


FROM	NAME & TITLE	Henry J. Raymond, Director <i>HJR</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance Room 449 City Hall (410-396-4940)		
	SUBJECT	City Council Bill 18-0297		

DATE: January 14, 2019

TO

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

Council Bill 18-0297 extends the existing prevailing wage requirement to projects receiving funds from tax increment financing in excess of \$10 million, and clarifies related provisions.

Tax increment financing (TIF) is a public funding mechanism that uses property tax increment within a development district to fund improvements within the district. The tax increment is normally pledged to special obligation bonds issued by or on behalf of the City. Imposing a prevailing wage on projects funded with proceeds of such bonds or absent of bonds, the tax increment, will increase the cost of contracts associated with the project. Development projects include many cost categories such as design, predevelopment, acquisition, legal, construction and of course labor. This bill will primarily impact the labor portion of contracts funded with TIF proceeds.

It is difficult to estimate the labor impact of a TIF project because the labor component can vary depending on the type of work the project requires. However, as an example, the City asked the development team of a TIF currently under review to provide the impact this bill will have on the first phase of their project. We found the added labor costs resulted in an increase of approximately 5.4%. In this example the public improvement budget rose from \$75.2 million to \$79.3 million – and increase of \$4.1 million.

If the TIF is able to accommodate the added cost the increase in principal and interest totals \$10.6 million over a 30 year bond term. In this case the City will bear the majority of this cost because as property taxes are pledged to the repayment of the debt. If the TIF cannot afford the additional cost, the developer will likely ask for further City assistance such as grants or other like support to cover the gap.

The Department of Finance is concerned about the negative fiscal impact the increased project costs may have on the general fund, and as such we do not support the bill.