

**CITY OF BALTIMORE
COUNCIL BILL 12-0086
(First Reader)**

Introduced by: The Council President

At the request of: The Administration (Baltimore Development Corporation)

Introduced and read first time: June 4, 2012

Assigned to: Taxation, Finance and Economic Development Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Board of Municipal and Zoning Appeals, Planning Commission, Baltimore Development Corporation, Department of Housing and Community Development, Department of Finance, Board of Estimates

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Tide Point Special Taxing District**

3 FOR the purpose of designating a “special taxing district” to be known as the “Tide Point Special
4 Taxing District”; providing for and determining various matters in connection with the
5 establishment of the special taxing district; creating a special fund for the special taxing
6 district; providing for the levy of a special tax on all taxable real and personal property
7 located in the special taxing district; providing for a special effective date; and generally
8 providing for matters relating to the designation and operation of the special taxing district,
9 the establishment and use of the special fund, the issuance and payment of bonds issued in
10 connection with the special taxing district, the replenishment of any reserve fund, and the
11 payment of certain expenses and administrative costs related to the operation of the special
12 taxing district.

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

18 **Recitals**

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

25 The Act also authorizes the City, subject to certain requirements, to borrow
26 money by issuing and selling bonds, for the purpose of providing financing,
27 refinancing, and reimbursement for the costs of infrastructure improvements.

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.

Council Bill 12-0086

1 The City has been requested to designate and create the Tide Point Special Taxing
2 District from both (i) the owners of at least two-thirds of the assessed valuation of
3 the real property located in the proposed special taxing district; and (ii) at least
4 two-thirds of the owners of the real property located in the proposed special taxing
5 district as determined by the provisions of the Act.

6 The Act provides that no bonds may be issued by the City until an ordinance is
7 enacted that (i) designates an area or areas as a "special taxing district"; (ii)
8 creates a special fund for the special taxing district; and (iii) provides for the levy
9 of an *ad valorem* or special tax on all real and personal property in the special
10 taxing district at a rate or amount designed to provide adequate revenues to pay
11 the principal of, interest on, and redemption premium, if any, on the bonds, to
12 replenish any debt service reserve fund, and for any other purpose related to the
13 ongoing expenses of or security for the bonds.

14 The City wishes to establish a special taxing district within Baltimore City,
15 Maryland, establish a special fund for the special taxing district, and provide for
16 the levy of a special tax on all taxable real and personal property in the special
17 taxing district for the purpose of providing financing and refinancing for public
18 and other infrastructure improvements in and in the vicinity of the special taxing
19 district, including, without limitation, the design and construction (including
20 redesign or reconstruction) of roads and related improvements, including road bed
21 improvements, lighting, landscaping, signage and decorations; road paving;
22 necessary storm water management, ductbank, water line and other utility
23 improvements; signalization for a new railway crossing; relocation of railway
24 tracks and the recreation of related railway stacking capacity; structured or surface
25 parking facilities that are either publicly owned or privately owned but serve a
26 public purpose; additional road improvements and sidewalks, including a
27 pedestrian bridge; the design, construction, reconstruction, renovation, equipping,
28 and development of park, athletic, or playground facilities, including (but not
29 limited to) walking and biking paths and trails and playing fields and courts, or
30 buildings that are to be devoted to a governmental use or purpose; site removal,
31 including demolition and site preparation; additional facilities, including a pier
32 and bulkhead improvements and promenade improvements; the acquisition,
33 construction, renovation and development of other related public and other
34 infrastructure improvements that are necessary for the completion of such
35 improvements for their intended public purposes; related land acquisition within
36 and outside the special taxing district; and engineering, project, and design fees
37 and other related costs permitted by the Act in connection with the foregoing.

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

- 40 (a) "2005 Bonds" means the City's Mayor and City Council of Baltimore, Special
41 Obligation Bonds (North Locust Point Project) Series 2005, issued in the original
42 aggregate principal amount of \$2,977,000.
- 43 (b) "Act" means the Special Taxing District Act, as codified in Article II, Section (62A)
44 of the Baltimore City Charter.

Council Bill 12-0086

- 1 (c) "Authorizing Ordinance" means the ordinance of the City being enacted concurrently
2 with this Ordinance authorizing the issuance of bonds and the pledge of certain tax
3 increment and special tax revenues for the purposes set forth therein.
- 4 (d) "Bond" means any bond, note, or other similar instrument issued by the Mayor and
5 City Council of Baltimore under the Act.
- 6 (e) "City Expenses" shall have the meaning set forth in the Authorizing Ordinance.
- 7 (f) "Infrastructure improvements" means the following public and other infrastructure
8 improvements that are completed in accordance with all required City approvals:
- 9 (1) the design and construction (including redesign or reconstruction) of roads,
10 including removal of existing paving, new paving and installation of curbs,
11 gutters, sidewalks, lighting, landscaping, signage, and decorations, and utilities
12 (including, but not limited to, water, sanitary sewer, storm sewer, and ductbank);
- 13 (2) the design and construction of necessary signalization for a railway crossing;
- 14 (3) the relocation of existing railway tracks and the re-creation of related railway
15 stacking capacity;
- 16 (4) structured or surface parking facilities that are either publicly owned or privately
17 owned but serve a public purpose;
- 18 (5) additional road improvements and sidewalks, including a pedestrian bridge;
- 19 (6) the design, construction, reconstruction, renovation, equipping, and development
20 of parks, athletic, or playground facilities, including (but not limited to) walking
21 and biking paths and trails and playing fields and courts, or buildings that are to
22 be devoted to a governmental use or purpose;
- 23 (7) additional facilities, including pier and bulkhead improvements and promenade
24 improvements;
- 25 (8) site removal, including demolition and site preparation;
- 26 (9) the acquisition of land, whether inside or outside the Special Taxing District, for
27 the purposes identified in Section 1, Paragraph (f)(1)-(8); and
- 28 (10) the acquisition, construction, renovation and development of other related public
29 and other infrastructure improvements and the financing or refinancing of any
30 related costs as permitted by the Act that are necessary for the completion of these
31 infrastructure improvements for their intended public purposes.
- 32 (g) "Rate and Method" means the Rate and Method of Apportionment of Special Taxes
33 attached to this Ordinance as Exhibit 2 and made a part of this Ordinance.
- 34 (h) "Special Tax Fund" means the special fund established by Section 4 of this
35 Ordinance.

Council Bill 12-0086

1 (i) "Special Taxing District" means the area in the City designated in Section 3 of this
2 Ordinance as a special taxing district under the Act.

3 **SECTION 2. AND BE IT FURTHER ORDAINED,** That the Mayor and City Council of Baltimore
4 finds and determines that the establishment of the Tide Point Special Taxing District, the creation
5 of the Special Tax Fund for such district and the issuance of bonds from time to time, all for the
6 purpose of providing funds for the financing and refinancing of public and other infrastructure
7 improvements, accomplishes the purposes of the Act, serves public purposes, including the direct
8 and indirect enhancement of the taxable base of the City and the facilitation of planned
9 improvements to the North Locust Point area, the creation of new employment opportunities, the
10 encouragement of additional economic activities, the undertaking of urban renewal projects and
11 the furtherance of economic development conducted pursuant to comprehensive plans, and
12 generally promotes the health, welfare, and safety of the residents of the State of Maryland and of
13 the City of Baltimore.

14 **SECTION 3. AND BE IT FURTHER ORDAINED,** That the contiguous area consisting of the
15 property designated as Block 1976, Lot 001 (as the same may be renumbered or redesignated as a
16 result of any subdivision of such property), together with the adjoining roads, highways, alleys,
17 rights-of-way and other similar property, shown on the map attached to this Ordinance as Exhibit
18 1, and made a part of this Ordinance, is designated as a special taxing district to be known as the
19 "Tide Point Special Taxing District".

20 **SECTION 4. AND BE IT FURTHER ORDAINED,** That a special fund is established for the
21 Special Taxing District to be known as the "Tide Point Special Tax Fund". The Director of
22 Finance shall deposit in the Special Tax Fund all special taxes levied and collected in accordance
23 with Section 5 of this Ordinance. The Director of Finance and other officers and employees of
24 the City shall take all necessary steps in order to establish the Special Tax Fund as a separate
25 fund to be held by or for the account of the City.

26 **SECTION 5. AND BE IT FURTHER ORDAINED,** That:

- 27 (a) A special tax shall be levied upon all real and personal property in the Special Taxing
28 District, unless exempted by the provisions of this Ordinance or otherwise by law, for
29 the purposes, to the extent and in the manner set forth in the Rate and Method.
- 30 (b) The revenues and receipts from the special tax, the Special Tax Fund, and any other
31 fund into which all or any of these revenues and receipts are deposited after they have
32 been appropriated by the City are pledged to the payment of the principal of and
33 interest on the bonds, the replenishment of any reserves and the payment of any City
34 Expenses. These revenues, receipts and funds are not, however, irrevocably pledged
35 to the payment of the principal of and interest on the bonds and the obligation to pay
36 this principal and interest and related costs is subject to annual appropriation by the
37 City.
- 38 (c) Special taxes levied in the Special Taxing District may not be accelerated by reason of
39 bond default. The maximum special taxes as described in the Rate and Method
40 applicable to any individual property may not be increased in the event that other
41 property owners become delinquent in the payment of the special taxes.

Council Bill 12-0086

1 (d) Special taxes levied in the Special Taxing District shall be collected and secured in
2 the same manner as, and be subject to the same penalties and the same procedure,
3 sale, and lien priority in case of delinquency as is provided for, general *ad valorem*
4 taxes; provided, however, the Board of Finance is authorized to determine by
5 resolution alternative provisions with regard to the procedure, sale, and lien priority in
6 case of delinquency in payment of the special taxes if it determines that such
7 alternative procedures (i) are in the best interests of the City, taking into
8 consideration, if applicable, the excludability from gross income for federal income
9 tax purposes of interest on any outstanding bonds and (ii) are necessary to protect the
10 sources of funds and security for the payment of the principal of and interest on the
11 2005 Bonds.

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

- 14 (a) The development and construction of the infrastructure improvements will create a
15 public benefit and special benefits to the properties in the Special Taxing District;
- 16 (b) The special taxes levied under this Ordinance are levied in an amount that does not
17 exceed the special benefit that the properties within the Special Taxing District will
18 receive from the infrastructure improvements, as shown by the Special Tax Allocation
19 Report attached to this Ordinance as Exhibit 3 and made a part of this Ordinance; and
- 20 (c) The special taxes levied on each property in the Special Taxing District are a fair
21 allocation of the costs of the infrastructure improvements to each property in the
22 Special Taxing District, as shown by the Special Tax Allocation Report.

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

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

33 **SECTION 9. AND BE IT FURTHER ORDAINED,** That this Ordinance may be amended by a
34 subsequent ordinance of the Mayor and City Council of Baltimore, which ordinance may enlarge
35 or reduce the size of the Special Taxing District, upon receipt of a request from both (i) the
36 owners of at least two-thirds of the assessed valuation of the real property located with the
37 proposed special taxing district; and (ii) at least two-thirds of the owners of the real property
38 located within the proposed special taxing district as determined by the provisions of the Act.
39 However, no ordinance may be effective to reduce the size of the Special Taxing District so long
40 as there are any outstanding bonds secured by the Special Tax Fund, unless the ordinance
41 authorizing the issuance of the bonds permits the City to reduce the area constituting the Special
42 Taxing District, the holders of the bonds or an authorized representative on their behalf consents
43 to the reduction or the indenture authorizing the bonds permits the reduction.

Council Bill 12-0086

1 **SECTION 10. AND BE IT FURTHER ORDAINED,** That the provisions of this Ordinance are
2 severable. If any provision, sentence, clause, section or other part of this Ordinance is held or
3 determined to be illegal, invalid, unconstitutional, or inapplicable to any person or circumstances,
4 that illegality, invalidity, unconstitutionality, or inapplicability does not affect or impair any of
5 the remaining provisions, sentences, clauses, sections, or parts of this Ordinance or their
6 application to other persons or circumstances. It is the intent of the Mayor and City Council that
7 this Ordinance would have been passed even if the illegal, invalid, unconstitutional, or
8 inapplicable provision, sentence, clause, section, or other part had not been included in this
9 Ordinance, and as if the person or circumstances to which this Ordinance or part are inapplicable
10 had been specifically exempted.

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

Council Bill 12-0086

1

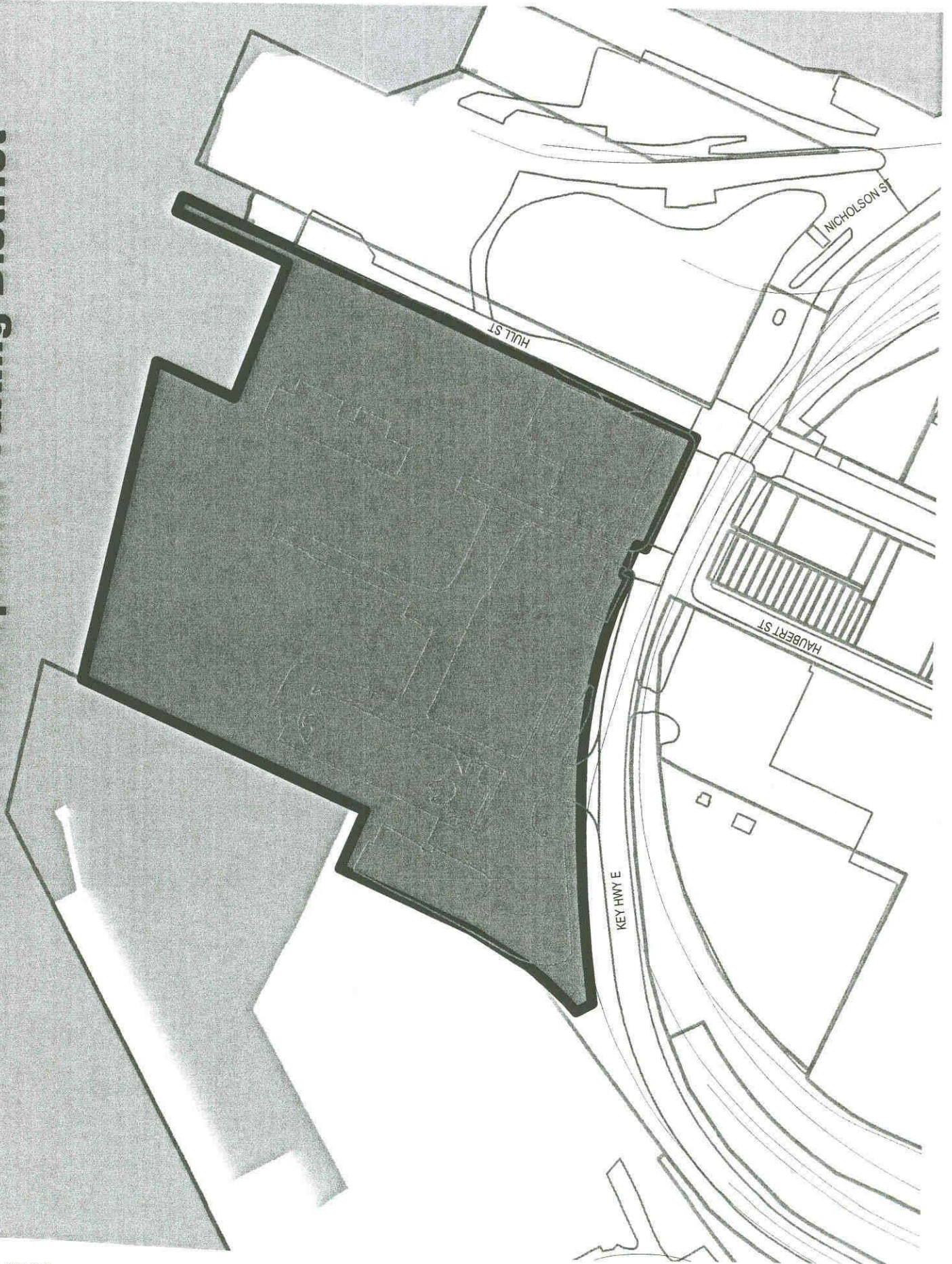
Exhibit I

2

Map of the Special Taxing District
(See next page)

3

North Locust Point Special Taxing District



Council Bill 12-0086

Exhibit 2

Rate and Method of Apportionment of the Special Taxes

CITY OF BALTIMORE, MARYLAND
TIDE POINT SPECIAL TAXING DISTRICT

*RATE AND METHOD OF APPORTIONMENT
OF SPECIAL TAXES*

A Special Tax shall be levied and collected in the City of Baltimore Tide Point Special Taxing District (the "District") each Fiscal Year, beginning with the 2013-2014 Fiscal Year, in an amount determined by the City through the application of 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.

"Administrative Expenses" means any or all of the following: the fees and expenses of the Trustee, the Administrator, and the City in carrying out their duties under any Indenture of Trust, 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 and fees of any professionals retained by the City to provide services for such purposes; and all other costs and expenses of the City, Trustee, or Administrator incurred in connection with the discharge of their respective duties, including legal expenses associated with such duties, and, in the case of the City, in any way related to the administration of the District.

"Administrator" means the designee of the Authorized Officer for purposes of estimating the annual Special Tax Requirement and the Special Tax to be collected each Fiscal Year and for providing other services as required by any Indenture of Trust.

"Assessed Value" means the assessed value of real property as determined by the Supervisor.

"Authorized Officer" means the official of the City designated as an authorized officer under any Indenture of Trust.

"Bonds" means any bonds or other debt, including refunding bonds, whether in one or more series, issued or incurred by the City pursuant to the Act to fund the Public Improvements and secured by the Special Taxes.

"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.

Council Bill 12-0086

- 1 **“Fiscal Year”** means the period starting any July 1 and ending on the following June 30.
- 2 **“Indenture of Trust”** means any indenture of trust, or other document serving in such function,
3 relating to the Bonds, as modified, amended and/or supplemented from time to time.
- 4 **“Maximum District Special Tax”** means \$2,365,324 for the 2013-2014 Fiscal Year. On each
5 July 1, commencing July 1, 2014, the Maximum District Special Tax shall be increased to 102
6 percent of the Maximum District Special Tax in effect in the previous Fiscal Year.
- 7 **“Maximum Parcel Special Tax”** means the Maximum District Special Tax allocated
8 Proportionately to each Parcel of Taxable Property.
- 9 **“Owner Association Property”** means, for any Fiscal Year, any real property within the
10 boundaries of the District that is owned by or irrevocably offered for dedication to a property
11 owner's association and available for use in common by property owners.
- 12 **“Parcel”** means a lot or parcel of real property within the District with a parcel number assigned
13 by the Supervisor or any other real property interest within the District designated as a Parcel by
14 an Authorized Officer.
- 15 **“Proportionately”** means that the ratio of the Special Tax to the Assessed Value of each Parcel
16 of Taxable Property is equal.
- 17 **“Public Improvements”** means those improvements benefiting the District that the City has
18 authorized to be funded by the proceeds of the Bonds.
- 19 **“Public Property”** means property within the boundaries of the District owned by, or
20 irrevocably offered for dedication (in a plat map approved by the City or otherwise) to the federal
21 government, State of Maryland, City, or other public agency.
- 22 **“Special Tax”** means the Special Tax levied by the City on property within the District each
23 Fiscal Year pursuant to this Rate and Method of Apportionment of Special Taxes.
- 24 **“Special Tax Requirement”** means the amount calculated pursuant to Section B.1.
- 25 **“Supervisor”** means the Supervisor of Assessments for the City.
- 26 **“Tax Increment Fund”** means the account of such name established for the TIF District
27 pursuant to an ordinance enacted by the City.
- 28 **“Tax Increment Revenues”** means the amounts paid into the Tax Increment Fund each year by
29 the City and available pursuant to the Indenture of Trust to apply to the Special Tax
30 Requirement.
- 31 **“Taxable Property”** means any Parcel that is not Public Property, Owner Association Property,
32 or easements for the exclusive use of a public utility provider.
- 33 **“TIF District”** means the North Locust Point Development District established pursuant to an
34 ordinance enacted by the City.

Council Bill 12-0086

1 **“Trustee”** means the trustee, fiscal agent, or paying agent appointed by the City for the District
2 to carry out the duties of the trustee, fiscal agent, or paying agent specified in the Indenture of
3 Trust.

4 **B. LEVY AND COLLECTION OF SPECIAL TAXES**

5 Special Taxes are hereby levied each Fiscal Year, beginning with the 2013-2014 Fiscal Year and
6 continuing until the year provided for in Section E hereof, at the Maximum District Special Tax
7 and Maximum Parcel Special Tax. Special Taxes shall be collected each Fiscal Year as provided
8 for below.

9 1. Special Tax Requirement

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

25 2. Special Tax to be Collected from each Parcel

26 Commencing with the 2013-2014 Fiscal Year and for each following Fiscal Year, the Authorized
27 Officer shall determine the Special Tax Requirement, if any, for the applicable Fiscal Year and
28 shall provide for the billing of the Special Tax Proportionately on each Parcel of Taxable
29 Property such that the sum of the Special Taxes billed on each Parcel is equal to the Special Tax
30 Requirement.

31 The Administrator shall provide an estimate to the Authorized Officer each Fiscal Year of the
32 amount of the Special Tax to be collected from each Parcel in conformance with the provisions
33 of this section.

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

35 The Maximum Parcel Special Tax shall not be increased on any Parcel as a result of a default
36 in payment of the Special Tax levied on any other Parcel. The Special Tax billed to a Parcel may
37 be increased as a result of a default in the payment of the Special Tax based on the provisions of
38 Sections B. 1. and 2.

Council Bill 12-0086

1 **4. Personal Property**

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

3 **C. EXEMPTIONS**

4 A Special Tax shall not be levied on Public Property, Owner Association Property, or easements
5 for the exclusive use of a public utility provider.

6 **D. MANNER OF COLLECTION**

7 The Special Tax shall be collected and secured in the same manner as, and be subject to the same
8 penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for,
9 general *ad valorem* taxes; provided, however, the Special Tax may be collected at a different
10 time or in a different manner in accordance with the provisions of the ordinance creating the
11 District.

12 **E. TERMINATION OF SPECIAL TAX**

13 Except for any delinquent Special Taxes and related penalties and interest, Special Taxes shall
14 not be collected from any Parcel after the earlier of (i) the repayment or defeasance of the Bonds
15 and (ii) such time provided for by the Indenture of Trust.

16 **F. APPEALS OF THE LEVY OF THE SPECIAL TAX**

17 Any property owner claiming that the amount or application of the Special Tax is not correct and
18 requesting a refund may file a written notice of appeal and refund to that effect with the
19 Authorized Officer not later than one calendar year after the due date (i.e., July 1) for the Special
20 Tax that is disputed. Such appeal may not affect the due date of the payment of the Special Tax.
21 The Authorized Officer shall promptly review all information supplied by the appellant in
22 support of the appeal and, if necessary, meet with the property owner and decide the appeal. If
23 the decision of the Authorized Officer requires the Special Tax to be modified or changed in
24 favor of the property owner, a cash refund shall not be made (except for the last year of levy or
25 unless sufficient funds will otherwise be available to meet the Special Tax Requirement), but an
26 adjustment shall be made to the Special Tax to be collected in the following year from that
27 Parcel. The decision of the Authorized Officer may be appealed to the director of finance or
28 comparable official of the City. This procedure shall be exclusive and its exhaustion by any
29 property owner shall be a condition precedent to any other appeal or legal action by such owner.

30 **G. AMENDMENTS**

31 This Rate and Method of Apportionment of Special Taxes may be amended by the City and, to
32 the maximum extent permitted by the Act, such amendments may be made without further notice
33 under the Act and without notice to owners of Taxable Property within the District in order to (i)
34 clarify or correct minor inconsistencies in the matters set forth herein, (ii) provide for lawful
35 procedures for the collection and enforcement of the Special Tax so as to assure the efficient
36 collection of the Special Tax for the benefit of the owners of the Bonds, and (iii) otherwise
37 improve the ability of the City to fulfill its obligations to levy and collect the Special Tax and to
38 make it available for the payment of the Bonds and Administrative Expenses. No such
39 amendment shall be approved unless and until the City has found and determined that the

Council Bill 12-0086

1 amendment is necessary and appropriate and does not materially adversely affect the rights of the
2 owners of the Bonds. Any such amendment may not increase the Special Tax.

3 **H. INTERPRETATION OF PROVISIONS**

4 The Authorized Officer shall make all interpretations and determinations related to the
5 application of this Rate and Method of Apportionment of Special Taxes, unless stated otherwise
6 herein or in the Indenture of Trust, and as long as there is a rational basis for the determination
7 made by the Authorized Officer, such determination shall be conclusive. Interpretations and
8 determinations shall be made liberally to effectuate the purposes of the Special Taxes in meeting
9 the Special Tax Requirement each Fiscal Year.

Council Bill 12-0086

Exhibit 3

Special Tax Allocation Report

Tide Point Special Taxing District

City of Baltimore, Maryland

Special Tax Report

Prepared By:

MuniCap, Inc.

May 23, 2012

**TIDE POINT SPECIAL TAXING DISTRICT
CITY OF BALTIMORE, MARYLAND
SPECIAL TAX REPORT**

Purpose of Report

The Tide Point Special Taxing District (the "District") is being created to facilitate the financing of 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 the City of Baltimore (the "City") 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, 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 if needed, 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 Tide Point development consists of approximately 10 acres located in the City's Locust Point neighborhood and industrial area. The District differs from the North Locust Point Development District the "TIF District" in that it is comprised only of the existing tax parcel on which private development is projected to occur. The District is generally bounded by the Baltimore Harbor to the north, Hull Street to the east, Key Highway to the south, and the Domino Sugar property to the west. Key Highway acts as the primary entry point to the District. A boundary map for the proposed District is attached hereto as Exhibit A.

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

**Table A
Tax Parcels Within the District**

| Parcel Number | Owner | Description | Acreage |
|----------------------|------------------------------|--------------------|----------------|
| 24-12-1976-001 | UA Locust Point Holding, LLC | 1000 Hull Street | 9.74 |

The map of the current tax parcel comprising the District is shown in Exhibit B, attached hereto.

The property in the District is the site of the former Proctor & Gamble manufacturing plant. Renovated in 2004 by Struever Bros. Eccles & Rouse, Inc., the Proctor & Gamble manufacturing plant was transformed into the Tide Point office complex. In 2011, Under Armour purchased the property in the District and proposed a new name and modifications to the existing Planned Unit Development, originally approved as Ordinance 09-103, to which the tax parcel comprising the District is subject. The PUD encompasses the tax parcel comprising the District, as well as

Council Bill 12-0086

1 additional parcels outside of the District boundaries. The proposed modifications to the Under
 2 Armour Headquarters Planned Unit Development (the "PUD") are stipulated in Council Bill 11-
 3 0007 that was signed into law by the Mayor on April 20, 2012.

4 The maximum allowable square footages for the property in the PUD is outlined below in
 5 Table B. The tax parcel comprising the District is only a portion of the property comprising the
 6 PUD. A map of the PUD illustrating the maximum permissible land uses and the proposed
 7 development within the District is attached hereto as Exhibit C.

Table B
Maximum Permissible Land Uses

| Land Use | Net Leasable Square Feet/Units |
|--------------------------|-----------------------------------|
| <i>Commercial</i> | |
| Retail ¹ | 50,000 |
| Office | 925,000 |
| Total commercial NLSF | 975,000 |
| <i>Residential units</i> | |
| | 140 |

18 The proposed development in the District that complies with the guidelines established in the
 19 PUD is shown below in Table C.

Table C
Proposed Special Taxing District Development

| Development Type | SF |
|------------------|----------------|
| Retail | 25,000 |
| Office | 450,000 |
| Total | 475,000 |

26 A site plan for the proposed development is attached hereto as Exhibit D.

Proposed Public Improvements

28 The purpose of the District, the special taxes to be levied in the District, and the special
 29 obligation bonds to be issued with respect to the District is to finance all or a part of the costs of
 30 the public improvements shown on the following page in Table D.

Table D
Public Improvements

| Improvement | Total Costs |
|------------------------------------|-------------|
| <i>Fort McHenry Greenway</i> | |
| Construction | \$1,445,880 |
| Design | \$206,640 |
| Historic markings | \$87,500 |
| Sub-total Fort McHenry Greenway | \$1,740,020 |
| <i>Hull Street Improvements</i> | \$181,500 |
| <i>Haubert Street Improvements</i> | \$76,000 |

Council Bill 12-0086

| | |
|--|---------------------|
| <i>Key Highway Lot Improvements</i> | \$61,250 |
| <i>Key Highway/McComas Intersection Improvements</i> | \$1,000,000 |
| <i>Tide Point Improvements</i> | |
| Promenade anchorage improvements | \$267,800 |
| Triangle lot improvements | \$116,750 |
| Sub-total Tide Point improvements | \$384,550 |
| <i>Other Improvements</i> | |
| Latrobe Park improvements | \$200,000 |
| Fort Avenue streetscape improvements | \$80,000 |
| Sub-total other improvements | \$280,000 |
| <i>Parks, Fields and Site Removal</i> | \$27,325,000 |
| Total public improvements financed | \$31,048,320 |

Costs may vary from these estimates and the improvements built may be modified from those described herein. A description of these improvements follows:

Fort McHenry Greenway

Fort McHenry Greenway includes the cost to construct a paved area running southeasterly from the District along the CSX Railroad lines, east along Fort Avenue to Fort McHenry. Costs also include sediment and erosion control, removal of trash and existing fencing, installation of eight feet of black picket fencing, neighborhood and historical signage, trash receptacles, benches, lighting, and electrical conduits, constructing sidewalk, curbing, and masonry piers along parts of the paved area, and constructing a retaining wall near the McHenry Pointe homes.

Hull Street Improvements

Hull Street improvements include the cost to mill, resurface, stripe, curb, and install a gutter on Hull Street north of Key Highway extending to the water taxi pier street terminus, forming the eastern boundary of the District, as well as providing corresponding sidewalk. Costs also include installing brick pavers, benches and trash receptacles at the water taxi pier street terminus and landscaping the east side of Hull Street and at the water taxi pier street terminus.

Haubert Street Improvements

Haubert Street improvements include the cost to complete sidewalk improvements between the CSX Railroad at Key Highway south to Beason Street at an area south of the District.

Key Highway Lot Improvements

Key Highway improvements include the cost to pave the existing gravel parking lot located at an area southwest of the District along Key Highway.

Council Bill 12-0086

1 Key Highway/McComas Intersection Improvements

2 Key Highway/McComas intersection improvements include the cost to improve the existing
3 intersection by installing lighting, landscaping, painting, and incorporating a mural. The intersection
4 is located south of the District and part of the access ramp to Interstate 95. It is a main gateway into
5 the Tide Point area, in which the District is located but is within the TIF District.

6 Tide Point Improvements

7 Tide Point improvements include the cost to resurface deteriorated asphalt/gravel triangle lots
8 located along Nicholson Street at an area southeast of the District. Costs also include anchorage
9 improvements for tall ships and repairs to the Tide Point promenade located at the northern boundary
10 of the District.

11 Other Improvements

12 Other improvements include the cost to provide improvements to the Locust Point recreation center
13 and associated playing fields, and installing benches and lighting, all located at an area south of the
14 District along Fort Avenue. Costs also include installing trash receptacles, and planters along Fort
15 Avenue that runs east to west at an area south of the District.

16 Parks, Fields and Site Removal

17 Parks and fields includes the construction of a public park and playing fields projected to be located
18 on the parcel of adjacent land, immediately east of the tax parcel comprising the District. Costs also
19 include the removal of existing oil tanks on the site to be used for the public park and playing fields.

20 The public improvements described above are all provided to meet the needs of the property in
21 the District and satisfy the PUD requirements approved for the proposed development of the
22 property.

23 A map showing the proposed public improvements is attached hereto as Exhibit E.

24 **Projected Issuance of Bonds**

25 Bonds are proposed to be issued by the City in one or more series to correspond with the
26 projected timing of development to finance all or a portion of the costs of the public improvements
27 described above. Bond proceeds will include the costs of constructing improvements, a reserve fund
28 and issuance costs. Table E shows the estimated sources and uses of funds for the issuance of bonds.

29 **Table E**
30 **Source and Uses of Funds**

| | Total |
|-----------------------------|--------------|
| Sources of funds: | |
| Total bond proceeds | \$35,000,000 |
| Total uses of funds: | |
| Public improvements | \$31,048,320 |
| Issuance costs | \$450,000 |

Council Bill 12-0086

| | |
|-----------------------------|---------------------|
| Reserve fund | \$3,500,000 |
| Rounding | \$1,680 |
| Total uses of funds: | \$35,000,000 |

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 expenses, document printing costs and other miscellaneous costs related to the issuance of bonds.

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

Projected Debt Service and Administrative Expenses

A schedule showing projected debt service and administrative expenses is attached to this report as Exhibit F. Three series of bonds are assumed to be issued, with each series of bonds being repaid over approximately thirty years.

The principal payments on the bonds are structured such that debt service is increasing each year during the amortization period of the bonds. The bonds are assumed to be tax-exempt with an interest rate of 7.0% percent per year, both of which may change as market conditions change.

Estimated administrative expenses are included in Exhibit F, which represent City costs related to the administration of the District.

Determination of Special Taxes

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

- (i) the public improvements to be provided by the District and the related TIF District provide a special benefit to the property in the District and the special benefit to the property subject to the special taxes exceeds the cost of the special taxes;
- (ii) the amount of special taxes to be levied each year is equal to or less than the amount required to repay the bonds issued to finance the public improvements; and
- (iii) special taxes are allocated to parcels within the District in a manner that reasonably represents the benefit each parcel will receive from the improvements to be provided by the District.

Council Bill 12-0086

1 Special Benefit

2 The property in the District will receive a special benefit from the public improvements to be
3 provided as a result of the District. The public infrastructure will provide a greenway that does
4 not currently exist and improve existing roads, public spaces and other improvements to the
5 benefit of property in the District. These improvements are required for the proposed use of the
6 property as described above. Accordingly, the public improvements to be provided as a result of
7 the District provide a special benefit to the property in the District.

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

15 Second, the special taxes are being levied to provide improvements that are necessary for the
16 highest and best use of the property (i.e., the use of the property that is most valuable, including
17 any costs associated with that use). Highest and best use can be defined as “The reasonably
18 probable and legal use of vacant land or an improved property, which is physically possible,
19 appropriately supported, financially feasible, and that results in the highest value.” (*Dictionary of*
20 *Real Estate Appraisal, Fourth Edition.*) The four criteria for highest and best use are (i) legally
21 permissibility, (ii) physical possibility, (iii) financial feasibility, and (iv) maximum productivity.

22 The owner of the property in the District has analyzed various options for the use of the
23 property, taking into consideration the legally permitted uses, the physical constraints of the site,
24 financial parameters and market demand. The developer is understandably interested in
25 maximizing its return on the property. Based on this analysis, the highest and best use of the
26 property, including any costs required for that use, is the proposed uses for the property as
27 described herein. This use of the property will require the public improvements as described
28 herein and to be provided as result of the District.

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

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

- 37 1. The public improvements to be provided as a result of the District are required for the highest
38 and best use of the property;
- 39 2. The highest and best use of the property is the use of the property that is most valuable
40 (including any costs associated with the use of the property);

Council Bill 12-0086

1 3. The financing provided by the District is the most beneficial means of financing the
2 improvements;

3 4. As a result, the special benefits to the property from the public improvements to be provided
4 as a result of the District will be equal to or greater than the special taxes to be imposed on
5 the property in the District.

6 Special Taxes Required to Repay the Bonds

7 As shown on Exhibit F, special taxes are levied in an amount to meet the City's obligation to
8 provide for the payment of debt service on bonds issued to fund the improvements to be provided
9 by the District. Special taxes also cover estimated administrative expenses and issuance fees of
10 the City.

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

13 The actual debt service on the bonds may be less than estimated herein. The "Rate and
14 Method of Apportionment of Special Taxes" provides for the special tax to be reduced based on
15 the actual debt service on the bonds, so that the special taxes actually collected do not exceed the
16 amount necessary to repay the bonds and to pay related administrative expenses.

17 The special tax on all of the property in the District is set in a manner consistent with the
18 estimate of the annual debt service on the bonds to be issued to finance the public improvements
19 that provide a special benefit plus the administrative expenses related to the bonds. Special taxes
20 are therefore set in a reasonable manner.

21 Allocation of Special Taxes

22 Special taxes are allocated to parcels in the District in a manner to reasonably reflect the
23 benefit property will receive from the improvements to be provided by the District. The benefit
24 received by each parcel of developed property is estimated on the basis of the assessed value of
25 the property. The purpose of the improvements to be provided by the District is to allow for the
26 redevelopment of the property. Estimating the benefit properties will receive from the
27 improvements on the basis of assessed value is particularly appropriate for improvements
28 intended to provide for the redevelopment of the property, as one reason for the redevelopment is
29 to increase the assessed value of the property in the District.

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

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

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

Council Bill 12-0086

- 1 2. Special taxes levied on all of the property in the District each year are equal to the amount
2 required to pay the debt service on the bonds issued to provide the public improvements, after
3 taking into consideration any savings and other revenues available to repay the bonds; and,
- 4 3. Special taxes are allocated to each property within the District on the basis of the estimated
5 future value of the property in the District, which reasonably reflects the relative benefit each
6 property will receive from the improvements.
- 7 For these reasons, the special taxes are levied on the taxable property in the District in a
8 reasonable manner.