

**Harbor Point Tax Increment Financing  
Fact and Information Sheet  
Baltimore Development Corporation  
June 3, 2013**

**What is Tax Increment Financing (TIF)?**

TIF is a form of municipal finance used successfully by cities in many states throughout the country. TIF is a method of financing public infrastructure associated with the construction of real estate development projects. A TIF functions by capturing new, or incremental, taxes generated by a specific development project, and investing those new taxes to finance and construct public infrastructure such as roads, utilities, lighting, public parks, promenades, and schools that are necessary before a new development project can occur. In this manner, TIF functions to support new development used to generate new tax revenue, eliminate blight and vacant property, and spur economic development. The Mayor and City Council of Baltimore must consider and approve all TIF-related legislation, and all bond financing terms must be approved by the Board of Finance.

**What is Harbor Point?**

Harbor Point is a new approximately 3-million square-foot master-planned mixed-use community being built on a 27-acre waterfront site. Harbor Point will include new public infrastructure including public parks and community open space, a public promenade, and public roads and utilities to complement privately financed buildings and privately financed public parking. Harbor Point will be built in phases over approximately 12 years. Total project costs will be approximately \$920 Million of private investment, supplemented by approximately \$106.9 Million of TIF bonds to finance the public infrastructure that does not presently exist at Harbor Point. Utilizing TIF to finance this infrastructure is a smart way for the City to avoid using City, State, and Federal revenues to pay for these improvements, thereby preserving these revenues for other neighborhood improvements such as schools, parks, and recreation centers. The total project will cost over \$1 Billion.

The project is expected to include approximately:

- 1.6 Million square feet of office space
- 914,000 square feet of residential space
- 195,000 square feet of retail space
- 220,000 square feet of hotel space
- 1.2 Million square feet of privately financed and publicly accessible parking with 3,115 spaces
- Five distinct public urban parks including areas for both passive and active recreation, culminating in a 4.5-acre public waterfront park space.

## Architect's Rendering of Harbor Point at Project Completion



By way of comparison, the Harbor East neighborhood located just to the north of Harbor Point is roughly 16 acres and contains approximately 5.5 Million square feet of mixed-use development, while Harbor Point is roughly 27 acres and will contain approximately 3 Million square feet of mixed-use development. While Harbor East has more development on a smaller site, Harbor Point will have less development on a larger site, making it much less dense than Harbor East. This is due primarily to the City's and developer's desire to preserve more than a third of Harbor Point (approximately 9.5 acres) for public open space for the benefit of City's residents.

Harbor Point was formerly a chromium processing facility for the Allied Signal Company. In 1989, Honeywell International, Inc. (the successor to Allied Signal) entered into a Consent Decree with the US Environmental Protection Agency (EPA) and Maryland Department of the Environment (MDE) under which the property was approved by the EPA and MDE and prepared for mixed-use development. All new development, including infrastructure, will occur above the existing surface of the site.



### **Where is Harbor Point located?**

The Harbor Point peninsula, which once housed an Allied Signal chromium processing facility, is located between the Fells Point and Harbor East neighborhoods in southeast Baltimore in City Council District One.

## **What are the benefits of Harbor Point for Baltimore?**

### New Jobs

- Creates a significant number of construction-related and permanent jobs.
- An estimated 7,175 construction jobs.
- An estimated 6,611 permanent jobs.
- An estimated 2,547 indirect jobs.

### New Residents

- Increases the City's residential population furthering the Mayor's goal of attracting 10,000 new households to the City of Baltimore.
- It is anticipated that the project will have approximately 2,070 residents living in the Harbor Point neighborhood, a significant number of which will be new to the City.

### New Taxes and Profit Sharing

- Prior to development of the Harbor Point project the City has been collecting approximately \$244,000 per year in property tax revenue from the site.
- After development of Harbor Point the City anticipates collecting approximately \$19.6 Million per year on average in new tax revenues generated directly by the project.
- Sustains and grows the City's tax base through increased property and other related taxes and revenues that total approximately \$589 Million in net fiscal increase over 30 years, after all costs of financing and City services are accounted for.
- The City will receive profit sharing payments from the Developer of 15% of all net revenue in excess of a 20% return on investment subject to the approval of the Board of Estimates.

### New Public Parks

- 9.5 acres of new passive and active public park land providing enhanced access to the City's waterfront for all City residents.
- A half-mile of new public promenade connecting Fells Point with Harbor East, essentially completing the City's waterfront promenade system from Canton to Locust Point.

### Eliminates Blight and Advances a Smart Growth Agenda

- Reclaims a formerly industrial brownfield site for mixed-use development.
- Eliminates a significant piece of vacant property on the City's waterfront.
- The project is a sustainable transit dependent development that will be built to LEED silver standards or higher.
- Harbor Point will make Baltimore a better place to live, work, and play through the creation of a vibrant new neighborhood that is consistent with the City's land use and economic development plans and policies of supporting high-density, transit dependent, sustainable development that produce significant jobs and taxes for the City.
- Creates new and diversified office, residential, and retail options for City residents.

### Better Schools

- Expands and enhances an existing public school (the Crossroads Academy public charter school) which will construct new educational facilities partly as a result of TIF assistance.

**Will there be minority and women-owned business participation and local hiring at Harbor Point?**

Yes. The Harbor Point project will be required to comply with the City’s Minority and Women’s Business Enterprise program and the developer, working in conjunction with the Mayor’s Office of Minority and Women-Owned Business Development, is incorporating an inclusion strategy as part of its overall MBE/WBE compliance. In addition, the developer is working closely with BDC and the Mayor’s Office of Employment Development to develop a local hiring plan to ensure that Baltimore City residents will have maximum opportunity to obtain employment related to the project under the Mayor’s Employ Baltimore hiring program. Additionally, the developer and BDC are working closely together to ensure that minority owners, contractors, and employees are given maximum opportunity to participate in the project.

**What are the financial benefits and costs to the City of the project?**

The Harbor Point project will produce significant new tax revenues for the City. The pre-development assessed value of the property is estimated at \$10,764,500 and the City collected pre-development property taxes in the amount of approximately \$244,116 per year. At project completion, the property is expected to be assessed at over \$1.8 Billion and the City anticipates collecting on average \$19.6 Million per year at full build-out, and after netting out the costs of TIF financing and City costs of services. No other current project in the City promises these types of revenue gains. The following revenues are anticipated over a 30-year period:

<u>Estimated New Tax Revenues*:</u>	
New property revenue**	\$ 682,634,636
New business personal property tax revenue	53,065,468
Enterprise Zone tax credit State reimbursement	44,191,862
New hotel tax revenues	57,272,422
New utility tax revenues	21,259,355
New City income tax revenues	343,462,168
Recordation tax revenues	7,182,267
Additional new City revenues	<u>44,408,769</u>
Total new City revenues	1,012,177,594
 <u>City Costs*:</u>	
State brownfield tax payment	(\$ 3,878,268)
City costs (police, fire, maintenance, repairs)	<u>(\$ 419,581,482)</u>
 Net new fiscal gain in City revenue	 \$ 588,717,844
 <b>Average new City revenue per year (30 yrs.)</b>	 <b>\$ 19,623,928</b>

\*Based on analysis conducted by the City’s independent Financial Advisor, MuniCap, Inc. dated May 9, 2013.  
 \*\*This figure includes \$88,383,724 of Enterprise Zone tax credits and \$24,469,947 of Brownfields tax credits on the private buildings at Harbor Point.

### **What will the TIF finance?**

Approximately \$106.9 Million in new public infrastructure and recreation improvements including the following:

- 9.5 acres of new public open space including five new distinct public parks (\$59,131,248)
- A half-mile of new public promenade extending and connecting the existing promenade from Harbor East to Fells Point (\$21,634,628)
- Expansion and enhancement of the Crossroads Academy public charter school (\$2,000,000)
- New public roads, sidewalks, and utilities (\$13,317,399)
- A new public pedestrian and vehicular bridge connecting South Central Avenue with Harbor Point (\$10,400,000)
- A new public water taxi stop and piers (\$448,001)

Constructing the public infrastructure on Harbor Point is more expensive than constructing similar infrastructure at other sites due to the limitations placed on construction by the Consent Decree with the US EPA and MDE. With limited exceptions for driving piles, the Consent Decree generally requires that all construction take place above the existing asphalt cap on the site. This means that all of the roads, utilities, parks, and promenade, and all of the private development, must be built in the air above the cap in clean and contained fill, essentially building the site up on average ten feet above its existing grade. This is complicated and costly, but necessary in order for the site to be developed in an environmentally responsible way.

### **What is the Exelon Project?**

Harbor Point will be home to the new 23-story regional headquarters of the Exelon Corporation, the leading U.S. competitive energy provider, as a result of its merger with Baltimore-based Constellation Energy in March 2012. The company is expected to employ over 1,400 people at Harbor Point. The building will be LEED certified, and will include a 70,000 square-foot trading floor, an office tower, and ground level retail. A new half-acre public park and plaza will be built at the same time as the Exelon building, in addition to a landscaped public promenade along with new roads, utilities, and lighting.

### **Why is a TIF Necessary for Harbor Point?**

Historically, cities such as Baltimore would construct public infrastructure such as roads and parks ahead of new private development. The Harbor Point site currently has no public infrastructure, so the City needs to look at innovative ways to pay for such infrastructure so that private development will occur and the City can reap all of the benefits of the project such as new jobs, new City residents, eliminating blighted and vacant property, and significant new tax revenues. In today's budget climate, Baltimore is unable to fund this infrastructure by simply paying for the improvements from City, State, and Federal funds. With TIF, the City is able to borrow the necessary funds at competitive market prices and repay the borrowed funds with new revenues generated directly from the project without detracting from any City-wide services and using any existing City revenues.

**Is TIF a tax break for the developer?**

The TIF is NOT a tax break for the developer. Under a TIF, the property owners within the TIF district are required to pay full property taxes less any “by-right” tax credits that exist such as the Enterprise Zone or Brownfields Tax Credits. By law, TIF funds will NOT be used to finance private improvements and TIF does NOT lower a property owner’s taxes. In fact, the owners of the property within the TIF district bear the risk of increased taxes being levied upon them should the incremental taxes be insufficient to make bond payments.

**What happens if the City doesn’t collect enough new taxes?**

When the City creates a TIF it also creates what is called a Special Taxing District, which includes all of the developer’s property, but not anybody else’s property. All of the property owners in a Special Taxing District, in this case only the developer and any future owners, are subject to a special property tax being levied by the City in the event of and equal to any shortfall in tax increment collection. Under this system, the developer essentially guarantees the City’s ability to make principal and interest payments on the bonds.

**Will the public have access to Harbor Point after it is completed?**

Yes. Under TIF law and City policies all TIF-financed public infrastructure will be fully publicly accessible in perpetuity. The parks, promenade, and streets will all be publicly owned and the public will have full access to these new amenities, ensuring the public’s access to the waterfront at Harbor Point for generations.

**Will the public have the opportunity to comment on the TIF?**

Yes. The City Council must approve TIF Legislation in order for the TIF to move forward. The City Council will hold hearings on the TIF which the public may attend and offer formal comments. In addition, the TIF legislation will be considered by the Planning Commission at a public hearing where the public may similarly offer formal comments. After the legislation is approved, the TIF will have additional public hearings by the Board of Finance and Board of Estimates.

**Who is the developer?**

Harbor Point Development Holdings, LLC, managed by Beatty Development Group, LLC is the site’s Master Developer. The principal is real estate developer Michael S. Beatty.

**Does the City only use TIFs at the Inner Harbor and on the waterfront?**

No. The City has created the majority of its TIFs in Baltimore’s neighborhoods to finance critical public infrastructure to support private development that produces jobs, taxes, and new residents for the City, including TIFs at:

1. Mondawmin Mall
2. Frankford Estates
3. Belvedere Square
4. Clipper Mill
5. Charles Village
6. North Locust Point
7. Harborview (for public promenade)
8. West Baltimore (Rosemont)
9. Westport\*
10. Harbor Point
11. East Baltimore Development Initiative (EBDI)
12. Convention Center Hotel

\*While a TIF was established in Westport, no bonds were issued because the development project has not moved forward.

