ORDINANCE EXHIBIT B

SAVAGE TOWNE CENTRE
SPECIAL TAXING DISTRICT
HOWARD COUNTY, MARYLAND

SPECIAL TAX REPORT

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March 14, 2009

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Purpose of Report

The Savage Towne Centre Special Taxing District (the "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.

Howard County, Maryland (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 Savage Towne Centre 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 10.53 acres of the 12.73 acre site to Petrie Ross Ventures D.C., LLC, a limited liability company ("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.

The 12.73 acres currently owned by the State is the property to be included in the Savage Towne Centre 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
Residential	*(Units)*
Apartments (market rate)	354
Apartments (affordable units)	62
Sub-total residential	416
Commercial	*(SF)*
Retail	20,964
Restaurant	9,200
Office	78,000
	(Rooms)
Hotel	152

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 costs of a public parking garage.

The cost of constructing the public parking garage is approximately $17.0 million. Of this total construction cost, approximately $12.7 million is to be funded by bonds issued by the County for the benefit of the District. In addition, the Maryland Department of Transportation ("MDOT") and the Developer will credit approximately $3.3 million toward the cost of constructing the public garage, which amount represents the approximate purchase price to be paid by the Developer to MDOT for the 10.52 acres of land. The Developer will be responsible for any remaining costs of the garage. The bonds will also fund approximately $2.3 million of interest carrying costs during and after construction of the public parking garage.

The cost of constructing the public parking 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 MDOT. 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.

Projected Issuance of Bonds

Bonds are projected to be issued for the special taxing district to finance the costs of the public parking garage. 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 below 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	$123,154
Sub-total sources of funds	$17,123,154
Uses:	
Public improvements	$12,719,669
Issuance costs	$200,000
Underwriter's discount	$212,500
Capitalized interest	$2,286,590
Rounding	$4,395
Sub-total uses of funds	$15,423,154
Debt service reserve fund	$1,700,000
Total uses of funds	$17,123,154

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 council, 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 twenty-four months to allow time for the construction of the public parking garage 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 $30,000 per year, adjusted annually for inflation at two percent per year. This results in annual obligations of $1,220,000 per year in 2011. 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 Savage Towne Centre 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. 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. Without the construction of the public parking garage, the new development could not take place. The new development is made possible by the construction of the public parking garage. The new parking garage is being built specifically for the benefit of the property that will be subject to the special taxes in that the parking is being constructed to make the land available so that the proposed development can occur on this property. 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 infrastructure 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 parking garage. 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 to make the remainder of the State's property available for development. 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 parking garage. The value added to the property by these improvements exceeds the costs of the parking garage 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 parking garage 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 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);

3. The financing provided by the District is the most beneficial means of financing the improvements;

4. 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 $1,220,000. 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 four classes; defined as residential, retail, office and hotel. There are four special tax classes identified within the District, as shown by 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 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, and each guest room is taxed the same.

The method used to allocate special taxes to these four 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	$157,889	1.00
Office	$143,000	0.91
Retail	$120,427	0.76
Hotel	$88,712	0.56

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 replacement cost and were compared to values of other comparable properties, as estimated by the Maryland State Department of Assessments and Taxation. The property tax assessor for the County was also interviewed and reviewed and commented on the estimates of value.

Special taxes for the entire District are $1,220,000 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 bond 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.

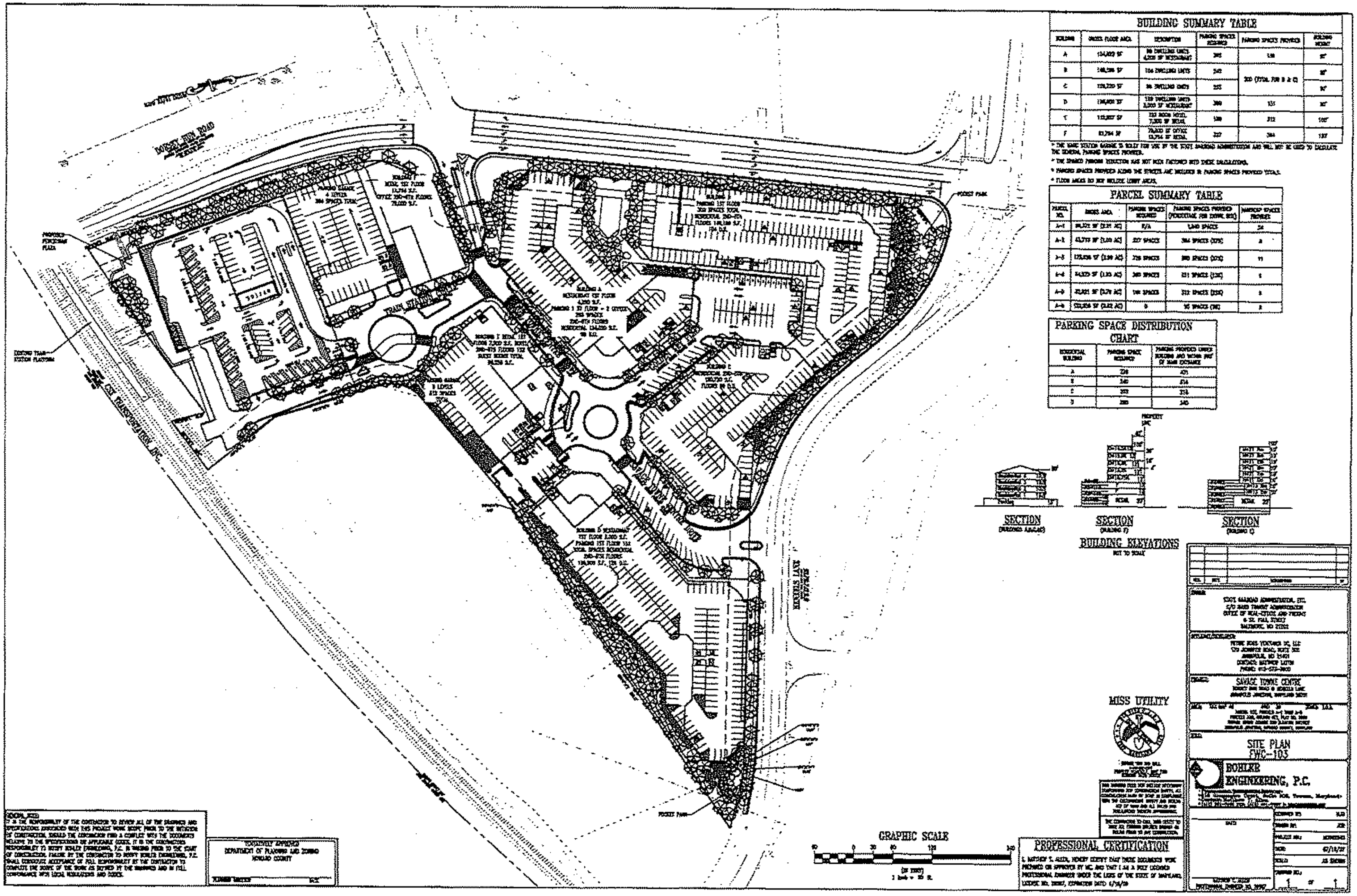

Exhibit A:
Site Map

Exhibit B

Savage Towne Centre Special Taxing District
Howard County, Maryland

Projected Annual Obligations
(Projected Debt Service and Administrative Expenses)

Tax Year Beginning	Principal	Interest	Administrative Expenses	Annual Obligation
1-Jul-10	$0	$1,190,000	$30,000	$1,220,000
1-Jul-11	$21,000	$1,190,000	$30,600	$1,241,600
1-Jul-12	$41,000	$1,188,530	$31,212	$1,260,742
1-Jul-13	$62,000	$1,185,660	$31,836	$1,279,496
1-Jul-14	$86,000	$1,181,320	$32,473	$1,299,793
1-Jul-15	$111,000	$1,175,300	$33,122	$1,319,422
1-Jul-16	$138,000	$1,167,530	$33,785	$1,339,315
1-Jul-17	$167,000	$1,157,870	$34,461	$1,359,331
1-Jul-18	$198,000	$1,146,180	$35,150	$1,379,330
1-Jul-19	$232,000	$1,132,320	$35,853	$1,400,173
1-Jul-20	$269,000	$1,116,080	$36,570	$1,421,650
1-Jul-21	$309,000	$1,097,250	$37,301	$1,443,551
1-Jul-22	$351,000	$1,075,620	$38,047	$1,464,667
1-Jul-23	$397,000	$1,051,050	$38,808	$1,486,858
1-Jul-24	$447,000	$1,023,260	$39,584	$1,509,844
1-Jul-25	$500,000	$991,970	$40,376	$1,532,346
1-Jul-26	$558,000	$956,970	$41,184	$1,556,154
1-Jul-27	$619,000	$917,910	$42,007	$1,578,917
1-Jul-28	$686,000	$874,580	$42,847	$1,603,427
1-Jul-29	$757,000	$826,560	$43,704	$1,627,264
1-Jul-30	$834,000	$773,570	$44,578	$1,652,148
1-Jul-31	$917,000	$715,190	$45,470	$1,677,660
1-Jul-32	$1,005,000	$651,000	$46,379	$1,702,379
1-Jul-33	$1,100,000	$580,650	$47,307	$1,727,957
1-Jul-34	$1,203,000	$503,650	$48,253	$1,754,903
1-Jul-35	$1,312,000	$419,440	$49,218	$1,780,658
1-Jul-36	$1,430,000	$327,600	$50,203	$1,807,803
1-Jul-37	$1,557,000	$227,500	$51,207	$1,835,707
1-Jul-38	$1,693,000	$118,510	$52,231	$1,863,741
1-Jul-39	$0	$0	$0	$0