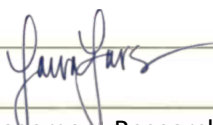



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|------|-----------------------|--|-------------------------------------|---|
| FROM | NAME & TITLE | Laura Larsen, Budget Director  | CITY of BALTIMORE MEMO |  |
| | AGENCY NAME & ADDRESS | Bureau of the Budget and Management Research Room 432, City Hall | | |
| | SUBJECT | City Council Bill 23-0384 – Sale of Property - 14 - 18 Light Street (7 East Redwood Street) | | |

DATE:

TO

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

August 28, 2023

Position: Does Not Oppose

The Department of Finance is herein reporting on City Council Bill 23-0384 – Sale of Property - 14 - 18 Light Street (7 East Redwood Street), the purpose of which is to authorize the sale of 14 - 18 Light Street (7 East Redwood Street).

Background

This legislation was introduced to the City Council by Councilman Costello on behalf of the Baltimore Development Corporation (BDC). BDC purchased the property, the former Legg Mason Trust building, in summer 1996 when Legg Mason relocated. The property is managed by Cushman & Wakefield. Several City agencies are tenants in the property. The Department of Human Resources, Employee's Retirement System, Fire and Police Employee's Retirement System, Mayor's Office of Homeless Services, and Office of Equity and Civil Rights are entirely located in the building, while the Baltimore City Health Department, Baltimore Police Department, Department of Finance, and Law Department rent space for a portion of their agencies.

The Fiscal 2024 budget includes \$2.5 million in rental costs for this building. Rental costs for the building as paid to BDC, a portion of the rent covers the property management services provided by Cushman & Wakefield.

BDC has identified approximately \$18 million in capital needs for this property over the next 10 years. Projects include, but are not limited to, replacing the roof, HVAC, electrical system, plumbing system, life safety systems, as well as elevator upgrades and repairs to the building façade. Funding for these projects would need to be funded through the City's capital budget, the Fiscal 2024 Capital Improvement Plan does not include funding for any improvements to this building.

Fiscal Impact

The Department of Finance anticipates several fiscal impacts, including the revenue received from the sale and possible relocation or increased rental costs.

The property was appraised for \$10 million, as a condition of sale the new owner will continue to honor existing leases. As agency leases end, DGS and the Real Estate team in the Comptroller's Office will work with agencies to identify new space for City tenants. In this process priority will be given to moving City agencies into existing City owned space.

The sale of this property may be a net benefit to the City's General Fund from future property tax receipts. There is currently no identified buyer for this property.

Other Considerations

The Department of Planning and DGS plan to utilize \$9.6 million in proceeds from the sale to fund improvements of City owned facilities in the Fiscal 2024 capital budget. Projects include fire safety systems at City Hall, Samuel Morse Recreation Center, and Weinberg Housing and Resource Center, as well as roof replacement at Hatton Senior Center. If the final sale of this property or comes in lower than the appropriated amount, all or a portion of these projects will need to be de-appropriated and new funding sources will need to be identified in a future capital budget.

The sale of this property is part of a larger strategy from Planning and DGS to downsize the City's real estate portfolio to align with DGS's capital budget capacity, as well as the changing nature of the City's office needs in a hybrid work environment.

Conclusion

This legislation enables the sale of property located at 14-18 Light Street. The sale will result in revenue for the City that will be directed to supporting capital projects, as well as possible future property tax receipts. While there may be relocation costs in the future when leases end, the sale of this property is part of a larger strategy to reduce the City's real estate portfolio.

For the reasons stated above, the Department of Finance does not oppose City Council Bill 23-0384.

cc: Michael Moiseyev
Nina Themelis