




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	24-0594 City-Wide Affordable Housing Bond Issuance

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

November 12, 2024

Position: Favorable

SUMMARY OF POSITION

The Department of Housing and Community Development strongly supports City Council Bill 24-0594, which authorizes the issuance of up to \$65 million in Tax Increment Financing bonds that will be used to finance the City's first Affordable Housing TIF. Bond funds will be used to fund hard construction costs to restore vacant properties and the design and construction of public infrastructure leading to new housing in the City's distressed and disinvested neighborhoods.

Introduction

The Department of Housing and Community Development has reviewed City Council Bill 24-0594, City-wide Affordable Housing Bond Issuance authorizing the issuance of special obligation bonds in an amount not to exceed \$65,000,000 for the purpose of financing costs associated with the rehabilitation of vacant units and the development of affordable housing, certain public infrastructure improvements and other related costs including the development district and certain other improvements permitted by the Tax Increment Act bonds; authorizing the Board of Finance to specify, prescribe, determine, provide for and approve the details, forms, documents or procedures in connection with such special obligation bonds and any other matters necessary or desirable in connection with the authorization, issuance, sale, and payment of such special obligation bonds; authorizing the Board of Finance to specify, prescribe, determine, provide for, and approve the method and sources of such pledge, the details, forms, documents, or procedures in connection with such pledge, and any other matters necessary or desirable in connection with such pledge; providing for a special effective date; providing that the City, in each fiscal year in which any such bonds are outstanding, use its best efforts to obtain the

appropriation of the Tax Increment Revenues in the amounts and at the times specified in a trust agreement or agreements between the City and a bank or trust company appointed as trustee thereunder; and generally relating to the issuance and payment of special obligation bonds.

If enacted, this bill along with its companion bill 24-0595 (development district) would create the City's first Affordable Housing TIF District, that would fund public infrastructure leading to new housing and construction costs associated with redevelopment of vacant residential buildings 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 15th meeting and by the Planning Commission at their October 10th 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 vacancy rate using a holistic 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. The Council will be asked to approve multiple pieces of legislation that will authorize the issuance of bonds up to \$150 million starting with the \$65 million authorized in Council Bill 24-0594.

Tax increment financing is an implementation tool and is to be used to implement the priorities of the City. This proposed TIF would provide for the issuance of multiple series of bonds in an aggregate amount not to exceed \$65,000,000 to finance the redevelopment of vacant lots and renovation of abandoned homes, along with infrastructure for these homes and neighborhoods. The TIF is intended as one source of funds that will be used to eliminate the City's vacant property inventory.

The Affordable Housing TIF has been determined to be financially feasible by MuniCap, Inc. a Columbia-based firm specializing in tax increment financing and financial analysis, and by PFM Group Consulting LLC and its affiliate, PFM Financial Advisors LLC (collectively, PFM) Public Resources Advisory Group (PRAG) recently updated a debt affordability study for the City and concluded that the City could support the issuance of up to \$150 million in TIF Bonds without negatively affecting the City's debt ratio guidelines. Moreover, there will be no legal or fiscal obligation on the City's General Funds for these TIF bonds, as has been the case with all TIF bonds issued by the City the Offering Statement for the bonds will specifically state that investors assume all of the risk associated with bonds and that the city has no moral or financial obligation to repay the bonds. This is a common approach with TIF bonds throughout the country, as one of the reasons for using tax increment financing is to limit the local government's obligation to the new tax increment revenues that are produced. TIF bonds are readily sold with this limitation, which has been in place for all of the City's TIF bonds.

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 users	One primary developer
No special tax as City sponsored and affordable housing	Developer is subject to special tax to ensure sufficient tax revenues

Permitted Uses, Affordability, & Accessing TIF Funds

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 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.

Opportunities to request Affordable Housing TIF bond funds will be widely available with an emphasis on ensuring that residents who live or own property in the TIF District, small and emerging developers and women and minority-owned businesses have the same opportunity and access to TIF funds as do larger developers. To that end, DHCD has committed to and is working on a simplified application process similar to its Developer Incentive Program and Charm City Roots.

All TIF funds will be managed by the Finance’s Department Bureau of Treasury Management. TIF funds that will be used to support public infrastructure will be made available on a reimbursement basis based on the City’s current approval and payment procedures which include review and confirmation of costs and work to ensure that they are TIF-eligible, approval of a Public Works Development Agreement, verification and certification of work by a third-party inspector, submission of costs to DHCD for review and then payment by the Bureau of Treasury Management.

TIF funds requested by individuals, community-based organizations and small businesses and developers will also be required to provide a budget demonstrating how TIF funds will be used and information on how remaining financing will be provided.

Additional details will be provided as part of the legislation's reporting requirements.

Accountability and Transparency

The legislation mandates three reports to ensure that TIF funds are used where they are most needed and that legacy residents are at the forefront of decision making.

1. Prior to requesting Board of Finance approval to sell the TIF Bonds, DHCD is required to provide a report to the Council that includes the following: amount of increment that has been received; properties and neighborhoods (geographies) that will benefit from the proposed bond tranche and an updated debt study that accounts for all debt the City has or may incur within six months of issuing the bonds.
2. The legislation also requires that the City's Chief Equity Officer endorse DHCD's efforts to implement equitable neighborhood development principles by reporting on legacy resident participation and affordability levels.
3. DHCD and the Finance department are required to provide an annual report to the Council describing the number of and types of projects funded, neighborhoods where projects are funded, status of debt service and number of legacy residents benefitting from the use of TIF funds.

Generating Increment and Debt Service Payment

The size of each Affordable Housing TIF bond will be supported by the increase in property taxes within the TIF district.

For the first bond tranche only, the increment will be supported by formerly vacant properties that were redeveloped and received a Use and Occupancy permit between January 1, 2023 and the last reassessment before bonds are issued by the State Department of Assessments and Taxation (SDAT). These properties are citywide within the TIF District, demonstrating the role that middle and choice neighborhoods play in creating a successful TIF program.

Additional bond sales will be supported by a combination of the redevelopment of properties that received an allocation of TIF bond proceeds and other vacant properties that were redeveloped and received a Use and Occupancy permit.

Conclusion

The Affordable Housing TIF is a unique opportunity to address vacancy rates at scale in a way that prioritizes neighborhoods, residents and stakeholders that have often been overlooked and left out of funding decisions. Because they are part of a comprehensive strategy that goes beyond housing, TIF funds will provide comparable mobility and accessibility that makes middle and choice neighborhoods desirable and sought after places to live.

DHCD respectfully requests a **favorable** report on Council Bill 24-0594.