



MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Alice Kennedy, Housing Commissioner

Date: July 13, 2022



Re: City Council Bill 22-0220 Study and Report - Tax Increment Financing

Bill Background

The Department of Housing and Community Development (DHCD) has reviewed City Council Bill 22-0220 for the purpose of requiring the Director of Finance, the City Administrator, the City Solicitor, the Commissioner for the Department of Housing and Community Development, and the Director of the Office of Equity and Civil Rights to submit a report, in collaboration with advocates, practitioners, and residents, that details how Tax Increment Financing can be used for community development and eliminating vacant and abandoned properties; and providing for a special effective date.

About TIFs

In general, TIF Bonds are special obligations of the City secured by the incremental increase in property taxes resulting from the proposed improvement. The City utilizes this financing option by designating within its borders a TIF district. The base property valuation (assessable base) is then established and certified, and the property taxes from that assessable base continue to be collected and used for general governmental purposes. As the assessed valuation within the district increases, the taxes derived from the increased valuation (tax increment) pay debt service on the bonds used to fund TIF project costs within the district. When the TIF debt is repaid, the district is dissolved and the taxes collected from the increased assessed valuation flow directly to the City's general fund.

Tax Increment Financing (TIF) is an important and useful tool available to Baltimore City to encourage development of certain projects that are desirable and in the public interest, and that would not occur without assistance from the City. Tax increment revenues can be an important funding source for infrastructure improvements that are necessary to advance development in targeted areas of the city such as the Perkins Somerset Oldtown redevelopment for instance.

DHCD Comments

Tax Increment Financing is one of the incentive tools that can be used for community development, eliminating vacant and abandoned properties and encouraging the revitalization of Baltimore City. DHCD supports an exploration of ways in which non-contiguous TIFs can be used to support the City's neighborhood revitalization efforts. This tool should be exercised with care in the thorough evaluation of each TIF proposal to ensure that the benefits of the project are appropriate for the risks and costs of the project, and that they are equitable and in the best interest of the City.

DHCD defers to the department of Finance on the passage of City Council Bill 22-0220.

AK/sm

cc: Ms. Nina Themelis, Mayor's Office of Government Relations

