

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1379
Appropriations

(Delegate Rudolph)

**Maryland Consolidated Capital Bond Loan of 2005 - Cecil County - The
Amphitheater at Bainbridge**

This bill changes the purpose of the grant authorized by the Maryland Consolidated Capital Bond Loan of 2005 to the Board of Directors of the Bainbridge Development Corporation, Inc. (BDC) so that the funds may be used for the planning, design, repair, renovation, reconstruction, and capital equipping of the historic Tome School rather than the amphitheater. The grant is subject to the requirement that the grantee grant and convey an historic easement to the Maryland Historical Trust. The bill also extends the date by which the proceeds of the loan must be expended or encumbered by the Board of Public Works to June 1, 2014.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Local Effect: The bill does not directly affect the finances or operations of Cecil County.

Small Business Effect: None.

Analysis

Current Law: Chapter 445 of 2005 authorized up to \$100,000 for the planning, design, repair, renovation, reconstruction, and capital equipping of the amphitheater located at the former Bainbridge Naval Training Center. The matching grant may not consist of real

property, in-kind donations, or fund expended prior to the June 1, 2005 effective date of Chapter 445. The grantee had until June 1, 2007, to present evidence that the required matching funds would be provided. The proceeds of the loan must be encumbered by the Board of Public Works or expended by the grantee by June 1, 2012.

Chapter 432 of 2004 authorized up to \$100,000 for the planning, design, renovation, stabilization, and repair of the historic Tome School, located at the former Bainbridge Naval Training Center in Cecil County, subject to a requirement that the grantee grant and convey an historic easement to the Maryland Historical Trust. The grantee had until June 1, 2006, to present evidence that the required matching funds would be provided. The proceeds of the loan had to be encumbered by the Board of Public Works or expended by the grantee by June 1, 2011.

Chapter 153 of 2003 established a seven-year limitation on the authority to spend an appropriation for a capital expenditure and a seven-year limitation on the authorization for State debt unless otherwise provided in an enabling act. The Act applies to all debt authorized on or after June 1, 1997.

Under the Internal Revenue Code, an entity that sells tax-exempt bonds must spend down the proceeds within 18 to 24 months, depending on the project. The law prohibits entities that sell tax-exempt bonds from earning arbitrage, by which an entity earns a higher rate of interest from the investment of bond proceeds than the interest paid on the bonds. The accumulation of unexpended bond proceeds for projects over seven years old has resulted in the State earning arbitrage interest on the bond proceeds, creating a federal tax rebate liability.

Background: BDC was established by Chapter 494 of 2011 as a local redevelopment authority to govern the process for redevelopment of the former Bainbridge Naval Training Center and the adjacent Historic Jacob Tome School for Boys. In 2004, BDC entered into an agreement with a development team to undertake the redevelopment of the 1,200-acre former base into a mixed-use development, which was to include residential, commercial, and recreational facilities. The recreational facilities were going to include hiking and biking trails, ball fields, a swimming pool, and an amphitheater.

In 2008, during the planning process, soil contaminants from when the site was a Naval Training Center were identified at the site, and the Maryland Department of Environment (MDE) halted development. In 2009, MDE required a sitewide environmental assessment (Phase II). In 2010, the federal government invested approximately \$800,000 to complete a Phase II assessment which identified a number of pervasive contaminants sitewide, preventing commercial and residential development without remediation. In 2011, the Navy acknowledged its responsibility in the assessment and remediation of the property and is currently undergoing a study to determine next steps.

Due to the soil containments, the development, including the amphitheater, has been delayed. Therefore, BDC hopes to use the grant to restore the Jacob Tome School for Boys, which is on an adjacent 50-acre property. Due to the historic nature of the building, an easement was granted to the Maryland Historical Trust by Chapter 432 of 2004.

The Jacob Tome School for Boys built a series of granite buildings on the bluffs above Port Deposit, overlooking the Susquehanna River between 1899-1906. The architectural significance of the school centers on the site plan and Beaux-Arts-influenced Georgian Revival style of the buildings designed by the firm of Boring and Tilton in 1900. The monumental scale of the buildings, their symmetrical facades, the elaborate ornamentation derived from English Renaissance and American Colonial Revival sources, and the axial site plan are the main elements of the movement present in the Tome School. The granite structures are organized around a large quadrangle that is oriented northeast-southwest, which include Memorial Hall, three dormitories (Jackson, Madison, and Harrison), Van Buren Inn, Monroe Hall, and the President's House. The school property and buildings were designated a National Historic District in 1984.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Cecil County, Bainbridge Development Corporation, Department of Legislative Services

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mc/ljm

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