

Introduced January 7, 2013
Public Hearing January 22, 2013
Council Action February 4, 2013
Executive Action February 8, 2013
Effective Date April 10, 2013

County Council of Howard County, Maryland

2013 Legislative Session

Legislative Day No. 1

Bill No. 5 -2013

Introduced by: The Chairperson at the request of the County Executive

AN ACT amending uncodified sections in Council Bill No. 21-2009 to reflect additional property to be added to the Districts; to reflect a change in the name of the Developer; to replace the exhibits to Council Bill No. 21-2009; and generally relating to Council Bill No. 21-2009.

Introduced and read first time January 7, 2013. Ordered posted and hearing scheduled.

By order Stephen LeGendre
Stephen LeGendre, Administrator

Having been posted and notice of time & place of hearing & title of Bill having been published according to Charter, the Bill was read for a second time at a public hearing on January 22, 2013.

By order Stephen LeGendre
Stephen LeGendre, Administrator

This Bill was read the third time on February 4, 2013 and Passed , Passed with amendments , Failed .

By order Stephen LeGendre
Stephen LeGendre, Administrator

Sealed with the County Seal and presented to the County Executive for his approval this 5th day of February, 2013 at 3:00 a.m./p.m.

By order Stephen LeGendre
Stephen LeGendre, Administrator

Approved Vetoed by the County Executive February 8, 2013.

Ken Ulman
Ken Ulman, County Executive

NOTE: [[text in brackets]] indicates deletions from existing law; TEXT IN SMALL CAPITALS indicates additions to existing law; Strike-out indicates material deleted by amendment; Underlining indicates material added by amendment.

1 **WHEREAS**, on or about May 4, 2009, the County Council of Howard County
2 adopted Council Bill No. 21-2009 (“CB 21”); and

3
4 **WHEREAS**, CB 21 was signed by the County Executive and became effective
5 on May 6, 2009; and

6
7 **WHEREAS**, CB 21 was presented to the County Council as part of a package
8 related to the construction of a public parking garage to serve the MARC station in
9 Savage and for the development of a mixed-use project consisting of residential, office,
10 retail, and hotel uses within the Savage Town Centre Development District; and

11
12 **WHEREAS**, CB 21 levied and provided for collection of a special tax on
13 property within the Savage Town Centre Development District pursuant to the Rate and
14 Method attached thereto as Exhibit A, authorized the County to issue up to \$17,000,000
15 of its special obligation bonds at a maximum interest rate of 7% per year in order to
16 finance or reimburse the costs of public improvements related to development within the
17 Districts (hereinafter defined) and determined certain other matters relating to such
18 bonds; and

19
20 **WHEREAS**, other items in the legislative package included Council Resolution
21 No. 14-2009 that provided for the designation of a special taxing district known as the
22 “Savage Towne Centre Special Taxing District” and the designation of a development
23 district known as the “Savage Towne Centre Development District” (together, the
24 “Districts”) and created a Savage Towne Centre Tax Increment Fund and a Savage
25 Towne Centre Special Taxes Fund; and Council Bill No. 20-2009 that approved a multi-
26 year agreement between the County and Petrie Ross Ventures D.C., LLC (“PRV”) to set
27 forth the parties’ rights and obligations regarding the construction financing for the
28 parking garage and related infrastructure; and

29
30 **WHEREAS**, on or about May 2, 2011, the County Council of Howard County
31 adopted Council Bill No. 14-2011 (“CB 14”); and

1
2 **WHEREAS**, CB 14 was signed by the County Executive and became effective
3 on July 2, 2011; and
4

5 **WHEREAS**, CB 14 extended the expiration of CB 21 from two years to five
6 years after its effective date; and
7

8 **WHEREAS**, the PRV entered into a Transportation Public-Private Partnership
9 Agreement (“PPP Agreement”) with the Maryland Department of Transportation, the
10 Maryland Transit Administration and the Maryland Transportation Authority
11 (collectively, the “State Agencies”) pursuant to which PRV would construct the
12 Improvements as described in the “Request for the Creation of a Special Taxing District
13 and the Issuance of Special Obligation Bonds” (the “Original Request”) and the State
14 Agencies will transfer ownership of all of the property described in Exhibits A and B to
15 CR 14 (the “Original Property”) except as provided in the PPP Agreement; and
16

17 **WHEREAS**, PRV entered into a Real Estate Sales Agreement on July 30, 2009
18 with Boise Maryland Business Trust (“Boise”), as amended by Amendment No. 1 to Real
19 Estate Agreement dated May 5, 2011 (together, the “Agreement”), to purchase certain
20 real property consisting of approximately 5.96 acres located in Annapolis Junction,
21 Maryland (the “Additional Property”), which Additional Property is currently owned by
22 Boise and is adjacent to the Original Property; and
23

24 **WHEREAS**, PRV assigned its rights under the Agreement to Savage Towne
25 Centre Ventures, LLC (“STCV”) on February 6, 2012, and STCV entered into
26 Amendment No. 2 to Real Estate Agreement on February 6, 2012 with Boise; and
27

28 **WHEREAS**, on November 28, 2012, the name of PRV was changed to
29 “Annapolis Junction Town Center, LLC” (the “Developer”); and
30

1 **WHEREAS**, STCV has represented that the members of PRV have agreed to sell
2 all of the membership interests in PRV to STCV; and

3
4 **WHEREAS**, the State Agencies and the Developer, subject to approval of the
5 Maryland Board of Public Works, intend to amend the PPP Agreement to, among other
6 things, approve the change in majority control of PRV to enable STCV to develop and
7 construct the Improvements; and

8
9 **WHEREAS**, representatives of the State, STCV and Boise intend to submit to the
10 County an “Amended and Restated Request for the Creation of a Special Taxing District
11 and the Issuance of Special Obligation Bonds” (the “Amended and Restated Request”);
12 and

13
14 **WHEREAS**, CB21 provides that its effectiveness may be extended prior to its
15 expiration by enacting another resolution; and

16
17 **WHEREAS**, Resolution No. ___-2012 is being introduced simultaneously with
18 this Ordinance to amend Council Resolution No. 14-2009 and Council Bill No. __-2012
19 is being introduced simultaneously with this Ordinance to amend Council Bill No. 20-
20 2009.

21
22 **NOW, THEREFORE,**

23
24 *Section 1. Be it Enacted by the County Council of Howard County, Maryland, that the*
25 *Recitals to this Act are deemed a substantive part of this Act and are incorporated by*
26 *reference herein.*

27
28 *Section 2. And Be It Further Enacted by the County Council of Howard County,*
29 *Maryland, that lines 4 through 7 on page 3 of Council Bill No. 21-2009 are amended to*
30 *provide for the Resolution being introduced simultaneously with this Ordinance and to*
31 *include the Additional Property as follows:*

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“Pursuant to Resolution No. 14-2009, PASSED BY THE COUNTY COUNCIL OF HOWARD COUNTY, MARYLAND ON MAY 4, 2009 AND SIGNED BY THE COUNTY EXECUTIVE AND EFFECTIVE ON MAY 6, 2009 (THE “ORIGINAL DESIGNATION RESOLUTION”), AS AMENDED BY COUNCIL RESOLUTION NO. 40-2011 ENACTED ON MAY 2, 2011 AND AS FURTHER AMENDED BY RESOLUTION NO. ___-2012, which is being introduced simultaneously with this Ordinance and will be effective prior to the enactment of this Ordinance (TOGETHER, the “Designation Resolution”), the County has designated a contiguous area within its boundaries comprised of approximately [[12.73]] 18.8 acres of land located in Annapolis Junction, Maryland [[on Dorsey Run Road at Henkels Lane]] (as more particularly described in the Exhibits to the Designation Resolution)...”

Section 3. *And Be It Further Enacted* by the County Council of Howard County, Maryland, that all references in Council Bill No. 21-2009 to “Savage Towne Centre,” with regards to the Development District, the Special Taxing District, the Tax Increment Fund, the Special Taxes Fund, the Special Tax and the Rate and Method shall be deleted and substituted with “Annapolis Junction Town Center.”

Section 4. *And Be It Further Enacted* by the County Council of Howard County, Maryland, that Section 3(b) is amended to update the fiscal year reference as follows:

“(b) The following shall be conditions precedent to the issuance and delivery of any Bonds: (i) the inclusion of the Garage and Improvements as a capital project in the County’s fiscal year [[2010-2011]] 2011-2012 Annual Budget and Appropriation Ordinance;...”

Section 5. *And Be It Further Enacted* by the County Council of Howard County, Maryland, that Exhibits A and B to Council Bill No. 21-2009 are replaced in their entirety with Exhibits A and B attached hereto.

- 1 *Section 6. And Be It Further Enacted by the County Council of Howard County,*
- 2 *Maryland, that this Act shall become effective 61 days after its enactment.*

Exhibit A

Rate and Method of Apportionment of Special Taxes of the
Annapolis Junction Town Center Special Taxing District

(attached)

HOWARD COUNTY, MARYLAND
ANNAPOLIS JUNCTION TOWN CENTER SPECIAL TAXING DISTRICT

***RATE AND METHOD OF APPORTIONMENT
OF SPECIAL TAXES***

A Special Tax is hereby levied and shall be collected in the Annapolis Junction Town Center Special Taxing District (the "District") each Fiscal Year, beginning with the Commencement Date and continuing until the Termination Date, in an amount equal to the Maximum Special Tax as 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 Md. Art. 24 Code Annot., Section 9-1301, *et seq.*, 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 County in connection with any Bonds; the expenses of the County in carrying out its respective duties under the Indenture of Trust, including, but not limited to, levying and collecting the Special Tax and complying with arbitrage rebate requirements and obligated persons disclosure requirements associated with applicable federal and state securities law, including the costs of any employees of the County and fees of any professionals retained by the County to provide services for such purposes; and all other costs and expenses of the County, Trustee, or Administrator incurred in connection with the discharge of their respective duties under the Indenture of Trust, as applicable, including legal expenses associated with such duties, and, in the case of the County, 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 herein or by the Indenture of Trust.

"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 County pursuant to the Act.

"Building Square Footage" or "BSF" means the actual, or for property not yet developed, the estimated, building area either rented or directly used in the production of income (not including

area within a parking garage) as shown on the building permit, architectural plans or other available documents, as estimated by the Administrator.

“Commencement Date” means the first Fiscal Year in which Special Taxes are levied and may be collected, which shall be the first Fiscal Year after the issuance of the Bonds.

“County” means Howard County, Maryland, and any authorized designee of the County for the purposes of implementing this Rate and Method of Apportionment of Special Taxes.

“Director of Finance” means the official of the County who is the director of finance or other comparable officer of the County or designee thereof.

“Equivalent Unit Factors” means the following factors for each class of property:

Residential Property	1.00 per dwelling unit
Retail Property	1.10 per 1,000 BSF
Retail Pad Site Property	3.23 per 1,000 BSF
Office Property	1.68 per 1,000 BSF
Hotel Property	0.75 per rentable room

“Equivalent Units” means the Equivalent Unit Factor for Residential Property, Retail Property, Retail Pad Site Property, Office Property, and Hotel Property multiplied by the number of dwelling units of Residential Property, per 1,000 square feet of Building Square Footage for Retail Property, Retail Pad Site Property, or Office Property, and per hotel room for Hotel Property, respectively. Property shall be classified based on the class most similar to the use of the property. The computation of the Equivalent Units for each Parcel shall be based on the information available regarding the use of the Parcel, which may include acreage and reasonable density ratios, and such computation by the County shall be conclusive as long as there is a reasonable basis for such determination.

“Fiscal Year” means the period starting any July 1 and ending on the following June 30.

“Hotel Property” means property used or intended for use as hotel facilities, including any ancillary space thereto.

“Indenture of Trust” means the indenture of trust relating to the Bonds, as modified, amended and/or supplemented from time to time.

“Maximum Special Tax” means the Special Tax determined in accordance with Section B.1.

“Office Property” means property used or intended for use primarily as office facilities.

“Owner Association Property” means, for any Fiscal Year, any real property within the boundaries of the District that is owned by or irrevocably offered for dedication to a property owner's association and available for use in common by the property owners.

“Parcel” means a lot or parcel of real property within the District with a parcel number assigned by the Supervisor or property otherwise designated as a parcel by the County.

“Proportionately” means that the ratio of the Special Tax to be collected as a percent of the Adjusted Maximum Special Tax is equal for each Parcel (excluding those Parcels for which the Adjusted Maximum Special Tax is zero).

“Public Improvements” means those public improvements the County has authorized to be constructed for the benefit of the District and funded by the Bonds.

“Public Property” means property within the boundaries of the District owned by, or irrevocably offered for dedication (in a plat map approved by the County or otherwise), whether in fee simple interest or some other interest that creates an exclusive right of use, to the federal government, State of Maryland, County, any other public agency, or a public utility provider.

“Residential Property” means property used or intended for use as residential dwellings, including any ancillary space thereto.

“Retail Pad Site Property” means property consisting of retail pad sites, which may be described as a separate lot that is located within a shopping center site and used or intended for use primarily for selling goods or services to the general public.

“Retail Property” means property used or intended for use primarily for selling goods or services to the general public, including any ancillary space thereto.

“Special Tax” means the special tax levied by the County and to be collected pursuant to the terms herein.

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

“Special Tax Requirement” has the meaning given to it in Section C.1.

“Supervisor” means the Supervisor of Assessments for the County.

“Tax Increment Fund” means the account of such name established for the District pursuant to an ordinance enacted by the County.

“Tax Increment Revenues” means the amounts paid into the Tax Increment Fund each year by the County.

“Taxable Property” means any Parcel that is not Public Property or Owner Association Property.

“Termination Date” means the last Fiscal Year in which Special Taxes have been levied and may be collected as provided for in Section F.

“Trustee” means the trustee appointed by the County for the District to carry out the duties of the trustee specified in the Indenture of Trust.

B. MAXIMUM SPECIAL TAXES

1. Maximum Special Tax

The Maximum Special Tax for all Taxable Property in the District for the first Fiscal Year in which Special Taxes are levied (the Commencement Date) shall be equal to \$1,336,500. On each July 1 thereafter, the Maximum Special Tax shall be increased to 102 percent of the respective Maximum Special Tax in effect in the previous Fiscal Year.

The Maximum Special Tax for each Parcel shall be equal to the following formula:

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

Where the terms have the following meaning:

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

2. Adjusted Maximum Special Tax

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

$$A = B - C$$

Where the terms have the following meaning:

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

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

3. Personal Property

The special tax on personal property shall be zero.

C. COLLECTION OF THE SPECIAL TAX

Special Taxes shall be collected each Fiscal Year from each Parcel of Taxable Property in amount calculated pursuant to the provisions of this section.

1. Special Tax Requirement

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

2. Calculation of Special Taxes for Each Parcel

Commencing with the Commencement Date and for each following Fiscal Year, the County shall determine the amount of Hotel Property, Office Property, Residential Property, Retail Pad Site Property, and Retail Property for each Parcel of Taxable Property. The use of the Property shall be based on information available regarding the use of the property, as approved by the County, or if a specific use for the property has not been approved by the County, as proposed to be used by the owner of the Parcel. The determination of the use of the property pursuant to this section by the County shall be conclusive.

The Equivalent Units for each Parcel of Taxable Property shall be calculated as provided for in the definition of Equivalent Units.

The Maximum Special Tax and Adjusted Maximum Special Tax calculated for each Parcel of Taxable Property is as provided for in Section B.

3. Collection of the Special Tax

Commencing with the Commencement Date and for each following Fiscal Year, the County shall determine the Special Tax Requirement, if any, for the applicable Fiscal Year and shall collect the Special Tax Proportionately on each Parcel of Taxable Property in an amount up to the Adjusted Maximum Special Tax for each Parcel such that the total of the Special Tax to be collected is equal to the Special Tax Requirement.

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

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

The Maximum Special Tax levied on any Parcel may not be increased regardless of the default in the collection of the Special Tax from any other Parcel. The Special Tax to be collected from a Parcel may be increased as a result of a default in the payment of the Special Tax on another Parcel pursuant to the provisions of Section C. 1. and 2. If the Special Tax to be collected from a Parcel pursuant to the provisions of Section C.1. and 2. is less than the Adjusted Maximum Special Tax for such Parcel, the Special Tax may be increased up to the Adjusted Maximum Special Tax as a result of a default in the payment of the Special Tax to be collected from another Parcel. The Special Tax to be collected from a Parcel may not exceed the Adjusted Maximum Special Tax regardless of a default in the payment of Special Taxes by any other Parcel.

D. EXEMPTIONS

A Special Tax is not levied on and shall not be collected from Public Property or Owner Association Property.

E. MANNER OF COLLECTION

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

F. TERMINATION OF SPECIAL TAX

Except for any delinquent Special Taxes and related penalties and interest, Special Taxes shall not be collected from any Parcel after the earlier of (i) the repayment or defeasance of the Bonds, (ii) the thirtieth Fiscal Year in which Special Taxes are levied, with the first Fiscal Year being the Commencement Date, and (iii) such time provided for by the Indenture of Trust.

G. REDUCTION IN THE MAXIMUM PROPERTY TAX RATE

The Maximum Special Tax shall be reduced by the Director of Finance once the Bonds are issued to reflect the actual rate of interest on the Bonds and the amount of Bonds actually issued, to a rate that provides for adequate Special Tax revenue to pay the debt service on the Bonds and any other expected amounts of the Special Tax Requirement as provided for in the Indenture of Trust.

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 the due date (i.e., July 1) for 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 all information supplied by the appellant in support of the appeal and, if necessary, meet with the property owner, 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 County's Chief Administrative Officer who shall hold a hearing on the appeal and consider any written or oral evidence presented by appellant. 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 County 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 County 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. Any such amendment may not increase the Maximum Special Tax.

J. INTERPRETATION OF PROVISIONS

The County 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, and as long as there is a rational basis for the determination made by the County, such determination shall be conclusive.

Exhibit B

Annapolis Junction Town Center
Special Taxing District
Howard County, Maryland
Special Tax Report

(attached)

**ANNAPOLIS JUNCTION TOWN CENTER
SPECIAL TAXING DISTRICT
HOWARD COUNTY, MARYLAND**

SPECIAL TAX REPORT

Prepared By:

MuniCap, Inc.

December 19, 2012

**ANNAPOLIS JUNCTION TOWN CENTER
SPECIAL TAXING DISTRICT
HOWARD COUNTY, MARYLAND**

SPECIAL TAX REPORT

Purpose of Report

On March 26, 2009, the State of Maryland and Petrie Ross [Joint] Ventures D.C., LLC ("PRV") submitted to Howard County (the "County") a "Request for the Creation of a Special Taxing District, the Levy of Special Taxes on the Property in the Special Taxing District and the Issuance of Special Obligation Bonds" (the "Original Request").

On May 4, 2009, the County Council of Howard County adopted Council Resolution No. 14-2009 establishing a special taxing district known as the "Savage Towne Centre Special Taxing District (the "District"). Also included, and adopted, by the Council with the legislative package was Council Bill No. 21-2009 that provided for the collection of the special tax on the property in the District and Council Bill No. 20-2009 that approved a multi-year agreement between the County and PRV for the construction of a parking garage and related infrastructure in the District.

The Developer, as defined below, intends to submit an Amended and Restated Request for the Creation of a Special Taxing District, the Levy of Special Taxes on the Property in the Special Taxing District, and the Issuance of Special Obligation Bonds to the County (the "Amended Request"). The Amended Request proposes updates to the Original Request including an expansion of the District to include the adjacent Boise Parcel, as further described below, and to change the name of the District to Annapolis Junction Town Center Special Taxing District, among other changes.

The Annapolis Junction Town Center Special Taxing District is being created to finance all or a portion of the costs of certain public improvements for the benefit of the property in the District. The County expects to issue bonds on behalf of the special taxing district to fund the costs of the public improvements, bond issuance costs, bond interest during construction and for a period after construction, and a debt service reserve fund.

The County will levy a special tax each year to provide funds for the payment of debt service on the bonds and the cost of administration of the District. The District is being created, special taxes levied, and bonds issued pursuant to the Special Taxing District Act, Article 24, Section 9-1301, of the Annotated Code of Maryland (the "Act"), as amended from time to time. The Act requires special taxes to be levied in a manner that is reasonable. This report documents the special benefit and explains the reasonable basis of the special taxes levied as described in the "Rate and Method of Apportionment of Special Taxes" for the Annapolis Junction Town Center Special Taxing District.

Description of the Special Taxing District

The State of Maryland, through the Maryland Department of Transportation, owns 12.73 acres of land at the site of the MARC Savage commuter rail station located in Howard County, Maryland. The State has agreed to sell 9.3 acres of the 12.73 acre site to PRV (now named Annapolis Junction Town Center, LLC pursuant to a name change on November 28, 2012) ("the Developer"), in exchange for commitments by the Developer to construct a parking garage on the property retained by the State and other commitments to develop the remaining acreage.

Savage Town Centre Ventures, LLC ("STCV") represents that the members of PRV have agreed to sell all of the membership interest in PRV to STCV. Pursuant to an Assignment of Real Estate Sales Agreement dated February 6, 2012 between STCV, PRV and Boise Maryland Business Trust, STCV is the contract purchaser of approximately 5.96 acres of land contiguous to the 12.73 acre site (the "Boise Parcel").

The 12.73 acres currently owned by the State, the 5.96 Boise Parcel, and the County right of way parcel consisting of 0.16 acres, together totaling approximately 18.8 acres, are the properties to be included in the Annapolis Junction Town Center Special Taxing District. The District is generally bound by Henkels Lane to the north, Dorsey Run Road to the west, and Brock Bridge Road and the CSX rail line to the south. A map of the special taxing district is attached to this report as Exhibit A.

The Developer has proposed to develop property in the District as a mixed-used development consisting of market-rate and affordable rental housing, office and retail space and hotel accommodations. Table A provides a summary of the proposed development within the District.

Table A
Proposed Land Uses

Development Type	Units/SF/Rooms
<i>Residential</i>	
	<i>(Units)</i>
Apartments (market rate)	384
<u>Apartments (affordable units)</u>	<u>32</u>
Sub-total residential	416
<i>Commercial</i>	
	<i>(SF)</i>
Retail	14,250
Bank/restaurant	3,200
Office	100,000
	<i>(Rooms)</i>
Hotel	150

Proposed Public Improvements

The purpose of the special taxing district, the special taxes to be levied in the special taxing district, and the special obligation bonds to be issued with respect to the special taxing district is to finance all or a part of the following improvements:

Public Parking Garage

Cost includes all supporting infrastructure necessary to facilitate access and operational capability, as well as costs of a new parking structure located on the portion of the site currently owned by Maryland Department of Transportation. The parking garage will replace existing surface parking for the transit facility, freeing up the balance of the area currently used as a surface parking lot for the mixed use development. The new parking garage is planned to include 704 parking spaces.

Roads, Curb and Gutter

Roads, curb and gutter includes the costs to construct public roads that provide access to and from and throughout the District. In addition, finished curbing and gutters will be built with completion of the roads.

Savage Marc Station Elevated Pedestrian Walkway

Savage Marc Station elevated pedestrian walkway includes the costs to construct an elevated pedestrian walkway providing access to and from the public parking garage, across the track and to the train station. Additional costs will include an elevator providing access to and from the walkway.

Miscellaneous Costs

Miscellaneous costs includes grading throughout the public areas within the District, engineering and stakeout of the public areas within the District, lighting, landscaping, identifying monuments, signage, traffic signals, sidewalks and such other buildings or equipment to be owned by the County or the State or other public improvements as the County and the Developer mutually agree.

Projected Issuance of Bonds

Bonds are projected to be issued for the special taxing district to finance the costs of the public parking garage and other related public infrastructure as described above. Bond proceeds will include the costs of construction, a debt service reserve fund, issuance costs and capitalized interest. Interest income on the bond proceeds will act as a supplement to the bond proceeds before they are fully expended. Table B on the next page shows the estimated sources and uses of funds for the issuance of bonds.

Table B
Sources and Uses of Funds

Source and Uses	Bonds
Sources:	
Bond proceeds	\$17,000,000
Interest earned in the improvement fund	\$14,872
Sub-total sources of funds	\$17,014,872
Uses:	
Public improvements	\$10,992,784
Issuance costs	\$500,000
Underwriter's discount	\$255,000
Capitalized interest	\$3,567,087
Rounding	\$0
Sub-total uses of funds	\$15,314,872
Debt service reserve fund	\$1,700,000
Total uses of funds	\$17,014,872

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, County expenses, document printing costs and other miscellaneous costs related to the issuance of bonds. Capitalized interest on the bonds pays the interest on the bonds for approximately thirty-six months to allow time for the construction of the public improvements and to also allow for the first phase of the development to be constructed and placed on the tax rolls so that property taxes are produced from the development to help pay the debt service on the bonds.

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

Projected Debt Service and Administrative Expenses

A schedule showing projected debt service and administrative expenses is attached to this report as Exhibit B. The bonds are shown as being repaid over thirty years. The principal payments are structured such that debt service increases by two percent each year during the amortization period of the bonds. Interest is assumed to be 7.0% per year on the outstanding bonds. Administrative expenses of the District are estimated at \$25,000 per year, adjusted annually for inflation at two percent per year. This results in annual obligations of \$1,336,500 per year in 2013. This amount increases by approximately two percent each year.

Determination of Special Taxes

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

- (i) the public improvements to be funded with the proceeds of the bonds for the benefit of the District provide a special benefit to the property in the District and the special benefit to the property subject to the special taxes exceeds the cost of the special taxes;
- (ii) the amount of special taxes to be levied each year is equal to the amount required to repay the bonds issued to finance the public improvements plus required debt service coverage and administration expenses of the District; and
- (iii) special taxes are allocated to parcels within the special taxing district in a manner that reasonably represents the benefit each parcel will receive from the improvements to be provided by the District.

Special Benefit

The property in the District will receive a special benefit from the construction of the public parking garage, elevated pedestrian walkway, roads, and other public infrastructure. The public parking garage is replacing surface parking that currently exists. The new development, the property that will be subject to the special taxes, will be on the land that is now surface parking and that will be owned by the Developer as a result of the construction of the public parking garage. The elevated pedestrian walkway will provide access to and from the garage, across the track, and to the train station. Without the construction of the public parking garage and elevated pedestrian walkway, the new development could not take place. The new development is made possible by the construction of the public parking garage and elevated pedestrian walkway. The new parking garage and elevated pedestrian walkway is being built specifically for the benefit of the property that will be subject to the special taxes in that the parking and access to and from the parking is being constructed to make the land available so that the proposed development can occur on this property. The new roads will provide access to, from and within the property in the District, in addition to other public infrastructure improvements. As a result, the property in the District subject to the special taxes receives a

special benefit from the improvements to be made for the special taxing district.

The special benefit of the public parking garage and the related public improvements will be equal to or greater than the cost of the special taxes levied on the property. The value of special benefit is confirmed by two means. First, the owner of the property in the District and the contract purchaser (the Developer) have requested the County to impose special taxes on the property for the purpose of providing the public improvements. It is reasonable to believe the owner and the contract purchaser are acting in their interest and making this request because the benefit they receive from the public parking garage exceeds the cost of the special taxes.

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

The owner and the contract purchaser in the District have analyzed various options for the use of the property, taking into consideration the legally permitted uses, the physical constraints of the site, financial parameters and market demand. The owner and the contract purchaser are understandably interested in maximizing their return on the property. Based on this analysis, the highest and best uses of the property, including any costs required for those uses, are the proposed uses for the property. The proposed uses of the property will require the public parking garage and elevated pedestrian walkway to make the remainder of the State’s property available for development. In addition, the property within the District will benefit from the roads and other public improvements by access to and from and within the District. Without these improvements, the property could not be put to its highest and best use.

The highest and best use of the property requires costs to be incurred to construct the public improvements. The value added to the property by these improvements exceeds the costs of the public improvements or this use would not be the highest and best use of the property (i.e., a use that did not require costs to be incurred for the public improvements would be the highest and best use of the property).

The financing provided by the District is long-term financing and pays interest to the bond holders that is exempt from income taxes, resulting in a lower rate than other available financing on comparable terms. The terms of the bonds also facilitate financing for improvements that benefit multiple uses of the property. Additionally, the special taxing district is necessary to make tax increment bond financing available for the project. As a result of these and other advantageous terms, the financing provided by the District is the most beneficial means of financing the public parking garage.

In summary, the special taxes result in a special benefit to the property for the following reasons:

1. The public parking garage to be funded with the proceeds of the bonds for the benefit of the District is required to free up the land for the development of the property to its highest and best use;
2. The public improvements to be provided as a result of the District are required for the highest and best use of the property;
3. The highest and best use of the property is the use of the property that is most valuable (including any costs associated with the use of the property);
4. The financing provided by the District is the most beneficial means of financing the improvements;
5. As a result, the special benefits to the property from the improvements to be provided by the District will be equal to or greater than the cost of the special taxes that will finance the improvements necessary to achieve the highest and best use of the property.

Annual Special Tax Levy

As shown on Exhibit B, the annual obligations of the District for the first tax year would be \$1,336,500. Special taxes for the District are set in this same amount. Since debt service and administrative expenses are projected to increase by two percent per year, the special taxes also increase by two percent per year. The special taxes will be reduced pursuant to the "Rate and Method of Apportionment of Special Taxes" for any reductions in debt service, including reductions due to a lower interest rate or savings in administrative expenses.

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

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

Allocation of Special Taxes

Special taxes are allocated to property in the District in a manner to reasonably reflect the benefit each property type will receive from the improvements to be provided by the District. This section explains the allocation of benefit from the public improvements to the property in the District.

For purposes of allocating special taxes, property is classified into one of five classes. These classes are defined as residential, retail, retail - pad sites, office and hotel as shown in Table C. The special taxes within each class are the same per expected residential unit, per 1,000

building square feet of office space, or per 1,000 building square feet of retail space, or per 1,000 building square feet of retail - pad site, or per guest room. That is, each residential unit is taxed the same, each 1,000 square feet of office is taxed the same, each 1,000 square feet of retail is taxed the same, each 1,000 square feet of retail - pad site is taxed the same, and each guest room is taxed the same.

The method used to allocate special taxes to these five classes is based on the estimated value of the property in the District as developed and fully able to utilize the improvements. Future estimated value reasonably reflects the increase in value to property that will result from the improvements. Property with higher value is reasonably assumed to be able to benefit more from the improvements, reflected by the higher value, and property with lower values able to benefit less from the improvements, reflected by the lower value.

The relative estimated future value of property in each class is used to calculate an equivalent unit factor. Equivalent unit factors are shown by Table C. These factors are simply the ratio of future estimated value of property in each class, with a unit of residential property being equal to one equivalent unit.

Table C
Equivalent Unit Factors

Special Tax Class	Estimated Value	Equivalent Units
Residential	\$129,453	1.00
Retail	\$143,000	1.10
Retail - pad site	\$418,000	3.23
Office	\$218,000	1.68
Hotel	\$97,301	0.75

Values were estimated on the basis of research conducted by MuniCap and shown in projections prepared for the County. Values were estimated using multiple approaches to value, including income capitalization and comparable properties, as estimated by the Maryland State Department of Assessments and Taxation.

Special taxes for the entire District are \$1,336,500 for the first tax year, as explained above. These special taxes are allocated to each property on the basis of the equivalent units for the uses of that property compared to the total equivalent units of all property within the District.

For any year, the actual special taxes collected may not exceed the adjusted maximum special tax. The adjusted maximum special tax is the maximum special tax less the special tax credit, which is equal to the tax increment revenues collected from a parcel for that fiscal year. Special taxes will be collected in these amounts, unless collection of such amount would exceed the amount necessary to fund the special tax requirement. In this event, the special tax will be collected proportionately from each parcel to the extent necessary to fund the special tax requirement.

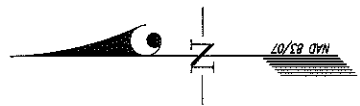
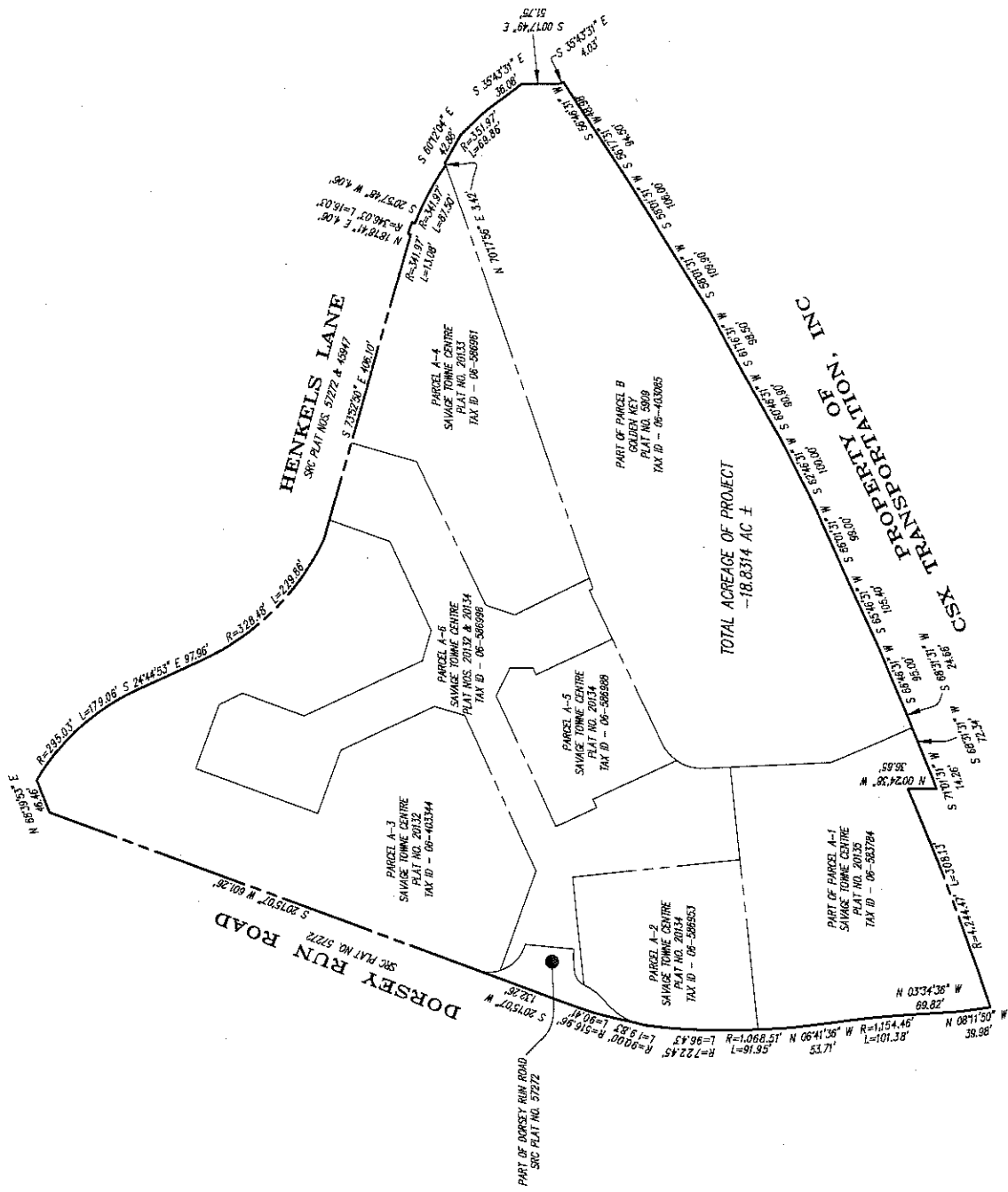
Summary of Reasonable Basis of the Special Taxes

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

1. The public improvements to be funded with the proceeds of the bonds for the benefit of the District provide a special benefit to the property in the District that will be subject to the special taxes, and this special benefit exceeds the cost of the special taxes;
2. The amount of special taxes to be levied and collected each year is equal to the amount required to repay the bonds, which are issued to finance the public improvements; and
3. The allocation of the special taxes reasonably reflects the relative benefit received by the property from the improvements provided by the District.

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

Exhibit A
Annapolis Junction Town Center Special Taxing District
Boundary Map



G. L. W. FILE No.
11107
SHEET
1 OF 1

EXHIBIT # 1

**ANNAPOLIS JUNCTION TOWN CENTER
DEVELOPMENT DISTRICT AND
SPECIAL TAXING DISTRICT**

GULFORD ELECTION DISTRICT No. 6
HOWARD COUNTY, MARYLAND

SCALE
1"=100'

DATE
DEC. 2012

ZONING
TAX MAP - CRD
48 - 20

GLWGUTSCHICK LITTLE & WEBER, P.A.
CIVIL ENGINEERS, LAND SURVEYORS, LAND PLANNERS, LANDSCAPE ARCHITECTS
3909 NATIONAL BOWNE DRIVE, SUITE 100, BETHESDA, MARYLAND 20814
TEL: 301-421-4024 FAX: 301-421-4108
E-MAIL: GLE@GLWGUTSCHICK.COM

S:\Survey Drawing\11107\EXHIBITS\11107 EXHIBIT 1.DWG
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Exhibit B
Projected Annual Obligations of the District

Annapolis Junction Town Center
Howard County, Maryland

Exhibit B-1: Calculation of Maximum Special Tax - Total Gross Annual Obligations

Tax Year Beginning	Bond Year Ending	Gross Debt Service	District Operations	Total Gross Annual Obligations
1-Jul-13	1-Jul-14	\$1,190,000	\$25,000	\$1,215,000
1-Jul-14	1-Jul-15	\$1,190,000	\$25,500	\$1,215,500
1-Jul-15	1-Jul-16	\$1,190,000	\$26,010	\$1,216,010
1-Jul-16	1-Jul-17	\$1,207,000	\$26,530	\$1,233,530
1-Jul-17	1-Jul-18	\$1,227,810	\$27,061	\$1,254,871
1-Jul-18	1-Jul-19	\$1,249,080	\$27,602	\$1,276,682
1-Jul-19	1-Jul-20	\$1,269,670	\$28,154	\$1,297,824
1-Jul-20	1-Jul-21	\$1,291,510	\$28,717	\$1,320,227
1-Jul-21	1-Jul-22	\$1,313,390	\$29,291	\$1,342,681
1-Jul-22	1-Jul-23	\$1,336,170	\$29,877	\$1,366,047
1-Jul-23	1-Jul-24	\$1,358,640	\$30,475	\$1,389,115
1-Jul-24	1-Jul-25	\$1,381,660	\$31,084	\$1,412,744
1-Jul-25	1-Jul-26	\$1,405,020	\$31,706	\$1,436,726
1-Jul-26	1-Jul-27	\$1,428,510	\$32,340	\$1,460,850
1-Jul-27	1-Jul-28	\$1,452,920	\$32,987	\$1,485,907
1-Jul-28	1-Jul-29	\$1,477,970	\$33,647	\$1,511,617
1-Jul-29	1-Jul-30	\$1,503,380	\$34,320	\$1,537,700
1-Jul-30	1-Jul-31	\$1,528,870	\$35,006	\$1,563,876
1-Jul-31	1-Jul-32	\$1,554,160	\$35,706	\$1,589,866
1-Jul-32	1-Jul-33	\$1,580,970	\$36,420	\$1,617,390
1-Jul-33	1-Jul-34	\$1,607,880	\$37,149	\$1,645,029
1-Jul-34	1-Jul-35	\$1,635,540	\$37,892	\$1,673,432
1-Jul-35	1-Jul-36	\$1,663,530	\$38,649	\$1,702,179
1-Jul-36	1-Jul-37	\$1,691,430	\$39,422	\$1,730,852
1-Jul-37	1-Jul-38	\$1,719,820	\$40,211	\$1,760,031
1-Jul-38	1-Jul-39	\$1,749,210	\$41,015	\$1,790,225
1-Jul-39	1-Jul-40	\$1,779,040	\$41,835	\$1,820,875
1-Jul-40	1-Jul-41	\$1,808,750	\$42,672	\$1,851,422
1-Jul-41	1-Jul-42	\$1,839,780	\$43,526	\$1,883,306
1-Jul-42	1-Jul-43	\$1,871,430	\$44,396	\$1,915,826
Total		\$44,503,140	\$1,014,202	\$45,517,342

*Annapolis Junction Town Center
Howard County, Maryland*

Exhibit B-2: Calculation of Maximum Special Tax - Gross Debt Service Coverage

Maximum adjusted gross annual debt service	\$1,215,000
Required debt service coverage	110%
Maximum special tax (2013 - 2014)	\$1,336,500

Tax Year	Bond Year	Total Gross Annual Obligations (Exhibit B-1)	Increase Factor	Adjusted Gross Annual Obligation	Maximum Special Tax	Gross Debt Service Coverage
1-Jul-13	1-Jul-14	\$1,215,000	1.00	\$1,215,000	\$1,336,500	110%
1-Jul-14	1-Jul-15	\$1,215,500	1.02	\$1,191,667	\$1,363,230	112%
1-Jul-15	1-Jul-16	\$1,216,010	1.04	\$1,168,791	\$1,390,495	114%
1-Jul-16	1-Jul-17	\$1,233,530	1.06	\$1,162,383	\$1,418,304	115%
1-Jul-17	1-Jul-18	\$1,254,871	1.08	\$1,159,307	\$1,446,671	115%
1-Jul-18	1-Jul-19	\$1,276,682	1.10	\$1,156,330	\$1,475,604	116%
1-Jul-19	1-Jul-20	\$1,297,824	1.13	\$1,152,431	\$1,505,116	116%
1-Jul-20	1-Jul-21	\$1,320,227	1.15	\$1,149,337	\$1,535,218	116%
1-Jul-21	1-Jul-22	\$1,342,681	1.17	\$1,145,966	\$1,565,923	117%
1-Jul-22	1-Jul-23	\$1,366,047	1.20	\$1,143,047	\$1,597,241	117%
1-Jul-23	1-Jul-24	\$1,389,115	1.22	\$1,139,558	\$1,629,186	117%
1-Jul-24	1-Jul-25	\$1,412,744	1.24	\$1,136,218	\$1,661,770	118%
1-Jul-25	1-Jul-26	\$1,436,726	1.27	\$1,132,849	\$1,695,005	118%
1-Jul-26	1-Jul-27	\$1,460,850	1.29	\$1,129,285	\$1,728,905	118%
1-Jul-27	1-Jul-28	\$1,485,907	1.32	\$1,126,132	\$1,763,483	119%
1-Jul-28	1-Jul-29	\$1,511,617	1.35	\$1,123,153	\$1,798,753	119%
1-Jul-29	1-Jul-30	\$1,537,700	1.37	\$1,120,131	\$1,834,728	119%
1-Jul-30	1-Jul-31	\$1,563,876	1.40	\$1,116,862	\$1,871,423	120%
1-Jul-31	1-Jul-32	\$1,589,866	1.43	\$1,113,160	\$1,908,851	120%
1-Jul-32	1-Jul-33	\$1,617,390	1.46	\$1,110,226	\$1,947,028	120%
1-Jul-33	1-Jul-34	\$1,645,029	1.49	\$1,107,057	\$1,985,969	121%
1-Jul-34	1-Jul-35	\$1,673,432	1.52	\$1,104,090	\$2,025,688	121%
1-Jul-35	1-Jul-36	\$1,702,179	1.55	\$1,101,036	\$2,066,202	121%
1-Jul-36	1-Jul-37	\$1,730,852	1.58	\$1,097,630	\$2,107,526	122%
1-Jul-37	1-Jul-38	\$1,760,031	1.61	\$1,094,249	\$2,149,676	122%
1-Jul-38	1-Jul-39	\$1,790,225	1.64	\$1,091,197	\$2,192,670	122%
1-Jul-39	1-Jul-40	\$1,820,875	1.67	\$1,088,117	\$2,236,523	123%
1-Jul-40	1-Jul-41	\$1,851,422	1.71	\$1,084,678	\$2,281,254	123%
1-Jul-41	1-Jul-42	\$1,883,306	1.74	\$1,081,723	\$2,326,879	124%
1-Jul-42	1-Jul-43	\$1,915,826	1.78	\$1,078,825	\$2,373,416	124%
Total		\$45,517,342			\$54,219,238	

BY THE COUNCIL

This Bill, having been approved by the Executive and returned to the Council, stands enacted on February 8, 2013.

Stephen M. LeGendre
Stephen M. LeGendre, Administrator to the County Council

BY THE COUNCIL

This Bill, having been passed by the yeas and nays of two-thirds of the members of the Council notwithstanding the objections of the Executive, stands enacted on _____, 2013.

Stephen M. LeGendre, Administrator to the County Council

BY THE COUNCIL

This Bill, having received neither the approval nor the disapproval of the Executive within ten days of its presentation, stands enacted on _____, 2013.

Stephen M. LeGendre, Administrator to the County Council

BY THE COUNCIL

This Bill, not having been considered on final reading within the time required by Charter, stands failed for want of consideration on _____, 2013.

Stephen M. LeGendre, Administrator to the County Council

BY THE COUNCIL

This Bill, having been disapproved by the Executive and having failed on passage upon consideration by the Council stands failed on _____, 2013.

Stephen M. LeGendre, Administrator to the County Council

BY THE COUNCIL

This Bill, the withdrawal of which received a vote of two-thirds (2/3) of the members of the Council, is withdrawn from further consideration on _____, 2013.

Stephen M. LeGendre, Administrator to the County Council