

ECONOMIC DEVELOPMENT REVENUE BONDS POLICIES AND CRITERIA

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The City ~~will review supports~~ requests for tax-exempt financing from non-profit organizations seeking to locate or expand their operations within the City on a case by case basis. The City will only participate in these financing programs with non-profit organizations which comply with the policies and criteria stated below.

General Requirements

1. Where Economic Development Revenue Bonds (EDRB) are issued, the City may restrict the placement of bonds by the underwriter. All EDRB shall contain on the face thereof a statement to the effect that neither the full faith and credit nor the taxing power of the City or political subdivision is pledged to the payment of the principal, interest, or other costs of the bonds.

2. Fees – An annual administrative fee of 12.5 basis points will be due and payable at closing and on an annual basis thereafter while the bonds are outstanding. All legal and administrative costs incurred in the course of reviewing, ~~and/or~~ pursuing, and defending any and all litigation in any way related to these financing agreements, shall be borne by the borrowers regardless of whether a financing agreement is ever ultimately consummated.

Policies and Objectives

The objectives of City participation in tax-exempt financing of non-profit organizations are to:

1. Support the presence of non-profit organizations in the City which not only strive to achieve their non-profit mission but also enhance the employment base of the City; and
2. Promote the general health and welfare of City residents through the support of medical, educational, and other charitable endeavors.

It is the policy of the City of Rockville to participate in tax-exempt financing programs solely for projects that meet all of the following criteria:

1. The project is of a non-speculative nature (i.e. projects which are developed for a specific occupant).
2. The project complies with federally mandated tax legislation restricting the use of tax exempt financing to qualified Section 501 (c) (3) organizations.
3. The project furthers the charitable purpose of the non-profit.
4. The construction costs of the project exceed -\$10,000,000.
5. The organization must be a tax-exempt entity qualified under Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended. A copy of the organization's IRS Determination Letter must be provided to the City prior to bond closing.
6. The Underwriter must provide a letter to the City stating that the Underwriter has reviewed the financial aspects of the proposed project and has deemed the project financially feasible.

- 7. An independent Financial Advisor must provide a letter to the City stating that the Financial Advisor has reviewed the financial condition of the borrower and the financial aspects of the proposed project and has deemed the borrower financially stable and the project financially feasible. The Financial Advisor must be independent from the borrower, hired by the City, and paid for by the borrower.
- ~~7-8.~~ Any school which is a non-collegiate educational institution as defined under Education Article 2-206 of the Annotated Code of Maryland must hold a Certificate of Approval issued by the State Board of Education. Schools which have a relationship with a bona fide church organization must have received a determination from the State Board of Education stating that they are exempt from the need for a Certificate of Approval.
- ~~8-9.~~ Organizations that provide medical or health services must be properly licensed by the County, the State, and/or the Federal government, as applicable.
- ~~9-10.~~ Religious organizations or organizations affiliated with ~~affiliation with~~ a religious organization must obtain a letter of preliminary advice from the City's bond counsel to the effect that the sectarian benefit, if any, to a religious organization from the use of the facilities that are to be bond financed is not in violation of state or federal constitutional limits on the separation of church and state such as to preclude the issuance of tax exempt bonds under state or federal law.
- ~~10-11.~~ The organization must submit to the City a letter of good standing from the State of Maryland State Department of Assessments and Taxation at the time the request is filed.

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