



*Gregory J. Swain, County Attorney*

## MEMORANDUM

**To:** Members, Anne Arundel County Council

**From:** Lori L. Blair Klasmeier, Deputy County Attorney /s/

**Via:** Gregory J. Swain, County Attorney /s/

**Date:** May 17, 2021

**Subject:** Bill No. 51-21 – Crofton Special Community Benefit District – Approval of Loan and Assignment Agreement

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### Legislative Summary

This summary was prepared by the Anne Arundel County Office of Law for use by members of the Anne Arundel County Council during consideration of the attached bill, which would approve a loan and assignment agreement for the Crofton Special Community Benefit District.

#### **Purpose.**

The purpose of the Bill is to approve the levy of the special community benefit district assessment necessary to repay a loan in the amount of \$2,700,000 from Severn Bank (the “Bank”) to Crofton Civic Association, Inc. (the “Association”), the community association responsible for administering the Crofton Special Community Benefit District under § 4-7-204(t) of the County Code, to fund acquisition of real property located on Crain Highway in Crofton and adjacent to community-owned property.

#### **Background.**

The purposes of the Crofton Special Community Benefit District include “the acquisition, improvement, and maintenance of community real and personal property approved by a majority vote of the general membership of the Crofton Civic Association, necessary to support and accomplish community-wide projects”. To fund the acquisition of the real property, the Association sought and has a commitment for a loan from the Bank in the amount of \$2,700,000, for a term of 1 year (the “Loan”). Interest is at the rate of 3.99% per annum, and there is a loan fee of 0.5%.

**Note: This Legislative Summary provides a synopsis of the bill as introduced. It does not address subsequent amendments to the bill.**

Security for the Loan includes a lien on the special community benefit district assessments collected within the Crofton Special Community Benefit District. The Bank is requiring assurance that the County will levy the SCBD assessment to repay the loan in each of the fiscal years of the term of the loan.

The County is not contracting with the Bank, is not obligated to repay the Loan with general County funds, and is not pledging the full faith and credit of the County for the repayment of the Loan. The County Council must approve all loans taken by the administering entities of special taxing districts that require the pledge of County-collected special tax revenues beyond the immediate fiscal year as collateral for the Loan.

County law requires annual budgeting and tax levies for special taxing districts, including special community benefit districts. The bill authorizes the County to levy the special community benefit district tax in an amount sufficient to repay the Loan in each fiscal year during the term of the Loan in which a payment is due on the Loan. It also requires the Association to budget annually for repayment of the Loan in those fiscal years. Even if the Association fails to submit a budget in any fiscal year during the term of the Loan, the Council will be obligated to assess to make the Loan payment during that fiscal year.

The County is requiring the Association to enter into an Agreement, a draft of which is attached, whereby the Association assigns its rights to receive the special community benefit district assessment collections designated for repayment of the Loan to the Bank. This Agreement obligates the Association to comply with all relevant provisions of the County Code related to special community benefit districts, including the submission and approval of annual budgets. The Agreement makes it clear that the County is not a creditor of the Association, is not a party to the Loan, does not pledge the full faith and credit of the County for the repayment of the Loan, and is otherwise under no contractual or moral obligation to remit any funds to the Bank other than those special community benefit district assessments collected by the County from owners of property within the Crofton Special Community Benefit District that are budgeted, appropriated, and encumbered for repayment of the Loan.

**SECTION 1** of the bill provides that the County will levy the special tax known as the special community benefit assessment in an amount sufficient to repay the Loan in each fiscal year during the entire term of the Loan.

**SECTION 2** provides that the County undertakes no obligations with regard to the Loan other than as set forth in Section 1, that the County is not a co-obligor or a guarantor of the Loan, and that the County does not pledge the full faith and credit of the County to repay the Loan.

**SECTION 3** authorizes the County Executive to enter into such further agreements necessary to disburse the collected special community benefit district assessments directly to the Bank for repayment of the Loan.

**SECTION 4** provides that the Bill takes effect 45 days after it becomes law.

The Office of Law is available to answer any additional questions regarding this bill. Thank you.

cc: Honorable Steuart Pittman, County Executive  
Kai Boggess-deBruin, Chief of Staff  
Matthew Power, Chief Administrative Officer  
Peter Baron, Legislative Liaison  
Chris Trumbauer, Budget Officer