

**CITY OF BALTIMORE
COUNCIL BILL 08-0161
(First Reader)**

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

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

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Westport Waterfront Special Taxing District**

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

16 By authority of
17 Article II - General Powers
18 Section (62A)
19 Baltimore City Charter
20 (1996 Edition)

21 **Recitals**

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

28 The Act also authorizes the City, subject to certain requirements, to borrow
29 money by issuing and selling Bonds (as defined herein), for the purpose of

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

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1 providing financing, refinancing, or reimbursement for the cost of the
2 infrastructure improvements.

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

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

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

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

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

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

42 (a) “Act” means the Special Taxing District Act, as codified in Article II, Section (62A)
43 of the Baltimore City Charter.

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

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

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

25 **SECTION 3. AND BE IT FURTHER ORDAINED,** That the contiguous area consisting of the
26 properties designated as Ward 25, Section 05, Block 7611, Lot 001 and Block 7612, Lots 001,
27 003, 005, 005A and 006 (as the same may be renumbered or redesignated as a result of any
28 resubdivision of such property), together with the adjoining roads, highways, alleys,
29 rights-of-way and other similar property, shown on the map attached to this Ordinance as
30 Exhibit 1, and made a part of this Ordinance, is designated as a special taxing district to be
31 known as the "Westport Waterfront Special Taxing District."

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

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

- 39 (a) A special tax shall be levied upon all real and personal property in the Special Taxing
40 District, unless exempted by the provisions of this Ordinance or otherwise by law, for
41 the purposes, to the extent and in the manner set forth in the Rate and Method of

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1 Apportionment of the Special Taxes attached to this Ordinance as Exhibit 2 and made
2 a part of this Ordinance and the Pledge Ordinance.

3 (b) The revenues and receipts from the special tax, the Special Tax Fund, and any other
4 fund into which all or any of these revenues and receipts are deposited after they have
5 been appropriated by the City are authorized to be pledged to the payment of the
6 principal of and interest on the Bonds or the State Obligations, the replenishment of
7 any reserves and the payment of any City expenses, State Issuer Expenses, and
8 administrative costs pursuant to the Contribution Agreement. These revenues,
9 receipts and funds are not, however, irrevocably pledged to the payment of the
10 principal of and interest on and related costs of the Bonds or the State Obligations
11 and the obligation to pay this principal and interest and these related costs is subject
12 to annual appropriation by the City.

13 (c) Special taxes levied in the Special Taxing District may not be accelerated by reason
14 of Bond or State Obligation default. The maximum special taxes as described in the
15 Rate and Method (as defined in the Pledge Ordinance) applicable to any individual
16 property may not be increased in the event that other property owners become
17 delinquent in the payment of the special taxes.

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

20 (a) The construction of the Project will create a public benefit and special benefits to the
21 properties in the Special Taxing District;

22 (b) The special taxes levied under this Ordinance are levied in an amount that does not
23 exceed the special benefit that the properties within the Special Taxing District will
24 receive from the Project, as shown by the Special Tax Allocation Report attached to
25 this Ordinance as Exhibit 3 and made a part of this Ordinance; and

26 (c) The special taxes levied on each property in the Special Taxing District are a fair
27 allocation of the cost of the Project to each property in the Special Taxing District, as
28 shown by the Special Tax Allocation Report.

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

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

39 **SECTION 9. AND BE IT FURTHER ORDAINED,** That this Ordinance may be amended by a
40 subsequent ordinance of the Mayor and City Council of Baltimore, which ordinance may enlarge
41 or reduce the size of the Special Taxing District, upon receipt of a request from both (i) the
42 owners of at least two-thirds of the assessed valuation of the real property located with the

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1 proposed special taxing district; and (ii) at least two-thirds of the owners of the real property
2 located within the proposed special taxing district as determined by the provisions of the Act.
3 However, no ordinance may be effective to reduce the size of the Special Taxing District so long
4 as there are any outstanding Bonds or State Obligations secured by the Special Tax Fund, unless
5 the ordinance authorizing the issuance of the Bonds or the State Obligations permits the City to
6 reduce the area constituting the Special Taxing District, the holders of the Bonds or the State
7 Obligations or an authorized representative on their behalf consents to the reduction or the
8 indenture authorizing the Bonds or the State Obligations permits the reduction.

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

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

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1

EXHIBIT 1

2

Map of Special Taxing District

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1
2

EXHIBIT 2

Rate and Method of Apportionment of the Special Taxes

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.

35 **“Proportionately”** means that the ratio of the Special Tax actually levied as a percent of the
36 Adjusted Maximum Special Tax is equal for each Parcel (excluding those Parcels for which the
37 Adjusted Special Tax is zero).

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1 **"Public Improvements"** means those improvements the City has authorized to be provided by the
2 District.

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

9 **"Rental Residential Property"** means Residential Property intended for residential dwelling units
10 that is either rental units, all of which within a project are under common management, or for which
11 the sales prices is restricted based on the income of the owner, including any ancillary uses thereto.

12 **"Residential Property"** means property for which a building permit has or is intended to be issued
13 for purposes of constructing a residential dwelling unit(s).

14 **"Special Tax"** means the Special Tax that may be levied by the City each Fiscal Year to fund the
15 Special Tax Requirement.

16 **"Special Tax Credit"** means, for any Fiscal Year, Tax Increment Revenues collected from a Parcel
17 for that Fiscal Year. For purposes of calculating the Tax Increment Revenues for each Parcel, the
18 base year value shall be allocated to each Parcel on the basis of the assessed value of each Parcel.

19 **"Special Tax Requirement"** has the meaning given to it in Section C.1.

20 **"State Issuer"** means MEDCO, the State of Maryland, or any agency, department or political
21 subdivision thereof.

22 **"Supervisor"** means the Supervisor of Assessments for the City.

23 **"Tax Increment Fund"** means the account of such name established for the District pursuant to an
24 ordinance enacted by the City.

25 **"Tax Increment Revenues"** means the amounts paid into the Tax Increment Fund each year by the
26 City.

27 **"Taxable Property"** means any Parcel that is not Public Property or Owner Association Property.

28 **"Trustee"** means the trustee appointed by the City or a State Issuer for the District to carry out the
29 duties of the trustee specified in the Indenture of Trust.

30 **B. SPECIAL TAX RATES**

31 1. Maximum Special Tax

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

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1
$$A = (B \div C) \times D$$

2 Where the terms have the following meaning:

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

7 **2. Adjusted Maximum Special Tax**

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

11
$$A = B - C$$

12 Where the terms have the following meaning:

- 13 A = The Adjusted Special Tax for a Parcel
- 14 B = The Maximum Special Tax for the Parcel
- 15 C = The Special Tax Credit for the Parcel

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

18 **3. Personal Property**

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

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

21 **1. Special Tax Requirement**

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

36 **2. Levy of the Special Tax**

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

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

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

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

17 **D. EXEMPTIONS**

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

19 **E. MANNER OF COLLECTION**

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

24 **F. TERMINATION OF SPECIAL TAX**

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

29 **G. REDUCTION IN THE MAXIMUM PROPERTY TAX RATE**

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

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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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EXHIBIT 3

Special Tax Allocation Report

1

2

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

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1	R	Multi-Family	145,000
2		Retail	17,800
3	S	Multi-Family	160,000
4	Total Phase I		2,123,010
5	<i>Phase II</i>		
6	B	Office	298,350
7		Retail	8,275
8	C	Office	250,250
9		Retail	9,500
10	D	Office	1,344,440
11		Retail	29,475
12		Hotel	250,000
13		Multi-Family	75,000
14	E	Office	443,050
15		Retail	6,500
16	F	Multi-Family	85,000
17		Retail	40,000
18	G	Multi-Family	93,000
19		Retail	15,650
20	H	Multi-Family	210,000
21		Retail	14,000
22	I	Multi-Family	180,000
23		Retail	24,500
24	Total Phase II		3,376,990
25	Total		5,500,000

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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

<i>Project Improvement</i>	<i>Series A Bonds</i>	<i>Series B Bonds</i>	<i>Total Cost</i>
On-site improvements			
Roads	\$2,936,260	\$2,180,150	\$5,116,410
Water facilities	\$564,485	\$482,250	\$1,046,735
Sanitary sewage facilities	\$394,890	\$178,530	\$573,420
Storm drain facilities	\$603,086	\$4,312,575	\$4,915,661
Street lighting	\$1,717,985	\$1,948,230	\$3,666,215
Landscaping and stormwater management	\$772,490	\$1,324,865	\$2,097,355
Wetlands construction	\$1,221,080	\$0	\$1,221,080
Earthwork	\$3,470,000	\$4,290,000	\$7,760,000
Street furnishing	\$248,420	\$248,420	\$496,840
Public parks and open space	\$2,696,250	\$16,886,500	\$19,582,750
Bike trails	\$585,360	\$1,830,760	\$2,416,120
Marine improvements	\$0	\$11,073,000	\$11,073,000
Subtotal on-site improvements	\$15,210,306	\$44,755,280	\$59,965,586
Off-site improvements			
Light rail station and pedestrian bridge	\$0	\$2,500,000	\$2,500,000
Property acquisition for Manokin Street extension	\$80,000	\$19,200	\$99,200
Subtotal off-site improvements	\$80,000	\$2,519,200	\$2,599,200
Miscellaneous costs			
Construction stakeout	\$737,252	\$2,100,891	\$2,838,143
Maintenance of traffic	\$276,470	\$787,843	\$1,064,313
Erosion and sediment control	\$184,313	\$525,223	\$709,536
Contingency (including additional public improvements)	\$2,989,026	\$26,184,205	\$29,173,231
Subtotal public improvements	\$19,477,367	\$76,872,633	\$96,350,000
DOT required transportation improvements	\$3,500,000	\$6,500,000	\$10,000,000
Total public improvements	\$22,977,367	\$83,372,633	\$106,350,000

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1 A description of these improvements follows:

2 1. Roads

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

11 2. Water facilities

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

15 3. Sanitary sewage facilities

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

21 4. Storm drainage facilities

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

26 5. Street lighting

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

31 6. Landscaping and stormwater management

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

38 7. Wetlands construction

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

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1 8. Earthwork

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

5 9. Street furnishings

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

9 10. Public parks and open space

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

14 11. Bike trails

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

18 12. Marine improvements

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

21 13. Light rail station and pedestrian bridge

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

28 14. Property acquisition for Manokin Street extension

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

32 15. Construction stakeout

33 The construction stakeout involves payments to the survey crew throughout the course of the project
34 to ensure that each stage of construction complies with the planned dimensions provided in the
35 relevant plans, surveys and other existing documentation. The survey crew will precisely mark the
36 location of all on-site underground piping, conduits and storm drains. Property boundaries,
37 condemned parcels, existing wetlands, steep slopes and other environmentally sensitive areas are
38 also identified by the survey crew. The survey crew is also responsible for marking the location of
39 all proposed improvements as depicted on the construction documents, including the limits of
40 disturbance, cut and fill areas, storm water management and drainage areas, roadways, sidewalks,

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1 and other public rights-of-way, stormwater management and drainage systems, end walls, curbs and
2 gutters, fences, all layers of pavement and signage.

3 16. Maintenance of traffic

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

6 17. Erosion and sediment control

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

9 18. DOT transportation improvements

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

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

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

25 **Projected Issuance of Bonds**

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

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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.

The purpose of the reserve fund is to ensure there are sufficient funds to pay debt service 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.

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 tax increment 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;

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- 1 (ii) the amount of special taxes to be levied each year is equal to or less than the amount
2 required to repay the bonds issued to finance the public improvements; and
- 3 (iii) special taxes are allocated to parcels within the District in a manner that reasonably
4 represents the benefit each parcel will receive from the improvements to be provided
5 by the District.

6 Special Benefit

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

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

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

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

38 The financing provided by the special tax district is long-term financing and pays interest
39 to the bond holders that are exempt from income taxes, resulting in a lower rate than other available

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1 financing on comparable terms. The special taxes also help to make available tax increment
2 revenues for the bond financing (that is, bonds will be repaid from the increase in property taxes as
3 well as from special taxes). As a result of these advantages, the financing provided by the District
4 is the most beneficial means of financing the public improvements.

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

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

16 Special Taxes Required to Repay the Bonds

17 Special taxes are levied in an amount necessary to meet the City's obligation to provide for the
18 payment of debt service on bonds issued to fund the improvements to be provided by the District. Special
19 taxes will first be levied for the 2009-2010 fiscal year. These special taxes will be available to be applied
20 to debt service due on January 1 and July 1, 2010. Debt service is calculated at seven and a half percent on
21 the bonds. The special taxes include debt service coverage of one hundred ten percent, which may also be
22 used to replenish reserves and to fund administrative expenses of the District. The maximum special tax
23 necessary to pay the estimated debt service due on the bonds and provide the necessary coverage is
24 \$12,580,000.

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

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

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

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Allocation of Special Taxes to Parcels

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

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

Special taxes are levied on the basis of equivalent unit factors. The equivalent unit factors represent the relative future average estimated value of the property within each land use class.

Table F
Property Classifications and
Equivalent Units

Classification	Estimated Value	Equivalent Units
For Sale Residential	\$330,000 per unit	1.00
Rental Residential	\$130,000 per unit	0.39
Commercial	\$204,000 per 1,000 square feet	0.62
Parking	\$12,000 per space	0.04

The special taxes are allocated to each parcel on the basis of the proposed development of the parcel and the equivalent units for each type of development. The equivalent units represent 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 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 will be applied to the repayment of the bonds

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1 issued to finance the public improvements to be provided by the District. To the extent property produces
2 tax increment revenues, and these revenues cover the debt service on the bonds, the property is contributing
3 its share of the cost of the public improvements through these revenues. The special taxes effectively cover
4 each property's share of the cost of the public improvements not otherwise covered by the property's tax
5 increment revenues.

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

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

- 11 1. The property within the District will receive a special benefit from the public improvements
12 to be provided as a result of the District and this special benefit exceeds the levy of the
13 special taxes;
- 14 2. Special taxes levied on all of the property in the District each year are equal to the amount
15 required to pay the debt service on the bonds issued to provide the public improvements,
16 after taking into consideration any savings and other revenues available to repay the bonds;
- 17 3. Special taxes are allocated to each property within the District on the basis of the estimated
18 future value of the property in the District, which reasonably reflects the relative benefit each
19 property will receive from the improvements; and,
- 20 4. The maximum special tax to which each property is subject is reduced by the tax increment
21 revenues produced from each property, since these revenues contribute to the property's
22 share of the repayment of the bonds issued to finance the public improvements.

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