

MEMORANDUM

TO: Honorable President and Members of the City Council
Attention: Karen Randle, Executive Secretary

FROM: Brenda McKenzie, President and CEO *BMC*

DATE: June 18, 2013

SUBJECT: City Council Bill No. 13-0232
Harbor Point Development – Amending Ordinance 10-401

The Baltimore Development Corporation (BDC) strongly supports and is pleased to sponsor City Council Bill No. 13-0232, Harbor Point Development – Amending Ordinance 10-401, and respectfully requests favorable City Council consideration of the same. Bill No. 13-0232 is one of three pieces of legislation that, if approved, will establish Tax Increment Financing (or “TIF”) related the Harbor Point Development Project.

Effect of Legislation

If approved, City Council Bill No. 13-0232 will, among other things, amend Ordinance No. 10-401 by: (1) amending the boundaries of the existing Harbor Point Development District by including additional properties; and (2) changing certain parcel references due to a subdivision action; and (3) repeal and clarify certain provisions related to state obligations.

In December 2010 the City Council approved Ordinance No. 10-401. Ordinance 10-401: (1) established the Harbor Point Development District; and (2) established the Harbor Point Development District Tax Increment Fund. By establishing the Harbor Point Development District in 2010, the City was able to set the taxable Base Value of Harbor Point to January 1, 2009, prior to the development of the Thames Street Wharf Office Building, thereby maximizing the amount of Tax Increment Revenues to be collected in future years. I

Current Bill 13-0232 will amend the existing Harbor Point Development District in the following manner and for the following purposes:



- Adds Block 1825, Lot 003 to the Harbor Point Development District – Block 1825, Lot 003 (the “Hotel Parcel”) was originally not included in the Development District because at the time the District was created in 2010 it was unclear whether or not this parcel would be developed as a hotel project. Development of a hotel project within a TIF District would trigger the City’s legislation concerning Labor Peace Agreements for Hotel Projects. As stipulated in Article 11, Subtitle 13 of the Baltimore City Code, the Code requires that for any hotel project that the City determines it has a Proprietary Interest in, defined as a TIF among other things, then the owner must enter into a “Labor Peace Agreement” with the labor organization that represents or seeks to represent the workers at the hotel project. At this time, however, the Hotel Parcel is being included in the Development District. The effect of including the Hotel Parcel will be that if the Hotel Parcel is developed as a hotel project, the developer will be required to enter into a Labor Peace Agreement as required by the Code and the developer acknowledges and understands this requirement, and any Tax Increment Revenue associated with the Hotel Parcel would be available to the City to debt service the Special Obligation TIF Bonds.
- Clarifies and adds certain Block and Lot numbers of land included in the original Development District, but that has changed due to subdivision of the property. Other than the addition of the Hotel Parcel, the geography of the original Development District remains unchanged.
- Removes provisions related to potential issuance of Special Obligation TIF Bonds by the Maryland Economic Development Corporation (MEDCO) from Ordinance No. 10-401.

Bill No. 13-0232 is part of a package of legislation consisting of three Bills (this bill and two others, as described below) that will form the basis of the City’s ability to establish Tax Increment Financing (or a “TIF”) for Harbor Point in order to finance the construction of approximately \$106,931,276 of public benefit and publicly-owned infrastructure in support of the Harbor Point Project. The infrastructure to be financed will include approximately 9.5 acres of public park space, a half-mile of public promenade, a four-lane public bridge connecting South Central Avenue with the Harbor Point Peninsula, public transit piers, and associated public streets, sidewalks, lighting, and utilities, all as more particularly described below.

All three Bills were introduced into the City Council simultaneously on June 3, 2013 and have been referred to the Taxation, Finance and Economic Development Committee.

Related Legislation

- City Council Bill No. 13-0234, Harbor Point Development—Bond Ordinance

This Bill will, among other things: (1) authorize the City, on terms to be approved by the Board of Finance, to issue Special Obligation Bonds, in an amount not to exceed \$125,000,000, for the purpose of financing necessary and

critical public infrastructure improvements and costs of bond issuance related to the Harbor Point Development Project (the “Project”); (2) pledge Tax Increment Revenues and Special Tax Revenues (as such terms are defined in the Bill) generated by the Project to the payment of debt service on the Special Obligation Bonds; and (3) authorize the Board of Finance to specify and prescribe the terms of the issuance, sale, and payment of the Special Obligation bonds. The Special Obligation Bonds are also referred to herein as “TIF Bonds.”

- City Council Bill No. 13-0233—Harbor Point Special Taxing District

This Bill: (1) establishes the Harbor Point Special Taxing District; (2) authorizes the City to levy a special tax on all taxable real and personal property with the Special Taxing District; and (3) pledges any special taxes collected to the payment or reimbursement to the City for debt service on the TIF Bonds. The overall purpose of creating the Special Taxing District is to guarantee the City’s ability repay the holders of TIF bonds in the event and to the extent that the Tax Increment Revenues collected at Harbor Point are insufficient to debt service the TIF Bonds. In this manner and as a result of forming the Special Taxing District, the property owners within the Special Taxing District—in this case the developers of the Harbor Point property—are financially liable to the City to guarantee the City’s ability to make bond payments to bond holders.

Related Planned Unit Development Legislation

- City Council Bill No. 13-0195—Planned Unit Development Designation—Harbor Point

This Bill establishes a Planned Unit Development (or “PUD”) at Harbor Point. The PUD authorizes the owner of the property to develop the site as an approximately 3,020,000 square-foot mixed-use neighborhood. The PUD establishes the land use, density, building heights, and parking requirements that will allow for the development of the Harbor Point Project. The PUD allows for a mix of land uses to be constructed within certain development parcels within the PUD, including office, residential, retail, and hotel. The PUD establishes a requirement that approximately 9.5 acres of public open space is to be developed at the site and an approximately half-mile of public promenade be constructed. Bill No. 13-0195 was introduced into the City Council on February 11, 2013 and was referred to the Land Use and Transportation Committee. The Bill was voted out of Committee favorably on May 22, 2013 and as of this writing has been advanced to Third Reader.

Economic Development Impact of Legislation

Bill No.13-0232 and its companion legislation Bills No. 13-0234 and 13-0233 and related PUD legislation Bill No. 13-0195 will authorize the City to issue Special Obligation TIF

Bonds and establish the land use framework for the Harbor Point Development Project, respectively.

The particular details of the Harbor Point Project, the proposed issuance of Special Obligation TIF Bonds, and the costs and benefits to the City of the TIF are described in BDC's report of Bill No. 13-0234, Harbor Point Development—Bond Ordinance.

Cc: Kaliopé Parthemos
Angela Gibson