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| FROM | NAME & TITLE | Robert Cename, Budget Director <i>R. Cename</i> | CITY of BALTIMORE MEMO |  |
| | AGENCY NAME & ADDRESS | Bureau of the Budget and Management Research Room 432, City Hall | | |
| | SUBJECT | City Council Bill 220-0220 – Study and Report-Tax Increment Financing | | |

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

September 15, 2022

Position: Support with amendments

The Department of Finance is herein reporting on City Council Bill 22-0220, Study and Report – Tax Increment Financing (TIF), the purpose of which is to have the multiple City agencies submit a report, in collaboration with advocates, practitioners, and residents, that details how tax increment financing can be used for community development and eliminating vacant and abandoned properties.

Background

Tax increment financing (TIF) is a financing tool that captures and uses increased property tax revenues from new development within a defined geographic district to fund public infrastructure. Tax increment revenues represent the taxes collected above the assessable base revenue, which is based on the increased assessed value within the development district. The incremental revenue is used to repay bonds issued to fund the public infrastructure required for the development. Additional revenue above the amounts needed to repay the bonds is transferred to the General Fund. Once the TIF debt is paid, the district is dissolved and all taxes collected, based on the increased assessed value, go to the General Fund.

The City’s authority to issue TIF bonds is established under Article II, § 62 and § 62A of the Baltimore City Charter. The City has used TIF bonds for financing the following activities:

- Purchasing, condemning, acquiring land or property;
- Relocating of businesses or residents;
- Developing public infrastructure (sidewalks, streets, parking, lighting, and other facilities); and
- Structured and surface parking.

The City has issued 16 TIF bonds since 2003 for the nine districts, which are outlined below. There have been multiple bond issuances for Harbor Point and East Baltimore Development.

| District | Year Started | Ending | Length/Yr | Financed Amount |
|----------------------------|--------------|--------|-----------|-----------------|
| Belvedere Square | 2003 | 2025 | 22 | \$ 2,000,000 |
| Strathdale | 2004 | 2030 | 26 | \$ 5,957,000 |
| Clipper Mill | 2004 | 2030 | 26 | \$ 7,877,000 |
| North Locust Point | 2005 | 2030 | 25 | \$ 2,977,000 |
| Mondawmin Mall | 2006 | 2039 | 33 | \$ 12,200,000 |
| East Baltimore Development | 2008 | 2038 | 30 | \$ 86,280,000 |
| Harbor Point | 2014 | 2046 | 32 | \$ 82,950,633 |
| Poppleton | 2017 | 2043 | 26 | \$ 12,000,000 |
| Port Covington | 2020 | 2050 | 30 | \$ 137,856,633 |

Reporting

The City provides the continuing disclosure for TIF projects, which is a provision pursuant to Rule 15c2-12 for the Securities and Exchange Commission. While the City is not legally required to comply based on an exemption that exists in the Rule, to provide transparency for these projects, the City and developers on specific projects have agreed to provide certain financial information, operating data, and event disclosures. The disclosures are published annually on the [Electronic Municipal Market Access \(EMMA\)](#) and can be found by searching for "[BALTIMORE MD SPL OBLIG](#)". The reports address development status, ownership status, public improvements, annual revenue requirements, delinquent special taxes and contribution revenues, special tax levy, project spending, and debt service requirements.

Fiscal Impact Analysis

The Department of Finance anticipates minimal fiscal impact for the City from this legislation of \$30,000.

Municap, Inc., the City's financial advisor, is able to provide a detailed report on the impact of TIF projects in Baltimore, outlining revenues generated in the districts; impact on economic development surrounding development districts and special taxing district established to facilitate the TIF; and examine how TIF usage can eliminate vacant and abandoned properties. Additionally, the City has engaged Municap to conduct a study of non-contiguous TIF projects.

Other Considerations

Since the Department of Finance is able to provide the information requested in the legislation based on current reports and those to be completed by financial advisors, Finance proposes amending the legislation to remove the inclusion of advocates, practitioners, and residents in the development of the report. In addition, Finance proposes adapting amending the submission deadline for the report, which is required to include review of public comment, to 180 days after enactment.

Conclusion

The Department of Finance supports transparency around the City's TIF process and projects. As Finance will pull from currently available publications and work with financial advisors to complete the report, Finance proposes amending the legislation to remove the inclusion of advocates, practitioners, and residents in the development of the report. In addition, Finance proposes extending the submission deadline of the report to allow adequate time for developing the report, allowing public comment, and updating the report to include this public comment. Finance anticipates minimal fiscal impact from this legislation.

For the reasons stated above, the Department of Finance supports City Council Bill 22-0220 with amendments.

cc: Yoanna Moisides
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