

MCCRC The Voice For Maryland Consumers

MARYLAND CONSUMER RIGHTS COALITION

August 22, 2016

Councilman Carl Stokes
Chair, Taxation, Finance, & Economic Development Committee
Baltimore City Council
100 North Holliday Street
Baltimore, MD 21202

Cc: Members of the Taxation, Finance, and Economic Development Committee; City Council Members

Chair Stokes and Members of the Committee:

Thank you for the opportunity to speak to the Committee about the need for increased transparency, fiscal responsibility, research, and oversight/accountability for the Port Covington TIF. While the amendments proposed below are offered in relation to the Port Covington TIF, I would recommend that most, if not all, be incorporated into any new TIFs approved by the Baltimore City Council.

Fiscal Responsibility

- **Cost Overruns Paid for by Developer.**

***Proposed Amendment:** Any costs or cost overruns above and beyond the TIF package approved by the Baltimore City Council are the financial responsibility of the developer.*

Rationale: The City is already assuming a financial risk by approving this large taxpayer supported debt. Any unanticipated costs cannot be borne by Baltimore City. Instead it must be financed by the developer through other means.

- **Tranches of funding are conditional and are tied to progress on TIF implementation.**

***Proposed Amendment:** As part of finalizing the community benefits agreement(s), including workforce-development, housing, and education, advocates on each issue and Sagamore will agree to a timeline for implementation with annual benchmarks and metrics in each area. After the release of the initial tranche of funding, subsequent tranches of funding may only be released after the following:*

- *Submission to the Board of Finance and the Baltimore City Council of an annual fiscal report of the TIF, completed by an independent, third-party monitor, including budget, revenue, projections, profit, overruns every July 15th for previous fiscal year.*
- *Submission to the Board of Finance and the Baltimore City Council an annual community benefits report, completed by an independent, third-party monitor, including progress on each of*

the benchmarks agreed upon by Sagamore and the community benefits signatories; an assessment of where benchmarks have been met or exceeded; as well as where they are falling short-and why.

- *The City Council will hold a public hearing, not less than 30 days prior to consideration of each new tranche request, to review the fiscal and community benefits report regarding the Port Covington TIF and will issue a written recommendation on whether or not the next tranche of bonds should be issued in full, in part, or not at all.*
- *The Board of Finance will take the City Council's recommendation into account before determining whether or not to release the next tranche of funding. The Board of Finance's approval should be conditioned upon the developer meeting both its fiscal and community benefits benchmarks.*
- *All reports (Sagamore fiscal and community benefits annual reports, City Council recommendations, Board of Finance recommendations) will all be made publicly available on the Baltimore TIF website (see recommendation below).*

Rationale: Baltimore City needs to see progress on both the fiscal and community aspects of the Port Covington TIF. It is important to have a third-party monitor to ensure that the analysis is independent. To ensure accountability, it is critical to tie funding tranches to progress on community benefits. Ensuring that City Council members have a role in the monitoring of the agreement both engages incumbent members as well as incoming members.

Economic and Qualitative Analysis

- **Proposed Amendment.** *Prior to releasing the second tranche of funding, the following studies will be completed and publicly posted on Baltimore's TIF website:*
 - **Fiscal impact study by a third party,** *paid for by the city, and who specializes in equitable development, completed and made public prior to the Council consideration. This study must include:*
 - Project impact on city services for the entire city of Baltimore during the construction phase and at completion;*
 - Impact on the budget of the Baltimore City Public School System;*
 - Impact on city's bond rating and ability to issue future debt;*
 - Impact on transit for the entire region, with particular emphasis on impact of BCPS student travel;*
 - Assessment of opportunity costs of taxpayer support of project vs. other investment opportunities;*
 - Impact on housing market citywide to identify/prevent cannibalism of existing communities*
- **Lessons Learned/Best Practices** *should be culled from previous taxpayer supported economic development projects such as Harbor East, EBDI, and Westport before the Port Covington project is approved. City analysts must develop Best Practices from these experiences and demonstrate how this project, and future projects will utilize these practices.*

- **But/For Analysis.** *A But/For Analysis is listed as a requirement by the Board of Finance¹ but to date, one has not been completed for Sagamore. Such a study, by City Finance department, with the help of a third party, must conduct a thorough analysis to assure the developer claim that the project will not happen, but for taxpayer support. “The intent is to prevent TIF funds from being used in place of private financing, grants, or other non-tax supported funding sources. **The Board of Finance will also need assurance that the TIF is not unnecessarily subsidizing a private enterprise².**”*

Transparency

Proposed Amendment:

- *Baltimore City will create a TIF website that will be publicly accessible similar to the [TIF website](#) in Chicago. The website will include*
 - **Quarterly Updates** *For approved taxpayer supported projects, the developer and the City should release quarterly updates on the project completion and YTD costs for the City, and progress toward meeting benchmarks.*
 - **Annual Reports.** *Annual reports of the TIF including budget, revenue, projections, profit, overruns should be submitted every June 20th for previous fiscal year.*
 - **Community Benefits Annual Reports**-*including progress on benchmarks.*
 - *Background material on each TIF including TIF application, economic analysis; and*
 - *Progress toward completion of each phase of construction, as well as updates on sale of land covered by TIF.*
- **Creation of a Community Advisory Committee.** **The Council will create a Port Covington Community Advisory Committee** composed of Sagamore leaders, experts in housing and development, as well as representatives from labor, consumer rights, and the community to review community benefits progress as well as review quarterly reports.

¹ Ibid page 10

² Ibid page 10