

Andrew Kleine

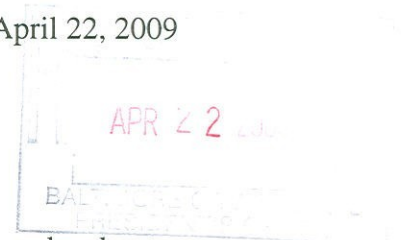
FROM	NAME & TITLE	Andrew W. Kleine, Chief	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432 City Hall (396-4941)		
	SUBJECT	City Council Bill No. 09-0106R – Outer Harbor Initiative – A community Redevelopment Strategy		

TO

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

DATE:

April 22, 2009



City Council Bill 09-0106R proposes the implementation a comprehensive redevelopment strategy that would redevelop vacant, abandoned or speculator held housing by investing in three components:

1. Increased Investment in Code Enforcement.
2. Capital and Developer Participation
3. Neighborhood Association or Associated Marketing.

The resolution calls for the City of Baltimore to commit \$20 million over 5 years – from FY 2011 to FY 2016 – to support this initiative.

Other financial commitments called for by the resolution include:

1. Creation of an affordable-housing TIF program.
2. Utilization of existing or additional TIF funds for the Westport project.
3. Creation of one Workforce Coordinator position or the support of one position at a not-for-profit partner.
4. Change current law to allow 25% of future property taxes from Habitat for Humanity houses to be directed to the neighborhood where they exist.
5. Re-allocation of 50% of revenue generated through code enforcement back to the Office of Code Enforcement.
6. Allocation of 10% of revenue generated through code enforcement to community associations.

The Finance Department appreciates the goals of the Outer Harbor Initiative, but has serious concerns about the feasibility of several of the resolution's proposals.

The Department of Housing and Community Development has determined that the Affordable Housing Trust, CDBG and Homes funds have been dedicated to projects already underway and that the \$20 million requested in the resolution is not available from these sources.

The creation of an affordable housing TIF program raises a series of complex tax and financial issues that must be fully vetted. The City typically uses a TIF to fund the "horizontal" components of development projects – demolition, site preparation, streets, sidewalks, etc. The "vertical" – housing, commercial and retail buildings – are typically funded by developers. While we are open to a review or study of the feasibility of using TIF

Unfavorable

revenues for affordable housing, we are not at this point certain that such a program can be structured in a way that satisfies all the legal and financial requirements.

The Administration has determined the Westport Affordable Housing Program is satisfactory and was formalized in an agreement signed between Housing and Community Development and the developer in 2008. The agreement was fully vetted during the Budget and Taxation Committee hearing on the Westport TIF legislation, and we see no reason to revisit the issue at this time.

The proposal to direct 25% of future property taxes from Habitat for Humanity houses to the neighborhoods where they exist is also problematic, for several reasons. First and foremost, it is a tax expenditure that the City cannot afford. In Fiscal 2010, the City will forego \$175 million in property tax revenue for a series of tax credits, including the Homestead Tax Credit and Newly Constructed Dwelling Unit Credit, for which any new or renovated Habitat home would be eligible. Second, it would benefit a single organization, while excluding many others that would demand similar treatment. Third, it is vague about who would receive the funds and how they would be spent.

Finally, the resolution calls for allocating 60% of code enforcement revenue – 50% to code enforcement operations and 10% to community associations. The Finance Department opposes this approach. The City Charter grants sole authority to the Board of Estimates to repurpose funds within an agency for new programs or activities (see Article VI, Section 6). Further, earmarking \$11 million of General Fund revenues to specific activities is a bad budgeting practice. City leaders should have as much flexibility as possible to direct General Fund revenue to the most effective programs and most urgent needs identified in the annual budget planning process.

The Finance Department does not support approval of City Council bill 09-0106R.

Cc: Edward Gallagher
Angela Gibson
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