




CITY OF BALTIMORE
MAYOR BRANDON M. SCOTT

TO	The Honorable President and Members of the Baltimore City Council
FROM	Alice Kennedy, Housing Commissioner 
DATE	November 12, 2024
SUBJECT	24-0595 City-Wide Affordable Housing Development District

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

November 12, 2024

Position: Favorable with Amendment

SUMMARY OF POSITION:

The Department of Housing and Community Development strongly supports City Council Bill 24-0595, creating the City-Wide Affordable Housing Development District that identifies vacant properties that could benefit from an allocation of TIF bond proceeds as well as formerly vacant properties that have been redeveloped and will be used to generate increment as the TIF Bonds are sold.

Introduction

The Department of Housing and Community Development has reviewed City Council Bill 24-0595, which designates the City-Wide Affordable Housing Development District, providing for and determining various matters in connection with the establishment of the development district; creating a tax increment fund for the development district; to provide for the financing of costs associated with the rehabilitation of vacant units and the development of affordable housing; allocating certain property taxes to that fund; making certain findings and determinations; providing for a special effective date; and generally providing for matters relating to the designation and operation of the development district, the establishment and use of the tax increment fund to provide for the payment by or reimbursement to the City for debt service which the City is obligated to pay or has paid (whether such obligation is general or limited) on any special obligation bonds or notes issued by the City, the replenishment of any reserve fund established for any bonds, and the payment of certain expenses and administrative costs related to the operation of the development district; and providing for a special effective date.

If enacted, this Bill along with its companion bill 24-0594 (bond issuance) would create the City’s first Affordable Housing TIF District that would fund construction costs associated with redevelopment of vacant residential buildings and public infrastructure leading to new housing creation throughout the City’s most distressed and disinvested neighborhoods and providing affordable housing where it is most needed. The TIF was approved by the Board of Finance at their July 15, 2024 meeting and by the Planning Commission at their October 10, 2024 meeting.

DHCD Analysis

Background

In December 2023, Mayor Scott, the Greater Baltimore Committee (GBC) and Baltimoreans United in Leadership Development (BUILD) presented a 15-year, \$3 billion public-private partnership intended to reduce the City’s high vacant property rate using an integrated whole-block approach to identify an outcome for every vacant property on a block.

The City’s commitment includes a \$150 million Citywide Affordable Housing TIF that will be used to finance some or all of the redevelopment costs for a portion of the vacant 3,991 properties that are included in the proposed Development District.

This TIF is grounded in equitable neighborhood development and addresses more than a decade of citizen and stakeholder concerns that investment was directed towards the waterfront rather than the neighborhoods that most needed support. The Affordable Housing TIF differs significantly from the City’s other TIF Projects as shown in the table below:

Affordable Housing TIF	Traditional TIF
Citywide with a focus on areas with high vacancy rates	Defined project and development area – boundaries are contiguous
Uses prior year assessment that includes properties have received a Use and Occupancy permit and are included in the TIF District	TIF Bonds are sold based on development that is ready to proceed: the increased property taxes from the completed development repays the TIF Bond
City sponsored with multiple developers	One primary developer
No special tax as City sponsored and affordable housing	Developer is subject to special tax to ensure sufficient tax revenues

TIF funds will be used to support residential development only. In accordance with Article II, Section 62 of the City Charter, TIF bond proceeds will support two uses: hard construction costs to restore vacant properties and the design and construction of public infrastructure that will lead to new housing construction. While the Charter defines affordable housing as up to 115 percent of the area median income as defined by HUD and adjusted for family size, the legislation emphasizes targeting TIF funds to households earning 60 percent of the area median income to ensure that both housing and wealth-building is targeted where it is most needed.

Identification of TIF Properties

There are a total of 7,925 properties included in the Development District legislation. Properties fall into one of three classifications: properties that could qualify for an allocation of TIF Bond proceeds; properties that will be used to support the increment for the first bond tranche, and properties that are under development and could potentially support a future bond tranche. These properties are summarized below:

Criterion	Properties
2023 Rehabs/Sales for First Increment	1203
2024 Rehabs/Sales for First Increment (through August 1 st)	732
VBNs with Open Permits for Increment	1999
In Rem Eligible VBN	2296
ARPA Acquisition	97
MCC-owned VBN	489
Other VBN Acquisition on Priority Block	50
Vacant Buildings Necessary for Development Project	118
Vacant Lots Necessary for Development Project	941
Total	7,925
TOTAL POTENTIAL PROPERTIES THAT CAN BENEFIT FROM TIF PROCEEDS	3,991

Properties included in the TIF District reflect and build on the data-driven methodology DHCD developed when creating its 2019 Community Development Framework. Selected properties are located in areas with high vacancy rates where TIF funds can be combined with other funding sources and strategies that build off of stronger areas and assets and achieve whole block outcomes.

The 3,991 properties that could potentially benefit from an allocation of TIF Bond proceeds are located on priority blocks that will be the focus of DHCD’s vacancy reduction efforts. Properties are located in approximately 197 neighborhoods that are a part of Impact Investment Areas (IIA), and other areas where DHCD and its community partners are actively pursuing redevelopment.

Additionally, properties had to meet one or more of the following criteria to be included in the TIF District:

- Vacant Building Notice
- Eligible for In Rem Foreclosure
- Identified for acquisition (negotiated or condemnation) with an identified funding source
- Existing vacant Lot Identified as part of a current development project

- City-owned property
- Vacant buildings were part of an existing development project or identified as a future RFP.

The remaining properties are included to support the increment that will be required to sell the TIF bonds. Of these, 1,935 were rehabbed and received a Use and Occupancy permit between January 1, 2023 and August 1, 2024, and will be used to support the increment for the first tranche of bonds.

An additional 1,999 properties that were issued a Vacant Building Notice have received permits; however, work is still underway so these properties have not yet been issued a Use and Occupancy permit. When these properties receive a Use and Occupancy Permit, they will be used to support the sale of future bond tranches.

Community Engagement

Properties identified in the TIF district are part of an ongoing community engagement process that started with the Community Engagement Framework and continued as part of DHCD's whole block efforts where an outcome is identified for every vacant property and blocks are prioritized where resources and efforts will be focused.

Between February and June 2024, DHCD met with organizations representing over 50 neighborhoods to review the TIF and obtain input on proposed properties. The review process is still underway as our community partners provide a final review and request for changes.

Amendments

DHCD is requesting that an additional 672 properties be added to the Development District. 66 of these properties are vacant and are being added at the request of DHCD's community development partners and could benefit from TIF proceeds to support development interest. The remaining 603 properties will be used to either support increment for the first tranche of bonds or could potentially support a future bond tranche.

Conclusion

The Affordable Housing TIF is a unique financing tool that will provide needed capital to address vacancy rates at scale in a way that prioritizes neighborhoods, residents and stakeholders that have felt the impacts of disinvestment for far too long.

DHCD respectfully requests a **favorable** report with amendments on Council Bill 24-0595