has found and determined that the
36 amendment is necessary and appropriate and does not materially adversely affect the rights of
37 the owners of the Bonds. Any such amendment may not increase the Maximum Special Tax.

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1 **M. INTERPRETATION OF PROVISIONS**

2 The City shall make all interpretations and determinations related to the application of this Rate
3 and Method of Apportionment of Special Taxes, unless stated otherwise herein or in the
4 Indenture of Trust or the Contribution Agreement, and as long as there is a rational basis for the
5 determination made by the City, such determination shall be conclusive.

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EXHIBIT 3

Special Tax Allocation Report

1

2

1 ~~WESTPORT WATERFRONT SPECIAL TAXING DISTRICT~~

2 ~~CITY OF BALTIMORE, MARYLAND~~

3 ~~SPECIAL TAX REPORT~~

4 Prepared By:

5 ~~MuniCap, Inc.~~

6 July 11, 2008

Westport Waterfront Special Taxing District
CITY OF BALTIMORE, MARYLAND
SPECIAL TAX REPORT

Purpose of Report

The Westport Waterfront Special Taxing District (the “District”) is being created to finance all or a portion of the costs of public improvements for the District, including costs related to the issuance of the bonds. Bonds are expected to be issued by City of Baltimore (the “City”) or a State of Maryland conduit issuer (a “State Issuer”) to fund the costs of the public improvements for the benefit of property within the District. The bonds will include the cost of the improvements, issuance costs, interest on the bonds during construction and for a period after construction, and a reserve fund.

The City will levy a special tax each year to provide funds for the payment of debt service on the bonds, to replenish reserves, cover the cost of administration of the District, and fund other costs related to the bonds. The District is being created, special taxes levied, and bonds issued pursuant to the Special Taxing District Act, Article II, Section (62A) of the Baltimore City Charter (the “Act”), as amended from time to time. The Act requires special taxes to be levied in a manner that is reasonable. This report explains the reasonable basis of the special taxes levied as described in the “Rate and Method of Apportionment of Special Taxes” for the District.

Description of the Special Taxing District

The District consists of approximately forty-two acres located on the Middle Branch of the Patapsco River in the southwestern sector of Baltimore City. The District is generally bound by Kloman Street to the west, Waterview Avenue to the south, the Middle Branch of the Patapsco River to the east and Clare Street to the north. Both Manokin Street and Waterview Avenue will act as primary entry points to the District. A map showing the District boundaries is attached hereto as Exhibit A.

The tax parcels in the District are shown by Table A.

Table A
Tax Parcels Within the District

<i>Current Owner</i>	<i>Tax Parcel ID</i>	<i>Description</i>	<i>Acreage</i>
Inner Harbor West II, LLC	25057612001	2001 Kloman Street	5.693
Inner Harbor West II, LLC C/O Patrick Turner	25057612003	2033 Kloman Street	0.580
Inner Harbor West II, LLC	25057612005A	2099 Kloman Street	0.915
Inner Harbor West II, LLC C/O Patrick Turner	25057612005	2101 Kloman Street	11.740
Inner Harbor West, LLC	25057612006	2201 Kloman Street	16.760
Inner Harbor West II, LLC	25057611001	2401 Kloman Street	6.686

The map attached as Exhibit A identifies the tax parcels that comprise the District.

The property in the District is the former site of the Carr Lowery Glass Plant and other industrial establishments. Council Bill 07-0808 changed the property known as 2001-2031 Kloman Street from M-2-3 Zoning District to B-2-2 Zoning District and the property known as 2401-2417 Kloman Street from M-2-1 Zoning District to B-2-3 Zoning District. B-2-2 and B-2-3 Zoning Districts are Community Business Districts that are designed to accommodate the needs of a larger consumer population than served by a Neighborhood Business District. Business establishments should be primarily retail and service establishments that deal directly with consumers. B-2 District

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permitted uses include, but are not limited to, banks, pharmacies, grocery stores, schools, department stores, hotels, charitable institutions, post offices, restaurants, and business, government and professional offices.

According to the Council Bill 07-0809 the maximum floor area within the Planned Unit Development may not exceed 5,500,000 square feet. Furthermore, the maximum density within the Planned Unit Development may not exceed 2,000 dwelling units. The proposed development within the District is shown in Table B:

**Table B
Proposed Development**

<i>Description</i>	<i>Proposed Development</i>
Residential	-
Apartments	—954 units
Condominiums	—954 units
Townhomes	—92 units
Commercial	-
Office	2,950,390 SF
Retail	—237,050 SF
Hotel	—500 rooms

Table C identifies the proposed development for each block in the District and for each proposed phase of development (phase representing the infrastructure improvements made to the property allowing development):

A site plan showing the proposed development by block is attached hereto as Exhibit B:

**Table C
Westport Development Block Build-out**

<i>Block</i>	<i>Development Type</i>	<i>SF</i>
<i>Phase I</i>	-	-
A	Office	417,300
-	Retail	35,850
J	Office	197,000
K	Multi-Family	280,000
L	Multi-Family	95,000
M	Multi-Family	240,000
N	Townhome	77,280
O	Multi-Family	280,000
-	Retail	35,500
P	Multi-Family	65,000
Q	Townhome	77,280
R	Multi-Family	145,000

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1	-	Retail	17,800
2	S	Multi-Family	160,000
3	Total Phase I		2,123,010
4	<i>Phase II</i>		-
5	B	Office	298,350
6	-	Retail	8,275
7	C	Office	250,250
8	-	Retail	9,500
9	D	Office	1,344,440
10	-	Retail	29,475
11	-	Hotel	250,000
12	-	Multi-Family	75,000
13	E	Office	443,050
14	-	Retail	6,500
15	F	Multi-Family	85,000
16	-	Retail	40,000
17	G	Multi-Family	93,000
18	-	Retail	15,650
19	H	Multi-Family	210,000
20	-	Retail	14,000
21	I	Multi-Family	180,000
22	-	Retail	24,500
23	Total Phase II	-	3,376,990
24	Total	-	5,500,000

25 Proposed Public Improvements

26 The purpose of the District, the special taxes to be levied in the District, and the special
 27 obligation bonds to be issued with respect to the District is to finance all or a part of the costs of the
 28 following public improvements:

**Table D
Public Improvements**

32	<i>Project Improvement</i>	<i>Series A Bonds</i>	<i>Series B Bonds</i>	<i>Total Cost</i>
33	On-site improvements	-	-	-
34	Roads	\$2,936,260	\$2,180,150	\$5,116,410
35	Water facilities	\$564,485	\$482,250	\$1,046,735
36	Sanitary sewage facilities	\$394,890	\$178,530	\$573,420
37	Storm drain facilities	\$603,086	\$4,312,575	\$4,915,661
38	Street lighting	\$1,717,985	\$1,948,230	\$3,666,215
39	Landscaping and stormwater management	\$772,490	\$1,324,865	\$2,097,355
40	Wetlands construction	\$1,221,080	\$0	\$1,221,080
41	Earthwork	\$3,470,000	\$4,290,000	\$7,760,000

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1	Street furnishing	\$248,420	\$248,420	\$496,840
2	Public parks and open space	\$2,696,250	\$16,886,500	\$19,582,750
3	Bike trails	\$585,360	\$1,830,760	\$2,416,120
4	Marine improvements	\$0	\$11,073,000	\$11,073,000
5	Subtotal on-site improvements	\$15,210,306	\$44,755,280	\$59,965,586
6	-	-	-	-
7	Off-site improvements	-	-	-
8	Light rail station and pedestrian bridge	\$0	\$2,500,000	\$2,500,000
9	Property acquisition for Manokin Street extension	\$80,000	\$19,200	\$99,200
10	Subtotal off-site improvements	\$80,000	\$2,519,200	\$2,599,200
11	-	-	-	-
12	Miscellaneous costs			
13	Construction stakeout	\$737,252	\$2,100,891	\$2,838,143
14	Maintenance of traffic	\$276,470	\$787,843	\$1,064,313
15	Erosion and sediment control	\$184,313	\$525,223	\$709,536
16	Contingency (including additional public			
17	improvements)	\$2,989,026	\$26,184,205	\$29,173,231
18	-	-	-	-
19	Subtotal public improvements	\$19,477,367	\$76,872,633	\$96,350,000
20	-	-	-	-
21	DOT required transportation improvements	\$3,500,000	\$6,500,000	\$10,000,000
22	-	-	-	-
23	Total public improvements	\$22,977,367	\$83,372,633	\$106,350,000

A description of these improvements follows:

1. Roads

Roads include Waterview Avenue and Manokin Street, two signalized intersections and other roads throughout the District. The signalized intersections will be located at Wenburn and the main road that runs parallel to Kloman Street through the District and Waterview Avenue and the main road that runs parallel to Kloman Street through the District. Roads within the District consist of a mixed-use boulevard, neighborhood connecting streets, service streets, residential streets and private alleys. Improvements will include road paving, concrete curbs and gutters, concrete driveway aprons, sidewalks, rail crossings, signage and paint striping. A map of the proposed roads is attached hereto as Exhibit C.

2. Water facilities

Water facilities include water lines that extend to and service the entire District. Installation of piping and fire hydrants are also included. A map of the proposed water facilities is attached hereto as Exhibit D.

3. Sanitary sewage facilities

Sanitary sewage facilities include transmission lines throughout the District and connecting lines outside the District at two locations. Sewage will travel to two pump stations located outside the District. The pumps stations are located at Waterview Avenue, immediately west of the main road

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1 that runs parallel to Kloman Street through the District and Clare Street. A map of the proposed
2 sanitary sewage facilities is attached hereto as Exhibit E.

3 4. Storm drainage facilities

4 Storm drainage facilities include facilities throughout the District for collecting and managing storm
5 water runoff. The improvements will include storm drain manholes, culverts, metal grates, and
6 storm drain trash interceptors. A map of the proposed storm drainage facilities is attached hereto
7 as Exhibit F.

8 5. Street lighting

9 Street lighting consists of materials and installation of streetlights throughout the District along the
10 roads, trails, and other public space. Estimated costs include the conduits for the streetlights and
11 payments to BGE to energize the streetlights. A map of the proposed street lighting improvements
12 is attached hereto as Exhibit G.

13 6. Landscaping and stormwater management

14 Landscaping and stormwater management include construction of dry swales, concrete swale
15 bridges and bioretention facilities. The dry swale will run the length of the mixed-used
16 boulevard that cuts through the center of the District. Costs to purchase and plant street trees,
17 forest mitigation and structural soil tree pits are included in landscaping costs. A map of the
18 proposed landscaping is attached as Exhibit H. A map of the proposed stormwater management
19 improvements is attached as Exhibit I.

20 7. Wetlands construction

21 The wetlands construction includes approximately 44,780 square feet along the Middle Branch of
22 the Patapsco River. A map of the proposed wetland construction is attached as Exhibit J.

23 8. Earthwork

24 Earthwork includes exporting, disposing and filling areas to provide a grade situated above the
25 floodplain for the construction of the development. A map of the proposed earthwork is attached
26 as Exhibit K.

27 9. Street furnishings

28 Street furnishings consist of materials, construction and installation of water fountains, benches, tree
29 gates, trash and recycling receptacles and bike racks along the bike trail, public open spaces and
30 roads within the District.

31 10. Public parks and open space

32 Public parks and open space include construction, beautification and reforestation of the Kloman
33 ballfield, waterfront open space, Wenburn Plaza, North Park Overlook, tower open space and
34 pedestrian access corridors. A map of the proposed public parks and open space is attached as
35 Exhibit L.

36 11. Bike trails

37 The bike trails include construction of a pedestrian bridge inclusive of handrails, lighting, porous
38 and asphalt paving and a retaining wall for the bike trail. A map of the proposed bike trail is
39 attached as Exhibit M.

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12. Marine improvements

The marine improvements include construction of the south rowing pier, the north multi-use pier, the promenade platform, lighting and handrails.

13. Light rail station and pedestrian bridge

The light rail and pedestrian bridge include construction of a pedestrian bridge that crosses Kloman Street and connects the District via the Kent Street Plaza to the Westport Light Rail Station. The pedestrian bridge will cross above the active CSX freight line and provide an ADA-accessible elevator and a new staircase. Improvements to the existing light rail station include the addition of awnings to provide shelter, new ticket machines, new site furnishings, lighting and landscaping to the light rail station.

14. Property acquisition for Manokin Street extension

The property acquisition for the Manokin Street extension include the acquisition of the tax parcels that will comprise Manokin Street extension. A map of the proposed extension is attached as Exhibit N.

15. Construction stakeout

The construction stakeout involves payments to the survey crew throughout the course of the project to ensure that each stage of construction complies with the planned dimensions provided in the relevant plans, surveys and other existing documentation. The survey crew will precisely mark the location of all on-site underground piping, conduits and storm drains. Property boundaries, condemned parcels, existing wetlands, steep slopes and other environmentally sensitive areas are also identified by the survey crew. The survey crew is also responsible for marking the location of all proposed improvements as depicted on the construction documents, including the limits of disturbance, cut and fill areas, storm water management and drainage areas, roadways, sidewalks, and other public rights-of-way, stormwater management and drainage systems, end walls, curbs and gutters, fences, all layers of pavement and signage.

16. Maintenance of traffic

Maintenance of traffic includes controlling and maintaining traffic flow during construction of the public improvements.

17. Erosion and sediment control

Erosion and sediment control includes the control of sediment and surface water runoff related to construction of the public improvements.

18. DOT transportation improvements

The DOT transportation off-site improvements include improving the southbound ramps on MD 295 accessing Annapolis Road, improving the current capacity for northbound traffic movements from MD 295 to Annapolis Road and Manokin Street and widening the Waterview Avenue bridge over MD 295. Bridge improvements include new traffic and pedestrian signals and increased capacity for turning movements and traffic flow.

The public improvements described herein will be owned by public agencies. All of the improvements other than the DOT transportation improvements will be owned by the City. The DOT transportation improvements will be owned by the Maryland Department of Transportation.

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The public improvements described above are all provided to meet the needs of the property in the District that results from the proposed development of the property. The on-site improvements provide road access, water, sewer, storm drainage facilities, parks, trails, lighting, landscaping, and other public infrastructure that does not currently exist and will be necessary for the proposed development of the property. The off-site improvements make improvements to existing facilities so that these facilities can meet the increased demand to be place on the facilities as a result of the proposed development.

Projected Issuance of Bonds

Bonds are projected to be issued by City or a State Issuer in two or more series to finance the costs of the public improvements described above. Bond proceeds will include the costs of constructing improvements, a reserve fund, issuance costs and capitalized interest. Furthermore, interest income on the bond proceeds will act as a supplement to the bond proceeds before they are fully expended. Table E shows the estimated sources and uses of funds for the issuance of bonds.

Table E
Sources and Uses of Funds
Special Taxing District Improvements

	<i>Series A Bonds</i>	<i>Series B Bonds</i>	<i>Total</i>
Sources of funds:	-	-	-
Bond proceeds	\$34,172,000	\$121,331,000	\$155,109,000
Interest earned	\$494,606	\$1,134,063	\$1,628,668
Total sources of funds	\$34,666,606	\$122,465,063	\$156,737,668
-	-	-	-
Uses of funds:	-	-	-
Public improvements	\$22,977,367	\$83,372,633	\$106,350,000
Issuance costs	\$750,000	\$500,000	\$1,250,000
Underwriter's discount	\$427,150	\$1,516,638	\$1,531,100
Capitalized interest	\$7,094,004	\$24,942,231	\$32,036,235
Reserve fund	\$3,417,200	\$12,133,100	\$15,550,300
Rounding	\$884	\$461	\$1,345
Total uses of funds	\$34,666,605	\$122,465,063	\$156,738,971

The actual issuance of the bonds may vary from these estimates depending on the interest rate on the bonds, the date the bonds are issued, the cost of issuing the bonds, reinvestment rates on bond proceeds, and other factors.

Bond issuance costs include legal fees, financial consulting fees, the cost of studies, the set-up and first year's fee of the trustee, trustee's counsel, City and State Issuer expenses, document printing costs and other miscellaneous costs related to the issuance of bonds.

Capitalized interest on the bonds fund the interest on the bonds for up to three years to allow time for the infrastructure improvements and other property in the District to be constructed, for the property to be added to the property tax roll, and property taxes to be collected from the property and applied to the payment of the debt service on the bonds.

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1 ~~The purpose of the reserve fund is to ensure there are sufficient funds to pay debt service~~
2 ~~should it be necessary to take action to collect delinquent property taxes. The proceeds in the~~
3 ~~reserve fund are invested and the income is applied to the annual debt service on the bonds. The~~
4 ~~reserve fund itself will eventually be applied to the repayment of the bonds. Accordingly, while the~~
5 ~~reserve fund is funded from bond proceeds, it is not a cost of issuing the bonds.~~

6 **Determination of Special Taxes**

7 ~~Special taxes must be levied in a reasonable manner. The reasonable basis for the special~~
8 ~~taxes levied in the District is based on the following:~~

9 ~~(i) — the public improvements to be provided by the District and the related tax increment~~
10 ~~district provide a special benefit to the property in the District and the special benefit~~
11 ~~to the property subject to the special taxes exceeds the cost of the special taxes;~~

12 ~~(ii) — the amount of special taxes to be levied each year is equal to or less than the amount~~
13 ~~required to repay the bonds issued to finance the public improvements; and~~

14 ~~(iii) — special taxes are allocated to parcels within the District in a manner that reasonably~~
15 ~~represents the benefit each parcel will receive from the improvements to be provided~~
16 ~~by the District.~~

17 Special Benefit

18 ~~The property in the District will receive a special benefit from the public improvements to~~
19 ~~be provided as a result of the District. The public infrastructure will provide road access to, from~~
20 ~~and within the property in the District, extend water and sewer to the property in the District,~~
21 ~~provide storm water management improvements, street lighting, public parks, bike trails,~~
22 ~~landscaping of public spaces, and other public services to the property in the District. These~~
23 ~~improvements are required for the proposed use of the property as described above. Accordingly,~~
24 ~~the public infrastructure improvements to be provided as a result of the District provide a special~~
25 ~~benefit to the property in the District.~~

26 ~~The special benefit of the public infrastructure improvements to be provided as a result of~~
27 ~~the District will be equal to or greater than the cost of the special taxes levied on the property. The~~
28 ~~value of special benefit is confirmed by two means. First, the owner of the property in the District~~
29 ~~has requested that the City impose special taxes on the property for the purpose of providing the~~
30 ~~public improvements. It is reasonable to believe the owner is acting in its interest and making this~~
31 ~~request because the benefit it receives from the public infrastructure improvements exceeds the cost~~
32 ~~of the special taxes.~~

33 ~~Second, the special taxes are being levied to provide improvements that are necessary for~~
34 ~~the highest and best use of the property (i.e., the use of the property that is most valuable, including~~
35 ~~any costs associated with that use). Highest and best use can be defined as “the reasonably probable~~
36 ~~and legal use of property, which is physically possible, appropriately supported, financially feasible,~~
37 ~~and that results in the highest value.” (*Dictionary of Real Estate Appraisal, Third Edition.*) The six~~

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1 criteria for highest and best use are (i) reasonably probable, (ii) legally permissible, (iii) physically
2 possible, (iv) appropriately supported, (v) financially feasible, and (vi) maximally productive.

3 The owner of the property in the District has analyzed various options for the use of the
4 property, taking into consideration the legally permitted uses, the physical constraints of the site,
5 financial parameters and market demand. The developer is understandably interested in maximizing
6 its return on the property. Based on this analysis, the highest and best use of the property, including
7 any costs required for that use, is the proposed uses for the property as described herein. This use
8 of the property will require the public improvements as described herein and to be provided as result
9 of the District. Without these improvements, the proposed use of the property would not be
10 physically possible or adequately supported and, as a result, the property could not be put to its
11 highest and best use.

12 The financing provided by the special tax district is long-term financing and pays interest
13 to the bond holders that are exempt from income taxes, resulting in a lower rate than other available
14 financing on comparable terms. The special taxes also help to make available tax increment
15 revenues for the bond financing (that is, bonds will be repaid from the increase in property taxes as
16 well as from special taxes). As a result of these advantages, the financing provided by the District
17 is the most beneficial means of financing the public improvements.

18 In summary, the special taxes result in a special benefit to the property and this special
19 benefit is greater than the special taxes for the following reasons:

- 20 1. The public improvements to be provided as a result of the District are required for the
21 highest and best use of the property;
- 22 2. The highest and best use of the property is the use of the property that is most valuable
23 (including any costs associated with the use of the property);
- 24 3. The financing provided by the District is the most beneficial means of financing the
25 improvements;
- 26 4. As a result, the special benefits to the property from the public improvements to be provided as
27 a result of the District will be equal to or greater than the special taxes to be imposed on the
28 property in the District.

29 Special Taxes Required to Repay the Bonds

30 Special taxes are levied in an amount necessary to meet the City's obligation to provide for the
31 payment of debt service on bonds issued to fund the improvements to be provided by the District. Special
32 taxes will first be levied for the 2009-2010 fiscal year. These special taxes will be available to be applied
33 to debt service due on January 1 and July 1, 2010. Debt service is calculated at seven and a half percent on
34 the bonds. The special taxes include debt service coverage of one hundred ten percent, which may also be
35 used to replenish reserves and to fund administrative expenses of the District. The maximum special tax
36 necessary to pay the estimated debt service due on the bonds and provide the necessary coverage is
37 \$12,580,000.

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1 The special taxes are allocated to each parcel on the basis of the proposed development of the parcel and
2 the equivalent units for each type of development. The equivalent units represent the estimated
3 representative value of property within each class. Value is a reasonable means of allocating the benefit of
4 the public improvements to the property in the District. As a result, the allocation of special taxed to the
5 property within the District represents a reasonable allocation of special taxes.

6 Adjusted Maximum Special Tax

7 Special taxes may be collected from each parcel in the District only up to the adjusted maximum
8 special tax for the parcel. The adjusted maximum special tax is the lesser of (i) the maximum special tax
9 and (ii) the maximum special tax less the tax increment revenues related to each parcel available repay the
10 bonds. The tax increment revenues represent the increase in property taxes that results from the
11 development of the property. The tax increment revenues will be applied to the repayment of the bonds
12 issued to finance the public improvements to be provided by the District. To the extent property produces
13 tax increment revenues, and these revenues cover the debt service on the bonds, the property is contributing
14 its share of the cost of the public improvements through these revenues. The special taxes effectively cover
15 each property's share of the cost of the public improvements not otherwise covered by the property's tax
16 increment revenues.

17 **Summary of Reasonable Basis of the Special Taxes**

18 Special taxes are levied on the taxable property in the District according to the provisions of the
19 "Rate and Method of Apportionment of Special Taxes." The Act requires special taxes to be levied in a
20 manner that is reasonable. This report explains the reasonable basis of the special taxes. The reasonable
21 basis may be summarized as follows:

- 22 1. The property within the District will receive a special benefit from the public improvements
23 to be provided as a result of the District and this special benefit exceeds the levy of the
24 special taxes;
- 25 2. Special taxes levied on all of the property in the District each year are equal to the amount
26 required to pay the debt service on the bonds issued to provide the public improvements,
27 after taking into consideration any savings and other revenues available to repay the bonds;
- 28 3. Special taxes are allocated to each property within the District on the basis of the estimated
29 future value of the property in the District, which reasonably reflects the relative benefit each
30 property will receive from the improvements; and,
- 31 4. The maximum special tax to which each property is subject is reduced by the tax increment
32 revenues produced from each property, since these revenues contribute to the property's
33 share of the repayment of the bonds issued to finance the public improvements.

34 For these reasons, the special taxes are levied on the taxable property in the District in a reasonable
35 manner.

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1 **WESTPORT WATERFRONT SPECIAL TAXING DISTRICT**

2 **CITY OF BALTIMORE, MARYLAND**

3 **SPECIAL TAX REPORT**

4 Prepared By:

5 **MuniCap, Inc.**

6 September 25, 2008

Council Bill 08-0161

WESTPORT WATERFRONT SPECIAL TAXING DISTRICT
CITY OF BALTIMORE, MARYLAND
SPECIAL TAX REPORT

Purpose of Report

The Westport Waterfront Special Taxing District (the “District”) is being created to finance all or a portion of the costs of public improvements for the District, including costs related to the issuance of the bonds. Bonds are expected to be issued by City of Baltimore (the “City”) or a State of Maryland conduit issuer (a “State Issuer”) to fund the costs of the public improvements for the benefit of property within the District. The bonds will include the cost of the improvements, issuance costs, interest on the bonds during construction and for a period after construction, and a reserve fund.

The City will levy a special tax each year to provide funds for the payment of debt service on the bonds, to replenish reserves, cover the cost of administration of the District, and fund other costs related to the bonds. The District is being created, special taxes levied, and bonds issued (if by the City) pursuant to the Special Taxing District Act, Article II, Section (62A) of the Baltimore City Charter (the “Act”), as amended from time to time. If bonds are issued by a State Issuer, the bonds will be issued pursuant to the applicable state law. The Act requires special taxes to be levied in a manner that is reasonable. This report explains the reasonable basis of the special taxes levied as described in the “Rate and Method of Apportionment of Special Taxes” for the District.

Description of the Special Taxing District

The District consists of approximately forty-two acres located on the Middle Branch of the Patapsco River in the southwestern sector of Baltimore City. The District is generally bound by Kloman Street to the west, Waterview Avenue to the south, the Middle Branch of the Patapsco River to the east and Clare Street to the north. Both Manokin Street and Waterview Avenue will act as primary entry points to the District. A map showing the District boundaries is attached hereto as Exhibit A.

The tax parcels in the District are shown by Table A.

Table A
Tax Parcels Within the District

<u>Current Owner</u>	<u>Tax Parcel ID</u>	<u>Description</u>	<u>Acreege</u>
<u>Inner Harbor West II, LLC</u>	<u>25057612001</u>	<u>2001 Kloman Street</u>	<u>5.693</u>
<u>Inner Harbor West II, LLC C/O Patrick Turner</u>	<u>25057612003</u>	<u>2033 Kloman Street</u>	<u>0.580</u>
<u>Inner Harbor West II, LLC</u>	<u>25057612005A</u>	<u>2099 Kloman Street</u>	<u>0.915</u>
<u>Inner Harbor West II, LLC C/O Patrick Turner</u>	<u>25057612005</u>	<u>2101 Kloman Street</u>	<u>11.740</u>
<u>Inner Harbor West II, LLC</u>	<u>25057612006</u>	<u>2201 Kloman Street</u>	<u>16.760</u>
<u>Inner Harbor West II, LLC</u>	<u>25057611001</u>	<u>2401 Kloman Street</u>	<u>6.686</u>

The map attached as Exhibit A identifies the tax parcels that compose the District.

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The property in the District is the former site of the Carr Lowery Glass Plant and other industrial establishments. Council Bill 07-0808 changed the property known as 2001-2031 Kloman Street from M-2-3 Zoning District to B-2-2 Zoning District and the property known as 2401-2417 Kloman Street from M-2-1 Zoning District to B-2-3 Zoning District. B-2-2 and B-2-3 Zoning Districts are Community Business Districts that are designed to accommodate the needs of a larger consumer population than served by a Neighborhood Business District. Business establishments should be primarily retail and service establishments that deal directly with consumers. B-2 District permitted uses include, but are not limited to, banks, pharmacies, grocery stores, schools, department stores, hotels, charitable institutions, post offices, restaurants, and business, government and professional offices.

According to the Council Bill 07-0809 the maximum floor area within the Planned Unit Development may not exceed 5,500,000 square feet. Furthermore, the maximum density within the Planned Unit Development may not exceed 2,000 dwelling units. The proposed development within the District is shown in Table B.

Table B
Proposed Development

<u>Description</u>	<u>Proposed Development</u>
<u>Residential</u>	
<u>Apartments</u>	<u>1000 units</u>
<u>Condominiums</u>	<u>916 units</u>
<u>Townhomes</u>	<u>84 units</u>
<u>Commercial</u>	
<u>Office</u>	<u>1,931,700 SF</u>
<u>Retail</u>	<u>287,654 SF</u>
<u>Hotel</u>	<u>500 rooms</u>

Table C identifies the proposed development for each block in the District and for each proposed phase of development (phase representing the infrastructure improvements made to the property allowing development).

A site plan showing the proposed development by block is attached hereto as Exhibit B.

Table C
Westport Development Block Build-out

<u>Block</u>	<u>Development Type</u>	<u>SF</u>
<u>Phase I</u>		
<u>A</u>	<u>Condominiums</u>	<u>340,000</u>
	<u>Retail</u>	<u>32,498</u>
<u>J</u>	<u>Office</u>	<u>302,400</u>
	<u>Retail</u>	<u>34,011</u>
<u>K</u>	<u>Apartments</u>	<u>318,000</u>
	<u>Retail</u>	<u>12,258</u>
<u>L</u>	<u>Apartments</u>	<u>190,000</u>

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1	<u>M</u>	<u>Apartments</u>	<u>152,000</u>
2	<u>N</u>	<u>Townhomes</u>	<u>77,280</u>
3		<u>Retail</u>	<u>2,842</u>
4	<u>O</u>	<u>Office</u>	<u>316,000</u>
5		<u>Retail</u>	<u>35,122</u>
6	<u>P</u>	<u>Condominiums</u>	<u>80,400</u>
7	<u>Q</u>	<u>Townhomes</u>	<u>77,280</u>
8		<u>Retail</u>	<u>2,842</u>
9	<u>R</u>	<u>Condominiums</u>	<u>240,000</u>
10		<u>Retail</u>	<u>15,764</u>
11	<u>S</u>	<u>Condominiums</u>	<u>195,600</u>
12		<u>Total Phase I</u>	<u>2,424,297</u>
13	<u>Phase II</u>		
14	<u>B</u>	<u>Office</u>	<u>335,700</u>
15		<u>Retail</u>	<u>23,367</u>
16	<u>C</u>	<u>Office</u>	<u>337,000</u>
17		<u>Retail</u>	<u>29,032</u>
18	<u>D</u>	<u>Office</u>	<u>425,000</u>
19		<u>Retail</u>	<u>22,365</u>
20		<u>Hotel</u>	<u>303,000</u>
21	<u>E</u>	<u>Office</u>	<u>215,600</u>
22	<u>F</u>	<u>Condominiums</u>	<u>123,600</u>
23		<u>Retail</u>	<u>11,006</u>
24	<u>G</u>	<u>Condominiums</u>	<u>186,000</u>
25		<u>Retail</u>	<u>11,560</u>
26	<u>H</u>	<u>Condominiums</u>	<u>273,600</u>
27		<u>Retail</u>	<u>24,955</u>
28	<u>I</u>	<u>Retail</u>	<u>30,032</u>
29		<u>Hotel</u>	<u>101,500</u>
30		<u>Total Phase II</u>	<u>2,453,317</u>
31		<u>Total</u>	<u>4,877,614</u>

Proposed Public Improvements

The purpose of the District, the special taxes to be levied in the District, and the special obligation bonds to be issued with respect to the District is to finance all or a part of the costs of the following public improvements:

Table D
Public Improvements

<u>Project Improvement</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total Cost</u>
<u>On-site improvements</u>			
<u>Roads</u>	<u>\$ 2,936,260</u>	<u>\$ 2,180,150</u>	<u>\$ 5,116,410</u>
<u>Water facilities</u>	<u>\$ 564,485</u>	<u>\$ 482,250</u>	<u>\$ 1,046,735</u>
<u>Sanitary sewage facilities</u>	<u>\$ 394,890</u>	<u>\$ 178,530</u>	<u>\$ 573,420</u>
<u>Storm drain facilities</u>	<u>\$ 603,086</u>	<u>\$ 4,312,575</u>	<u>\$ 4,915,661</u>

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1	<u>Street lighting</u>	<u>\$ 1,717,985</u>	<u>\$ 1,948,230</u>	<u>\$ 3,666,215</u>
2	<u>Landscaping and stormwater</u>			
3	<u>management</u>	<u>\$ 772,490</u>	<u>\$ 1,324,865</u>	<u>\$ 2,097,355</u>
4	<u>Wetlands construction</u>	<u>\$ 1,221,080</u>	<u>\$ 0</u>	<u>\$ 1,221,080</u>
5	<u>Earthwork</u>	<u>\$ 3,470,000</u>	<u>\$ 4,290,000</u>	<u>\$ 7,760,000</u>
6	<u>Street furnishing</u>	<u>\$ 248,420</u>	<u>\$ 248,420</u>	<u>\$ 496,840</u>
7	<u>Public parks and open space</u>	<u>\$ 2,696,250</u>	<u>\$16,886,500</u>	<u>\$19,582,750</u>
8	<u>Bike trails</u>	<u>\$ 585,360</u>	<u>\$ 1,830,760</u>	<u>\$ 2,416,120</u>
9	<u>Marine improvements</u>	<u>\$ 0</u>	<u>\$11,073,000</u>	<u>\$11,073,000</u>
10	<u>Subtotal on-site improvements</u>	<u>\$15,210,306</u>	<u>\$44,755,280</u>	<u>\$59,965,586</u>
11	<u>Off-site improvements</u>			
12	<u>Light rail station and</u>			
13	<u>pedestrian bridge</u>	<u>\$ 0</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
14	<u>Property acquisition for</u>			
15	<u>Manokin Street extension</u>	<u>\$ 80,000</u>	<u>\$ 19,200</u>	<u>\$ 99,200</u>
16	<u>Subtotal off-site improvements</u>	<u>\$ 80,000</u>	<u>\$ 2,519,200</u>	<u>\$ 2,599,200</u>
17	<u>Miscellaneous costs</u>			
18	<u>Construction stakeout</u>	<u>\$ 737,252</u>	<u>\$ 2,100,891</u>	<u>\$ 2,838,143</u>
19	<u>Maintenance of traffic</u>	<u>\$ 276,470</u>	<u>\$ 787,843</u>	<u>\$ 1,064,313</u>
20	<u>Erosion and sediment control</u>	<u>\$ 184,313</u>	<u>\$ 525,223</u>	<u>\$ 709,536</u>
21	<u>Contingency (including additional</u>			
22	<u>public improvements</u>	<u>\$ 2,989,026</u>	<u>\$26,184,205</u>	<u>\$29,173,231</u>
23	<u>Subtotal public improvements</u>	<u>\$19,477,367</u>	<u>\$76,872,633</u>	<u>\$96,350,000</u>
24	<u>DOT required transportation</u>			
25	<u>improvements</u>	<u>\$ 3,500,000</u>	<u>\$ 6,500,000</u>	<u>\$10,000,000</u>
26	<u>Total public improvements</u>	<u>\$22,977,367</u>	<u>\$83,372,633</u>	<u>\$106,350,000</u>

27 A description of these improvements follows:

28 1. Roads

29 Roads include Waterview Avenue and Manokin Street, two signalized intersections and other roads
30 throughout the District. The signalized intersections will be located at Wenburn and the main road that runs
31 parallel to Kloman Street through the District and Waterview Avenue and the main road that runs parallel
32 to Kloman Street through the District. Roads within the District consist of a mixed-use boulevard,
33 neighborhood connecting streets, service streets, residential streets and private alleys. Improvements will
34 include road paving, concrete curbs and gutters, concrete driveway aprons, sidewalks, rail crossings, signage
35 and paint striping. A map of the proposed roads is attached hereto as Exhibit C.

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1 2. Water facilities

2 Water facilities include water lines that extend and service the entire District. Installation of piping and fire
3 hydrants are also included. A map of the proposed water facilities is attached hereto as Exhibit D.

4 3. Sanitary sewage facilities

5 Sanitary sewage facilities include transmission lines throughout the District and connecting lines outside
6 the District at two locations. Sewage will travel to two pump stations located outside the District. The
7 pumps stations are located at Waterview Avenue, immediately west of the main road that runs parallel to
8 Kloman Street through the District and Clare Street. A map of the proposed sanitary sewage facilities is
9 attached hereto as Exhibit E.

10 4. Storm drainage facilities

11 Storm drainage facilities include facilities throughout the District for collecting and managing storm water
12 runoff. The improvements will include storm drain manholes, culverts, metal grates, and storm drain trash
13 interceptors. A map of the proposed storm drainage facilities is attached hereto as Exhibit F.

14 5. Street lighting

15 Street lighting consists of materials and installation of streetlights throughout the District along the roads,
16 trails, and other public space. Estimated costs include the conduits for the streetlights and payments to BGE
17 to energize the streetlights. A map of the proposed street lighting improvements is attached hereto as
18 Exhibit G.

19 6. Landscaping and stormwater management

20 Landscaping and stormwater management include construction of dry swales, concrete swale bridges and
21 bioretention facilities. The dry swale will run the length of the mixed-used boulevard that cuts through the
22 center of the District. Costs to purchase and plant street trees, forest mitigation and structural soil tree pits
23 are included in landscaping costs. A map of the proposed landscaping is attached as Exhibit H. A map of
24 the proposed stormwater management improvements is attached as Exhibit I.

25 7. Wetlands construction

26 The wetlands construction includes approximately 44,780 square feet along the Middle Branch of the
27 Patapsco River. A map of the proposed wetland construction is attached as Exhibit J.

28 8. Earthwork

29 Earthwork includes exporting, disposing and filling areas to provide a grade situated above the floodplain
30 for the construction of the development. A map of the proposed earthwork is attached as Exhibit K.

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1 9. Street furnishings

2 Street furnishings consist of materials, construction and installation of water fountains, benches, tree gates,
3 trash and recycling receptacles and bike racks along the bike trail, public open spaces and roads within the
4 District.

5 10. Public parks and open space

6 Public parks and open space include construction, beautification and reforestation of the Kloman ballfield,
7 waterfront open space, Wenburn Plaza, North Park Overlook, tower open space and pedestrian access
8 corridors. A map of the proposed public parks and open space is attached as Exhibit L.

9 11. Bike trails

10 The bike trails include construction of a pedestrian bridge inclusive of handrails, lighting, porous and
11 asphalt paving and a retaining wall for the bike trail. A map of the proposed bike trail is attached as Exhibit
12 M.

13 12. Marine improvements

14 The marine improvements include construction of the south rowing pier, the north multi-use pier, the
15 promenade platform, lighting and handrails.

16 13. Light rail station and pedestrian bridge

17 The light rail and pedestrian bridge include construction of a pedestrian bridge that crosses Kloman Street
18 and connects the District via the Kent Street Plaza to the Westport Light Rail Station. The pedestrian bridge
19 will cross above the active CSX freight line and provide an ADA-accessible elevator and a new staircase.
20 Improvements to the existing light rail station include the addition of awnings to provide shelter, new ticket
21 machines, new site furnishings, lighting and landscaping to the light rail station.

22 14. Property acquisition for Manokin Street extension

23 The property acquisition for the Manokin Street extension include the acquisition of the tax parcels that will
24 compose Manokin Street extension. A map of the proposed extension is attached as Exhibit N.

25 15. Construction stakeout

26 The construction stakeout involves payments to the survey crew throughout the course of the project to
27 ensure that each stage of construction complies with the planned dimensions provided in the relevant plans,
28 surveys and other existing documentation. The survey crew will precisely mark the location of all on-site
29 underground piping, conduits and storm drains. Property boundaries, condemned parcels, existing wetlands,
30 steep slopes and other environmentally sensitive areas are also identified by the survey crew. The survey
31 crew is also responsible for marking the location of all proposed improvements as depicted on the
32 construction documents, including the limits of disturbance, cut and fill areas, storm water management and
33 drainage areas, roadways, sidewalks, and other public rights-of-way, stormwater management and drainage
34 systems, end walls, curbs and gutters, fences, all layers of pavement and signage.

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16. Maintenance of traffic

Maintenance of traffic includes controlling and maintaining traffic flow during construction of the public improvements.

17. Erosion and sediment control

Erosion and sediment control includes the control of sediment and surface water runoff related to construction of the public improvements.

18. DOT transportation improvements

The DOT transportation off-site improvements include improving the southbound ramps on MD 295 accessing Annapolis Road, improving the current capacity for northbound traffic movements from MD 295 to Annapolis Road and Manokin Street and widening the Waterview Avenue bridge over MD 295. Bridge improvements include new traffic and pedestrian signals and increased capacity for turning movements and traffic flow.

The public improvements described herein will be owned by public agencies. All of the improvements other than the DOT transportation improvements will be owned by the City. The DOT transportation improvements will be owned by the Maryland Department of Transportation.

The public improvements described above are all provided to meet the needs of the property in the District that results from the proposed development of the property. The on-site improvements provide road access, water, sewer, storm drainage facilities, parks, trails, lighting, landscaping, and other public infrastructure that does not currently exist and will be necessary for the proposed development of the property. The off-site improvements make improvements to existing facilities so that these facilities can meet the increased demand to be placed on the facilities as a result of the proposed development.

Projected Issuance of Bonds

Bonds are projected to be issued by the City or a State Issuer in two or more series to finance the costs of the public improvements described above. Bond proceeds will include the costs of constructing improvements, a reserve fund, issuance costs and capitalized interest. Furthermore, interest income on the bond proceeds will act as a supplement to the bond proceeds before they are fully expended. Table E shows the estimated sources and uses of funds for the issuance of bonds.

Table E
Sources and Uses of Funds
Special Taxing District Improvements

	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
<u>Sources of funds:</u>			
<u>Bond proceeds</u>	<u>\$34,172,000</u>	<u>\$121,331,000</u>	<u>\$155,503,000</u>
<u>Interest earned</u>	<u>\$ 494,606</u>	<u>\$ 1,134,063</u>	<u>\$ 1,628,668</u>
<u>Total sources of funds</u>	<u>\$34,666,606</u>	<u>\$122,465,063</u>	<u>\$157,131,668</u>

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1 Uses of funds:

2	<u>Public improvements</u>	<u>\$22,977,367</u>	<u>\$ 83,372,633</u>	<u>\$106,350,000</u>
3	<u>Issuance costs</u>	<u>\$ 750,000</u>	<u>\$ 500,000</u>	<u>\$ 1,250,000</u>
4	<u>Underwriter’s discount</u>	<u>\$ 427,150</u>	<u>\$ 1,516,638</u>	<u>\$ 1,943,788</u>
5	<u>Capitalized interest</u>	<u>\$ 7,094,004</u>	<u>\$ 24,942,231</u>	<u>\$ 32,036,235</u>
6	<u>Reserve fund</u>	<u>\$ 3,417,200</u>	<u>\$ 12,133,100</u>	<u>\$ 15,550,300</u>
7	<u>Rounding</u>	<u>\$ 884</u>	<u>\$ 461</u>	<u>\$ 1,345</u>
8	<u>Total uses of funds</u>	<u>\$34,666,605</u>	<u>\$122,465,063</u>	<u>\$157,131,668</u>

9 The actual issuance of the bonds may vary from these estimates depending on the interest rate on the
10 bonds, the date the bonds are issued, the cost of issuing the bonds, reinvestment rates on bond proceeds, and
11 other factors.

12 Bond issuance costs include legal fees, financial consulting fees, the cost of studies, the set-up and first
13 year’s fee of the trustee, trustee’s counsel, City and State Issuer expenses, document printing costs and other
14 miscellaneous costs related to the issuance of bonds.

15 Capitalized interest on the bonds fund the interest on the bonds for up to three years to allow time for
16 the infrastructure improvements and other property in the District to be constructed, for the property to be
17 added to the property tax roll, and property taxes to be collected from the property and applied to the
18 payment of the debt service on the bonds.

19 The purpose of the reserve fund is to ensure there are sufficient funds to pay debt service should it be
20 necessary to take action to collect delinquent property taxes. The proceeds in the reserve fund are invested
21 and the income is applied to the annual debt service on the bonds. The reserve fund itself will eventually
22 be applied to the repayment of the bonds. Accordingly, while the reserve fund is funded from bond
23 proceeds, it is not a cost of issuing the bonds.

24 **Determination of Special Taxes**

25 Special taxes must be levied in a reasonable manner. The reasonable basis for the special taxes levied
26 in the District is based on the following:

27 (i) the public improvements to be provided by the District and the related tax increment district
28 provide a special benefit to the property in the District and the special benefit to the property
29 subject to the special taxes exceeds the cost of the special taxes;

30 (ii) the amount of special taxes to be levied each year is equal to or less than the amount required
31 to repay the bonds issued to finance the public improvements; and

32 (iii) special taxes are allocated to parcels within the District in a manner that reasonably
33 represents the benefit each parcel will receive from the improvements to be provided by the
34 District.

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1 Special Benefit

2 The property in the District will receive a special benefit from the public improvements to be provided as
3 a result of the District. The public infrastructure will provide road access to, from and within the property
4 in the District, extend water and sewer to the property in the District, provide storm water management
5 improvements, street lighting, public parks, bike trails, landscaping of public spaces, and other public
6 services to the property in the District. These improvements are required for the proposed use of the
7 property as described above. Accordingly, the public infrastructure improvements to be provided as a result
8 of the District provide a special benefit to the property in the District.

9 The special benefit of the public infrastructure improvements to be provided as a result of the District will
10 be equal to or greater than the cost of the special taxes levied on the property. The value of special benefit
11 is confirmed by two means. First, the owner of the property in the District has requested that the City
12 impose special taxes on the property for the purpose of providing the public improvements. It is reasonable
13 to believe the owner is acting in its interest and making this request because the benefit it receives from the
14 public infrastructure improvements exceeds the cost of the special taxes.

15 Second, the special taxes are being levied to provide improvements that are necessary for the highest and
16 best use of the property (i.e., the use of the property that is most valuable, including any costs associated
17 with that use). Highest and best use can be defined as “the reasonably probable and legal use of property,
18 which is physically possible, appropriately supported, financially feasible, and that results in the highest
19 value.” (*Dictionary of Real Estate Appraisal, Third Edition.*) The six criteria for highest and best use are
20 (i) reasonably probable, (ii) legally permissible, (iii) physically possible, (iv) appropriately supported, (v)
21 financially feasible, and (vi) maximally productive.

22 The owner of the property in the District has analyzed various options for the use of the property, taking
23 into consideration the legally permitted uses, the physical constraints of the site, financial parameters and
24 market demand. The developer is understandably interested in maximizing its return on the property. Based
25 on this analysis, the highest and best use of the property, including any costs required for that use, is the
26 proposed uses for the property as described herein. This use of the property will require the public
27 improvements as described herein and to be provided as result of the District. Without these improvements,
28 the proposed use of the property would not be physically possible or adequately supported and, as a result,
29 the property could not be put to its highest and best use.

30 The financing provided by the special tax district is long-term financing and pays interest to the bond
31 holders that are exempt from income taxes, resulting in a lower rate than other available financing on
32 comparable terms. The special taxes also help to make available tax increment financing for the bonds (that
33 is, bonds will be repaid from the increase in property taxes as well as from special taxes). As a result of
34 these advantages, the financing provided by the District is the most beneficial means of financing the public
35 improvements.

36 In summary, the special taxes result in a special benefit to the property and this special benefit is greater
37 than the special taxes for the following reasons:

- 38 1. The public improvements to be provided as a result of the District are required for the highest
39 and best use of the property;

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- 1 2. The highest and best use of the property is the use of the property that is most valuable
2 (including any costs associated with the use of the property);
- 3 3. The financing provided by the District is the most beneficial means of financing the
4 improvements;
- 5 4. As a result, the special benefits to the property from the public improvements to be provided as
6 a result of the District will be equal to or greater than the special taxes to be imposed on the
7 property in the District.

8 Special Taxes Required to Repay the Bonds

9 Special taxes are levied in an amount necessary to meet the City’s obligation to provide for the payment
10 of debt service on bonds issued to fund the improvements to be provided by the District. Special taxes will
11 first be levied for the 2009-2010 fiscal year. These special taxes will be available to be applied to debt
12 service due on January 1 and July 1, 2010. Debt service is calculated at seven and a half percent on the
13 bonds. The special taxes include debt service coverage of thirty percent, which may also be used to
14 replenish reserves and to fund administrative expenses of the District. The maximum special tax necessary
15 to pay the estimated debt service due on the bonds and provide the necessary coverage is \$14,865,000.

16 The annual debt service is scheduled to increase by two percent each year. As a result, the maximum
17 special tax must also increase by two percent each year.

18 The actual debt service on the bonds may be less than estimated herein. The “Rate and Method of
19 Apportionment of Special Taxes” provides for the maximum special tax to be reduced based on the actual
20 debt service on the bonds, so that the special taxes actually collected do not exceed the amount necessary
21 to repay the bonds and to pay related administrative expenses.

22 The maximum special tax on all of the property in the District is set in a manner consistent with the
23 estimate of the annual debt service on the bonds to be issued to finance the public improvements plus the
24 required debt service coverage and administrative expenses and is therefore set in a reasonable manner.

25 Allocation of Special Taxes to Parcels

26 Special taxes are allocated to parcels in the District in a manner to reasonably reflect the benefit property
27 will receive from the improvements to be provided by the District. For purposes of estimating benefit,
28 property is classified into one of four categories, defined as for-sale residential, rental residential,
29 commercial, or parking.

30 The benefit received by each property is estimated on the basis of the estimated future value of the
31 property. The purpose of the improvements to be provided by the District is to allow for the redevelopment
32 of the property. Estimating the benefit properties will receive from the improvements on the basis of future
33 estimated value is particularly appropriate for improvements intended to provide for the redevelopment of
34 the property, as one reason for the redevelopment is to increase the values of the property in the district.

35 The special tax rates for each property class are shown by the following table.

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Table F
Property Classifications and
Equivalent Units

<u>Classification</u>	<u>Estimated Value</u>	<u>Special Tax Rates</u>
<u>For-Sale Residential</u>	<u>\$330,000 per unit</u>	<u>\$4,800</u>
<u>Rental Residential</u>	<u>\$130,000 per unit</u>	<u>\$1,875</u>
<u>Commercial</u>	<u>\$204,000 per</u> <u>1,000 square feet</u>	<u>\$3,000</u>
<u>Parking</u>	<u>\$12,000 per space</u>	<u>\$ 200</u>

The special taxes for each class is based on the total special taxes required to repay the bonds, as described above, divided by the total development proposed within the District, as adjusted for the relative value of property within each class. The table above includes rounding and, as a result, the numbers are approximate.

The special taxes are allocated to each parcel on the basis of the proposed development of the parcel and the special tax rates for each type of development. The special tax rates are based on the estimated representative value of property within each class. Value is a reasonable means of allocating the benefit of the public improvements to the property in the District. As a result, the allocation of special taxed to the property within the District represents a reasonable allocation of special taxes.

Adjusted Maximum Special Tax

Special taxes may be collected from each parcel in the District only up to the adjusted maximum special tax for the parcel. The adjusted maximum special tax is the lesser of (i) the maximum special tax and (ii) the maximum special tax less the tax increment revenues or other pledged revenues, such as payments in lieu of taxes or amounts from any similar agreement or arrangement between the City and an owner or lessee of properties within the District, related to each parcel available repay the bonds. The tax increment revenues represent the increase in property taxes that results from the development of the property. The tax increment revenues or other pledged revenues will be applied to the repayment of the bonds issued to finance the public improvements to be provided by the District. To the extent property produces tax increment revenues or other pledged revenues, and these revenues cover the debt service on the bonds, the property is contributing its share of the cost of the public improvements through these revenues. The special taxes effectively cover each property’s share of the cost of the public improvements not otherwise covered by these revenues.

Summary of Reasonable Basis of the Special Taxes

Special taxes are levied on the taxable property in the District according to the provisions of the “Rate and Method of Apportionment of Special Taxes.” The Act requires special taxes to be levied in a manner

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1 that is reasonable. This report explains the reasonable basis of the special taxes. The reasonable basis may
2 be summarized as follows:

3 1. The property within the District will receive a special benefit from the public improvements to
4 be provided as a result of the District and this special benefit exceeds the levy of the special
5 taxes;

6 2. Special taxes levied on all of the property in the District each year are equal to the amount
7 required to pay the debt service on the bonds issued to provide the public improvements, after
8 taking into consideration any savings and other revenues available to repay the bonds;

9 3. Special taxes are allocated to each property within the District on the basis of the estimated
10 future value of the property in the District, which reasonably reflects the relative benefit each
11 property will receive from the improvements; and

12 4. The maximum special tax to which each property is subject is reduced by the tax increment
13 revenues or other pledged revenues, if any, produced from each property, since these revenues
14 contribute to the property's share of the repayment of the bonds issued to finance the public
15 improvements.

16 For these reasons, the special taxes are levied on the taxable property in the District in a reasonable
17 manner.

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Certified as duly passed this _____ day of _____, 20__

President, Baltimore City Council

Certified as duly delivered to Her Honor, the Mayor,

this _____ day of _____, 20__

Chief Clerk

Approved this _____ day of _____, 20__

Mayor, Baltimore City