



City of Baltimore

Tax Increment Financing Program

Department of Finance
May 2016



Authorizing TIF Legislation

- The City’s authority to establish a TIF and issue TIF Bonds is provided under Article II, Section 62 of the Baltimore City Charter.
- The Act itemizes the eligible uses of TIF proceeds and states that TIF Bonds shall be approved by an ordinance of the City Council.
- In most cases, TIF Bonds are also secured by a special tax levied on properties in the development district, pursuant to Article II Section 62A of the Baltimore City Charter.
- Article VII, Section 19-21 states that the Board of Finance shall determine all matters pertaining to the issuance and sale if indebtedness. Such matters are specified in a resolution of the City’s Board of Finance.



Legislation Continued (Uses of Proceeds)

- Under the Enabling Act, the proceeds of the TIF Bonds may be used to finance:
 1. The cost of purchasing, condemning, or otherwise acquiring land or other property, in the designated development district or for a right-of-way or other easement;
 2. Site removal;
 3. Surveys and studies;
 4. Relocation of businesses or residents;
 5. Installation of utilities, construction of parks and playgrounds and other necessary improvements including streets and roads to, from, or within the development district, parking, lighting and other facilities;
 6. Construction or rehabilitation of buildings provided that such buildings (i) are to be devoted to a governmental use or purpose, (ii) are abandoned property, (iii) are distressed property, or (iv) will provide units of affordable housing;
 7. Costs of issuance, reserves and capitalized interest on the bonds
 8. Certain structured and surface parking facilities.



Board of Finance TIF Policy

- As TIFs became more popular the Board of Finance decided it was in the City’s best interest to adopt a formal policy.
- The policy is intended to provide the City’s development agencies with a submission format and approval structure for all TIF applications.
- The Policy states that the Board shall consider projects when they have demonstrated the following:
 1. Includes a significant developer/private sector contribution to the project;
 2. Advances the City’s strategic land use, economic development and public improvement goals;
 3. Is not feasible and would not be completed (within a reasonable time frame) without the proposed TIF assistance (“but for” test) and assistance is limited to the amount required to make the project feasible;
 4. Will create positive tax revenues to the City, taking into consideration the costs of public services to be provided to the new development and the tax increment revenues that will be required to repay the bonds.



Current TIF Debt

- Currently there are 14 TIF districts within the City limits. Not all have debt associated with them.
 - West Baltimore is pledged to a HUD 108 Loan;
 - Charles Village and Westport succumbed to the decline in the real estate market;
 - Convention Center Hotel was for operating support;
 - UMBio Park and Poppleton are under development.
- As of May 15, 2016 total TIF debt outstanding was \$146 million distributed among the following projects:

Belvedere Square (2003)	\$1,608,596
Clipper Mill (2004)	6,670,000
East Baltimore Development (2008)	78,034,595
Harbor Point (2014)	36,000,000
Harborview (2003)	5,550,000
Mondawmin Mall (2008)	10,876,000
North Locust Point (2006)	2,205,000
Strathdale (2003)	5,045,000
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	\$145,989,191



TIF Submission and Approval Process

Step 1:

- The first step is the development of the preliminary TIF plan and proposal by the City coordinating agency, such as the Baltimore Development Corporation or the Department of Housing and Community Development. The coordinating agency is responsible for the following:
 - proposing the amount of TIF assistance, confirming the project requires this assistance (the “but for” test);
 - ensuring the proposed TIF will advance the City’s strategic land use, economic development and public improvement goals;
 - satisfies the criteria for TIF debt set forth in Section I of these policies;
 - preparing other analysis and documentation to be submitted to the Board of Finance for step two.



TIF Approval Process

Step 2:

- The second step consists of presentation of the proposed TIF to the Board of Finance for concept approval.
- The Board of Finance shall be responsible for ensuring that TIF requests comply with the policy. The information required for this presentation is described below.
- The purpose of this step is for the Board of Finance to confirm that the proposed TIF will be consistent with the City's policies early in the process before significant City efforts are expended preparing legislation and moving the TIF forward.
- The Board's independent financial advisor reviews all the financial assumptions and projections.



TIF Approval Process

Step 3:

- The third step is presenting the proposed legislative package creating the TIF (and related special taxing district) to the Board of Finance for approval.
- In addition to the legislation the Board of Finance shall also be updated on any changes to the information submitted in step two. The legislative package typically includes:
 - Establishment of the Development District
 - Establishment of the Special Taxing District
 - Authority to Issue TIF Bonds
- The City Council must approve the above legislation before the TIF is implemented and the bonds issued.



TIF Approval Process

Step 4:

- The fourth step is the submission for approval of documents authorizing the issuance of bonds to the Board of Finance.
- A substantially complete offering document, trust indenture, and other project related documents are submitted to the Board of Finance, along with any updates to information presented in step 2.
- Financial projections shall be provided showing bonds issued or debt incurred, projected assessed value and tax increment revenues, and debt service coverage.
- These projections are developed by the Board's independent financial advisor.



TIF Due Diligence/Risk Mitigation

- Prior to issuing the bonds the City and it's legal/financial team conduct a thorough due diligence that includes the following items:
 - market study and appraisals of the project;
 - developer financial capacity/experience;
 - private financing/equity requirements;
 - disclosure of any pending litigation;
 - engineering reports;
 - permitting and governmental approvals for the development;
 - estimates of the costs required to complete the project;
 - value of the property that will serve as collateral to the bonds.
- SEC laws require that all pertinent information relating to the project be accurate and fully disclosed.
- The results of this research will also be reported to the Board of Finance when approval to issue the bonds is requested under step 4 of the Policy.



TIF Due Diligence/Risk Mitigation

- A special tax will may be levied on private property in the development district equal to the debt service on the bonds. This special tax will provide a backup source of revenues to the tax increment to ensure there are sufficient funds to repay the bonds.
- Conditions are imposed prior to issuing the bonds:
 - Equity and other financing must be in place,
 - Contracts executed with other developers and/or builders,
 - Discretionary permits to be obtained, and other requirements as deemed appropriate for the project.



On-Going TIF Monitoring

- After the bonds are issued and the project is finished an annual tax computation is completed to determine if the increment is sufficient to pay debt service.
- This computation tabulates the property tax payments of each property in the development district and compares it to the debt service due on the bonds.
- If there is a deficit and special tax bill is processed and due within 45 days.
- Revenues in excess of the amount due on the bonds is reverted to the general fund.

TIF Performance FY16

Project	Bonds Outstanding	Taxable				Debt		TIF Revenues to the City
		Assessed Value July 1, 2015	Projected TIF Revenues	FY15-16 Debt Service	Surplus/ (Deficit)	Special Taxes	Service Coverage	
Harborview	\$5,550,000	\$62,230,721	\$1,197,275	(\$592,294)	\$604,981	-	202%	\$604,981
Harbor Point	36,000,000	99,833,800	730,870	(1,069,544)	(338,674)	338,674	100%	-
Strathdale	5,045,000	33,959,000	685,340	(469,146)	216,194	-	146%	216,194
Belvedere	1,608,596	9,002,000	135,096	(135,096)	-	-	100%	-
Clipper Mills	6,670,000	48,277,271	838,751	(522,341)	316,410	-	161%	316,410
North Locust Point	2,205,000	75,871,800	1,241,226	(241,356)	999,870	-	514%	999,870
Mondawmin Mall	10,876,000	60,575,566	696,045	(847,045)	(151,000)	151,000	100%	-
East Baltimore								
Series 2008A	39,705,000			(3,097,141)	(840,000)	840,000	100%	
Series 2008C-1	10,680,000			(792,722)	2,257,142	-	385%	
Series 2008C-2	4,054,595	120,346,988	3,049,864	-	-	-	-	
Series 2009D-1	11,870,000			(3,336,053)	(3,336,053)	-	-	
Series 2009D-2	11,725,000			(3,363,947)	(3,363,947)	-	-	
	\$145,989,191	\$609,930,946	\$9,305,337	(\$15,536,229)	(\$3,973,751)	\$1,668,348	178%	\$2,137,455