

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

Committee Report: Favorable
Senate action: Adopted
Read second time: March 7, 2000

CHAPTER _____

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:

1 **The Charter of Baltimore City**

2 Article II - General Powers

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

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

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

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

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

31 (II) THE REVENUES AND RECEIPTS MAY NOT BE IRREVOCABLY
32 PLEDGED TO THE PAYMENT OF SUCH PRINCIPAL AND INTEREST AND THE
33 OBLIGATION TO PAY SUCH PRINCIPAL AND INTEREST FROM SUCH REVENUES AND
34 RECEIPTS SHALL BE SUBJECT TO ANNUAL APPROPRIATION BY THE MAYOR AND CITY
35 COUNCIL OF BALTIMORE.

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

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

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

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

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

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

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

19 (6) "Development" includes new development, redevelopment,
20 revitalization, and renovation.

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

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

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

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

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

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

- 1 (ii) the original assessable base; or
- 2 (iii) if an adjusted assessable base applies, then the "original
3 taxable value" is the adjusted assessable base.
- 4 (12) "Supervisor of Assessments" means the Supervisor of Assessments
5 for Baltimore City.
- 6 (13) "Tax increment" means for any tax year the amount by which the
7 assessable base as of January 1 preceding that tax year exceeds the original taxable
8 value.
- 9 (14) "Tax year" means the period from July 1 of a calendar year through
10 June 30 of the next calendar year.
- 11 (c) All proceeds received from any bonds issued and sold pursuant to this
12 section shall be applied solely for:
- 13 (1) the cost of purchasing, leasing, condemning, or otherwise acquiring
14 land or other property, or an interest in them, in the designated development district
15 area or as necessary for a right-of-way or other easement to or from the development
16 district area;
- 17 (2) site removal;
- 18 (3) surveys and studies;
- 19 (4) relocation of businesses or residents;
- 20 (5) installation of utilities, construction of parks and playgrounds, and
21 other necessary improvements including streets and roads to, from, or within the
22 development district, parking, lighting, and other facilities;
- 23 (6) construction or rehabilitation of buildings provided that such
24 buildings are to be devoted to a governmental use or purpose;
- 25 (7) reserves and capitalized interest on the bonds;
- 26 (8) necessary costs of issuing bonds; and
- 27 (9) payment of the principal and interest on loans, money advanced, or
28 indebtedness incurred by the Mayor and City Council of Baltimore for any of the
29 purposes set out in this section.
- 30 (d) Before issuing any bonds under this section, the Mayor and City Council of
31 Baltimore shall:
- 32 (1) designate by ordinance a contiguous area within the City of
33 Baltimore as a "development district";

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1 (iv) the manner in which and the times and places that the interest
2 on the bonds is to be paid;
- 3 (v) the time or times that the bonds may be executed, issued, and
4 delivered;
- 5 (vi) the form and tenor of the bonds and the denominations in which
6 the bonds may be issued;
- 7 (vii) the manner in which and the times and places that the
8 principal of the bonds is to be paid, within the limitations set forth in this subsection;
- 9 (viii) provisions pursuant to which any or all of the bonds may be
10 called for redemption prior to their stated maturity dates;
- 11 (ix) the terms and provisions of any development agreement to be
12 executed by the Mayor and City Council of Baltimore and any person in connection
13 with the issuance of such bonds; and
- 14 (x) any other provisions not inconsistent with this section, the
15 Charter and applicable law as shall be determined by the Mayor and City Council of
16 Baltimore or the Board of Finance (as the case may be) to be necessary or desirable to
17 effect the financing or refinancing of the proposed undertaking.

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

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

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

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

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

6 (i) (1) The Mayor and City Council of Baltimore, acting by and through the
7 Board of Finance thereof, is hereby authorized and empowered to issue its bonds for
8 the purpose of refunding any bonds authorized to be issued under the provisions of
9 this section by payment at maturity or the purchase or redemption of bonds in
10 advance of maturity. The validity of any refunding bonds shall in no way be
11 dependent upon or related to the validity or invalidity of the bonds being refunded.
12 Such refunding bonds may be issued by the Mayor and City Council of Baltimore,
13 acting by and through the Board of Finance thereof, for the purpose of providing it
14 with funds to pay any of its outstanding bonds authorized to be issued under the
15 provisions of this section at maturity, to purchase in the open market any of its
16 outstanding bonds authorized to be issued under the provisions of this subsection
17 prior to their maturity, to redeem prior to their maturity any outstanding bonds
18 which are, by their terms, redeemable, to pay interest on any outstanding bonds prior
19 to their payment at maturity or purchase or redemption in advance of maturity, or to
20 pay any redemption or purchase premium in connection with the refunding of any of
21 its outstanding bonds authorized to be issued under the provisions of this subsection.

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

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

26 (ii) debt restructuring that:

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

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

34 (3) Any refunding bonds authorized to be issued and sold under the
35 provisions of this section may be issued in whatever principal amount shall be
36 required to achieve the purpose for the issuance of the refunding bonds, which
37 amount may be in excess of the principal amount of the bonds refunded or the
38 maximum principal amount of bonds authorized to be issued under subsection (f)(4)(i)
39 of this section.

40 (4) Any refunding bonds authorized to be issued and sold under the
41 provisions of this section may be issued to mature on such dates and in such amounts
42 as the Board of Finance may determine; provided that the entire principal amount

1 represented by the refunding bonds shall be discharged not more than 40 years from
2 the date of issuance of the bonds being refunded.

3 (5) Any refunding bonds authorized to be issued and sold under the
4 provisions of this section may be sold at public sale by the solicitation of competitive
5 bids or at private (negotiated) sale without advertisement or solicitation of
6 competitive bids, for a price or prices which may be at, above, or below the par value
7 of the refunding bonds, as determined by resolution of the Board of Finance of the
8 Mayor and City Council of Baltimore. If the Board of Finance determines to sell the
9 refunding bonds at public sale, the refunding bonds shall be sold to the highest
10 responsible bidder or bidders therefor after due notice of such sale, but the Mayor and
11 City Council of Baltimore, acting by and through the Board of Finance thereof, shall
12 have the right to reject any or all bids therefor for any reason.

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

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

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

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

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

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

