

SENATE BILL 238

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2000 Regular Session
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By: **Senators Hoffman, McFadden, Middleton, Hogan, Currie, Madden,
Stoltzfus, Kasemeyer, Van Hollen, Munson, Stone, Neall, Ruben, and
Lawlah**

Introduced and read first time: January 27, 2000
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Baltimore City Charter Amendment - General Powers - Tax Increment**
3 **Financing**

4 FOR the purpose of altering the conditions under which Baltimore City may borrow
5 money by issuing and selling certain bonds to finance and refinance the
6 development of certain development districts; authorizing the Mayor and City
7 Council to conditionally pledge certain revenues, subject to annual
8 appropriation by the Mayor and City Council, to the repayment of certain bonds;
9 altering the circumstances under which certain ordinances must be submitted to
10 the legal voters of Baltimore City for approval; and generally relating to tax
11 increment financing in Baltimore City.

12 BY repealing and reenacting, with amendments,
13 The Charter of Baltimore City
14 Article II - General Powers
15 Section (62)
16 (1996 Edition, as amended)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **The Charter of Baltimore City**

20 **Article II - General Powers**

21 The Mayor and City Council of Baltimore shall have full power and authority to
22 exercise all of the powers heretofore or hereafter granted to it by the Constitution of
23 Maryland or by any Public General or Public Local Laws of the State of Maryland;
24 and in particular, without limitation upon the foregoing, shall have power by
25 ordinance, or such other method as may be provided for in its Charter, subject to the
26 provisions of said Constitution and Public General Laws:

1 (62) (a) (1) To borrow money by issuing and selling bonds, at any time and
2 from time to time, for the purpose of financing and refinancing the development of an
3 industrial, commercial, or residential area in Baltimore City. Such bonds shall be
4 payable from and secured by a pledge of the special fund described in subsection
5 (d)(3)(ii) of this section and the Mayor and City Council of Baltimore may also
6 establish sinking funds, establish debt service reserve funds, or pledge other assets
7 and revenues towards the payments of the principal and interest, including revenues
8 received by the Mayor and City Council of Baltimore pursuant to a development
9 agreement. [The Mayor and City Council of Baltimore may not pledge its full faith
10 and credit or unlimited taxing power to the payment of such bonds.]

11 (2) (I) IN LIEU OF THE PLEDGES SET FORTH IN PARAGRAPH (1) OF
12 THIS SUBSECTION, THE AUTHORIZING ORDINANCE OR TRUST AGREEMENT, SUBJECT
13 TO SUBPARAGRAPHS (II) AND (III) OF THIS PARAGRAPH, MAY PLEDGE OR ASSIGN:

14 1. ALL OR ANY PART OF THAT PORTION OF THE REVENUES
15 AND RECEIPTS FROM THE TAXES REPRESENTING THE LEVY ON THE TAX INCREMENT
16 THAT WOULD NORMALLY BE PAID TO THE MAYOR AND CITY COUNCIL OF BALTIMORE
17 TO THE PAYMENT OF SUCH PRINCIPAL AND INTEREST; AND

18 2. THE SPECIAL FUND DESCRIBED IN SUBSECTION (D)(3)(II)
19 OF THIS SECTION AND ANY OTHER FUND INTO WHICH ALL OR ANY PART OF SUCH
20 REVENUES AND RECEIPTS ARE DEPOSITED AFTER SUCH REVENUES AND RECEIPTS
21 ARE APPROPRIATED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE TO THE
22 PAYMENT OF SUCH PRINCIPAL AND INTEREST.

23 (II) THE REVENUES AND RECEIPTS MAY NOT BE IRREVOCABLY
24 PLEDGED TO THE PAYMENT OF SUCH PRINCIPAL AND INTEREST AND THE
25 OBLIGATION TO PAY SUCH PRINCIPAL AND INTEREST FROM SUCH REVENUES AND
26 RECEIPTS SHALL BE SUBJECT TO ANNUAL APPROPRIATION BY THE MAYOR AND CITY
27 COUNCIL OF BALTIMORE.

28 (III) THE MAYOR AND CITY COUNCIL OF BALTIMORE MAY NOT
29 PLEDGE ITS FULL FAITH AND CREDIT OR UNLIMITED TAXING POWER TO THE
30 PAYMENT OF SUCH BONDS.

31 (b) (1) In this section the following words have the meanings indicated,
32 unless the context clearly indicates another or different meaning or intent:

33 (2) "Adjusted assessable base" means, for real property that qualifies for
34 farm or agricultural use under § 8-209 of the Tax - Property Article of the Annotated
35 Code of Maryland, as amended, replaced, or supplemented from time to time, the fair
36 market value of the property without regard to its agricultural use assessment as of
37 January 1 of that year preceding the effective date of the ordinance creating the
38 development district under subsection (d) of this section.

39 (3) "Assessable base" means the total assessable base of all real property
40 in a development district subject to taxation as determined by the Supervisor of
41 Assessments.

1 (4) (i) "Assessment ratio" means any real property tax assessment
2 ratio, however designated or calculated, which is used or applied under applicable
3 general law in determining the assessable base.

4 (ii) "Assessment ratio" includes the assessment percentage as
5 provided under § 8-103(c) of the Tax - Property Article of the Annotated Code of
6 Maryland, as amended, replaced, or supplemented from time to time.

7 (5) "Bonds" or "bond" means any bonds or bond, notes or note, or other
8 similar instruments or instrument issued by the Mayor and City Council of Baltimore
9 pursuant to and in accordance with this section.

10 (6) "Development" includes new development, redevelopment,
11 revitalization, and renovation.

12 (7) "Development agreement" means an agreement between the Mayor
13 and City Council of Baltimore and any person involved in or responsible for
14 development of property within a development district pursuant to which such person
15 shall agree to pay in each year in which any bonds are outstanding an amount equal
16 to all or a portion of the debt service on bonds issued pursuant to this section to
17 finance or refinance development in such development district.

18 (8) "Development district" means a contiguous area within the City of
19 Baltimore designated by an ordinance of the Mayor and City Council of Baltimore.

20 (9) "Original assessable base" means the assessable base as of January 1
21 of that year preceding the effective date of the ordinance creating the development
22 district under subsection (d) of this section.

23 (10) "Original full cash value" means the dollar amount which is
24 determined by dividing the original assessable base by the assessment ratio used to
25 determine the original assessable base.

26 (11) "Original taxable value" means for any tax year the dollar amount
27 that is the lesser of:

28 (i) the product of the original full cash value times the assessment
29 ratio applicable to that tax year;

30 (ii) the original assessable base; or

31 (iii) if an adjusted assessable base applies, then the "original
32 taxable value" is the adjusted assessable base.

33 (12) "Supervisor of Assessments" means the Supervisor of Assessments
34 for Baltimore City.

35 (13) "Tax increment" means for any tax year the amount by which the
36 assessable base as of January 1 preceding that tax year exceeds the original taxable
37 value.

1 (14) "Tax year" means the period from July 1 of a calendar year through
2 June 30 of the next calendar year.

3 (c) All proceeds received from any bonds issued and sold pursuant to this
4 section shall be applied solely for:

5 (1) the cost of purchasing, leasing, condemning, or otherwise acquiring
6 land or other property, or an interest in them, in the designated development district
7 area or as necessary for a right-of-way or other easement to or from the development
8 district area;

9 (2) site removal;

10 (3) surveys and studies;

11 (4) relocation of businesses or residents;

12 (5) installation of utilities, construction of parks and playgrounds, and
13 other necessary improvements including streets and roads to, from, or within the
14 development district, parking, lighting, and other facilities;

15 (6) construction or rehabilitation of buildings provided that such
16 buildings are to be devoted to a governmental use or purpose;

17 (7) reserves and capitalized interest on the bonds;

18 (8) necessary costs of issuing bonds; and

19 (9) payment of the principal and interest on loans, money advanced, or
20 indebtedness incurred by the Mayor and City Council of Baltimore for any of the
21 purposes set out in this section.

22 (d) Before issuing any bonds under this section, the Mayor and City Council of
23 Baltimore shall:

24 (1) designate by ordinance a contiguous area within the City of
25 Baltimore as a "development district";

26 (2) receive from the Supervisor of Assessments a certification as to the
27 amount of the original assessable base, or if applicable, the adjusted assessable base;
28 and

29 (3) [pledge] PROVIDE that until the bonds have been fully paid or
30 thereafter, the property taxes on real property within the development district shall
31 be divided as follows:

32 (i) that portion of the taxes which would be produced by the rate at
33 which taxes levied each year by the Mayor and City Council of Baltimore upon the
34 original taxable value shall be allocated to and when collected paid into the funds of
35 the Mayor and City Council of Baltimore in the same manner as taxes by the Mayor
36 and City Council of Baltimore on all other property are paid; and

1 (ii) that portion of the taxes representing the levy on the tax
2 increment that would normally be paid to the Mayor and City Council of Baltimore
3 shall be paid into a special fund to be applied in accordance with the provisions of
4 subsection (e) of this section. This yield shall not be considered as municipal taxes for
5 the purposes of any constant yield tax limitation or State or local restriction. No State
6 real property taxes may be paid into the special fund.

7 (e) (1) The Mayor and City Council of Baltimore may enact an ordinance
8 creating a special fund described in subsection (d)(3)(ii) of this section with respect to
9 a development district, even though no bonds authorized by this section have been
10 issued by the Mayor and City Council of Baltimore with respect to that development
11 district or are then outstanding. The taxes allocated to such special fund by
12 subsection (d)(3)(ii) of this section shall thereafter be paid over to such special fund,
13 as long as such ordinance remains in effect.

14 (2) When no bonds authorized by this section are outstanding with
15 respect to a development district and the Mayor and City Council of Baltimore by
16 ordinance so determines, moneys in the special fund for that development district
17 created pursuant to subsection (d)(3)(ii) of this section may be:

18 (i) used for any of the purposes described in subsection (c) of this
19 section;

20 (ii) accumulated for payment of debt service on bonds subsequently
21 issued under this section;

22 (iii) used to pay or to reimburse the Mayor and City Council of
23 Baltimore for debt service which the Mayor and City Council of Baltimore is obligated
24 to pay or has paid (whether such obligation is general or limited) on bonds issued by
25 the Mayor and City Council of Baltimore, the State of Maryland, or any agency,
26 department, or political subdivision thereof, the proceeds of which have been used for
27 any of the purposes specified in subsection (c) of this section; or

28 (iv) paid to the Mayor and City Council of Baltimore to provide
29 funds to be used for any legal purpose as may be determined by the Mayor and City
30 Council of Baltimore.

31 (3) When any bonds authorized by this section are outstanding with
32 respect to a development district and the Mayor and City Council of Baltimore so
33 determines, moneys in the special fund for that development district created
34 pursuant to subsection (d)(3)(ii) of this section may be used as provided in paragraph
35 (2) of this subsection in any fiscal year by the Mayor and City Council of Baltimore,
36 but only to the extent that:

37 (i) the amount in such special fund exceeds the unpaid debt service
38 payable on such bonds in such fiscal year and is not restricted so as to prohibit the use
39 of such moneys; and

1 (ii) such use is not prohibited by the ordinance of the Mayor and
2 City Council of Baltimore or resolution of the Board of Finance authorizing the
3 issuance of such bonds.

4 (f) (1) Before issuing any bonds under this section the Mayor and City
5 Council of Baltimore shall enact an ordinance which:

6 (i) specifies and describes the proposed undertaking and states
7 that it has complied with subsection (d) of this section; and

8 (ii) specifies the maximum principal amount of bonds to be issued,
9 from time to time or at any time, pursuant to such ordinance.

10 (2) The ordinance, IF SUCH BONDS CONSTITUTE DEBT OF THE MAYOR
11 AND CITY COUNCIL OF BALTIMORE UNDER SECTION 7 OF ARTICLE XI OF THE STATE
12 CONSTITUTION, shall be submitted to the legal voters of the City of Baltimore at the
13 time and place specified therein. Such ordinance shall become effective only if it is
14 approved by the majority of the votes cast at the time and place specified in such
15 ordinance. Except as otherwise provided herein, this section may not be construed as
16 requiring the submission to the legal voters of the City of Baltimore of any ordinance
17 creating a development district pursuant to subsection (d) of this section.

18 (3) Such ordinance may specify that the bonds authorized thereunder
19 may be issued from time to time or at any time.

20 (4) Such ordinance may authorize the Mayor and City Council of
21 Baltimore by ordinance or the Board of Finance by resolution to specify and prescribe
22 any of the following as it deems appropriate to effect the financing or refinancing of
23 the proposed undertaking:

24 (i) the actual principal amount of the bonds to be issued;

25 (ii) the actual rate or rates of interest the bonds are to bear or the
26 method for determining the same;

27 (iii) the manner in which and the terms upon which the bonds are to
28 be sold;

29 (iv) the manner in which and the times and places that the interest
30 on the bonds is to be paid;

31 (v) the time or times that the bonds may be executed, issued, and
32 delivered;

33 (vi) the form and tenor of the bonds and the denominations in which
34 the bonds may be issued;

35 (vii) the manner in which and the times and places that the
36 principal of the bonds is to be paid, within the limitations set forth in this subsection;

1 (viii) provisions pursuant to which any or all of the bonds may be
2 called for redemption prior to their stated maturity dates;

3 (ix) the terms and provisions of any development agreement to be
4 executed by the Mayor and City Council of Baltimore and any person in connection
5 with the issuance of such bonds; and

6 (x) any other provisions not inconsistent with this section, the
7 Charter and applicable law as shall be determined by the Mayor and City Council of
8 Baltimore or the Board of Finance (as the case may be) to be necessary or desirable to
9 effect the financing or refinancing of the proposed undertaking.

10 (g) The principal amount of the bonds, the interest payable thereon, their
11 transfer, and any income derived therefrom, including any profit made in the sale or
12 transfer thereof, shall be exempt from taxation by the State of Maryland and by the
13 several counties and municipalities of the State of Maryland but shall be included, to
14 the extent required under Title 8, Subtitle 2 of the Tax - General Article of the
15 Annotated Code of Maryland, as amended, replaced, or supplemented from time to
16 time, in computing the net earnings of financial institutions.

17 (h) (1) All bonds may be in bearer form or in coupon form or may be
18 registrable as to principal alone or as to both principal and interest. Each of the bonds
19 shall be deemed to be a "security" within the meaning of § 8-102 of the Commercial
20 Law Article of the Annotated Code of Maryland, as amended, replaced, or
21 supplemented from time to time, whether or not it is either one or a class or series or
22 by its terms is divisible into a class or series of instruments.

23 (2) All bonds shall be signed manually or in facsimile by the Mayor of the
24 City of Baltimore, and the seal of the Mayor and City Council of Baltimore shall be
25 impressed thereon manually or by facsimile and attested by the custodian of the City
26 seal, manually or by facsimile. If any officer whose signature or countersignature
27 appears on the bonds ceases to be such officer before delivery of the bonds, his
28 signature or countersignature shall nevertheless be valid and sufficient for all
29 purposes the same as if he had remained in office until delivery thereof.

30 (3) All bonds shall mature not later than 40 years from their date of
31 issuance.

32 (4) All bonds shall be sold in such manner, either at public or private
33 sale, and upon such terms as the Mayor and City Council of Baltimore by ordinance or
34 (if authorized in the ordinance authorizing such bonds) the Board of Finance by
35 resolution deems best. Any contract for the acquisition of property may provide that
36 payment shall be in bonds.

37 (i) (1) The Mayor and City Council of Baltimore, acting by and through the
38 Board of Finance thereof, is hereby authorized and empowered to issue its bonds for
39 the purpose of refunding any bonds authorized to be issued under the provisions of
40 this section by payment at maturity or the purchase or redemption of bonds in
41 advance of maturity. The validity of any refunding bonds shall in no way be
42 dependent upon or related to the validity or invalidity of the bonds being refunded.

1 Such refunding bonds may be issued by the Mayor and City Council of Baltimore,
2 acting by and through the Board of Finance thereof, for the purpose of providing it
3 with funds to pay any of its outstanding bonds authorized to be issued under the
4 provisions of this section at maturity, to purchase in the open market any of its
5 outstanding bonds authorized to be issued under the provisions of this subsection
6 prior to their maturity, to redeem prior to their maturity any outstanding bonds
7 which are, by their terms, redeemable, to pay interest on any outstanding bonds prior
8 to their payment at maturity or purchase or redemption in advance of maturity, or to
9 pay any redemption or purchase premium in connection with the refunding of any of
10 its outstanding bonds authorized to be issued under the provisions of this subsection.

11 (2) Any refunding bonds authorized to be issued and sold under the
12 provisions of this section may be issued for the public purpose of:

13 (i) realizing savings to Baltimore City in the aggregate cost of debt
14 service on either a direct comparison or present value basis; or

15 (ii) debt restructuring that:

16 1. In the aggregate effects such a reduction in the cost of debt
17 service; or

18 2. is determined by the Board of Finance or the Mayor and
19 City Council of Baltimore to be in the best interest of Baltimore City, to be consistent
20 with Baltimore City's long-term financial plan, and to realize a financial objective of
21 Baltimore City, including, without limitation, improving the relationship of debt
22 service to a source of payment such as taxes, assessments, or other charges.

23 (3) Any refunding bonds authorized to be issued and sold under the
24 provisions of this section may be issued in whatever principal amount shall be
25 required to achieve the purpose for the issuance of the refunding bonds, which
26 amount may be in excess of the principal amount of the bonds refunded or the
27 maximum principal amount of bonds authorized to be issued under subsection (f)(4)(i)
28 of this section.

29 (4) Any refunding bonds authorized to be issued and sold under the
30 provisions of this section may be issued to mature on such dates and in such amounts
31 as the Board of Finance may determine; provided that the entire principal amount
32 represented by the refunding bonds shall be discharged not more than 40 years from
33 the date of issuance of the bonds being refunded.

34 (5) Any refunding bonds authorized to be issued and sold under the
35 provisions of this section may be sold at public sale by the solicitation of competitive
36 bids or at private (negotiated) sale without advertisement or solicitation of
37 competitive bids, for a price or prices which may be at, above, or below the par value
38 of the refunding bonds, as determined by resolution of the Board of Finance of the
39 Mayor and City Council of Baltimore. If the Board of Finance determines to sell the
40 refunding bonds at public sale, the refunding bonds shall be sold to the highest
41 responsible bidder or bidders therefor after due notice of such sale, but the Mayor and

1 City Council of Baltimore, acting by and through the Board of Finance thereof, shall
2 have the right to reject any or all bids therefor for any reason.

3 (6) Any refunding bonds authorized to be issued and sold under the
4 provisions of this section shall bear interest at such rate or rates as may be
5 determined by the Board of Finance of the Mayor and City Council of Baltimore,
6 which rate or rates may be fixed or variable or as determined by a method approved
7 by the Board of Finance, and such interest shall be payable at such time or times as
8 may be determined by the Board of Finance.

9 (7) The proceeds of the sale of any refunding bonds authorized to be
10 issued and sold under the provisions of this section, after the payment of issuance
11 costs relating thereto, shall be set aside by the Mayor and City Council of Baltimore
12 as a separate trust fund to be used solely for the purposes stated in this subsection.

13 (8) Except as otherwise provided in this subsection, the powers granted
14 in, the limitations and obligations imposed by, and the procedures specified in this
15 section with respect to the issuance of bonds shall be applicable to the issuance of
16 refunding bonds.

17 (9) Any refunding bonds authorized to be issued and sold under the
18 provisions of this section shall not be subject to any debt policy limitation that may
19 from time to time be established by the Mayor and City Council of Baltimore.

20 (j) Whenever the Mayor and City Council of Baltimore, as lessor, leases its
21 property within the development district, the property shall be assessed and taxed in
22 the same manner as privately owned property, and the lease or contract shall provide
23 that the lessee shall pay taxes or payments in lieu of taxes upon the assessed value of
24 the entire property and not merely the assessed value of the leasehold interest.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
26 effect October 1, 2000.