

July 15, 2024

The meeting of the Board of Finance was called to order at 3:01 p.m.

Present: Honorable Brandon M. Scott, Mayor and President
Bill Henry, Comptroller and Member
Arnold Williams, Vice President and Member
Frederick Meier, Member
Robert Shelton, Member
Jennell Rogers, Chief, Bureau of Treasury Management and Clerk to the Board of Finance

Also Present: Michael Mocksten, Director, Department of Finance
Anne Gardner, DOF
Evelyn Alston, Treasury Management
Alice Kennedy, Commissioner, DHCD
Stacy Freed, DHCD
Joann Levin, Law Dept.
Keenan Rice, Municap
Max Levee, Municap
Lex Davis, Municap
Alan Cason, McGuire Woods
Dexter Lockamy, Council President's Ofc.
Aaron DeGraffenreidt, Council President's Ofc.
Lee Sanderlin, Baltimore Banner
Randy Willison, MOCC (via Webex)
Myke Wells, CharmTV (via Webex)

MINUTES

Mr. Willams requested the Board to review the minutes from the meeting of May 20, 2024. The minutes were approved on the motion of Mr. Meier, seconded by Mr. Shelton.

SECURITY TRANSACTIONS

Ms. Rogers briefed the Board on the investment activity for this period noting that total securities purchased since the last Board of Finance meeting were \$844,500,000 and redemptions totaled \$1,139,500,000. Ms. Rogers noted that two securities were called during this period.

Security transactions since the meeting on May 20, 2024, were approved on the motion of Mr. Shelton, seconded by Mr. Meier. (Appendix I)

MARK TO MARKET VALUATION OF SWAP PORTFOLIO

Ms. Rogers presented the Mark to Market Valuation Report as of June 30, 2024, with a notional amount of \$123,155,000. The fair market value of the swap portfolio decreased slightly from (\$7,353,771) to (\$7,308,110). The ten-year Treasury rate decreased from 4.51% to 4.36%. As of the date of this report, there was no collateral posted.

The Board accepted the report. (Appendix II)

APPROVAL OF THE VACANCY REDUCTION AFFORDABLE HOUSING TIF

Ms. Rogers requested the Board to consider and approve the enclosed resolution authorizing the introduction of the legislation for the City-Wide Affordable Housing Tax Increment Financing to:

1. Create the City-Wide Affordable Housing Development District
2. Establish the City-Wide Affordable Housing Bond Issuance – Authorizing the issuance of no more than \$150,000,000 of special obligation bonds.

This Board approved the Vacancy Reduction Affordable Housing TIF concept (TIF policy process Step II) on May 20, 2024. The enclosed legislation, which represents Step III, will allow the City Council to consider the ordinances.

Mayor Scott has announced a \$3 billion comprehensive, public-private revitalization strategy to eliminate vacant and blighted properties in the City. This strategy includes a City pledge of \$300 million over fifteen years. The Department of Housing and Community Development (DHCD) proposes requesting tax increment financing (TIF) as part of the City's contribution to this plan. DHCD is submitting a formal TIF application seeking \$150 million in bond funding.

The proposed TIF district will be non-contiguous and span Impact Investment and Focus Areas across the City, capturing several thousand vacant and abandoned properties. The City Charter allows for TIF to be used to construct or rehabilitate buildings provided that such buildings will provide affordable housing up to 115% of the area median income. The proceeds from the sale of TIF bonds are proposed to be used to fill the appraisal gap in conjunction with state and other sources of funds. The initial tranche of bonds will be supported by tax increment revenues from recent public and private investments in rehabilitated vacant properties. The City will not levy a special tax as affordable homeowners cannot afford to pay this tax. As a result, the bonds are proposed to be issued in arrears following the completion of the rehabilitation or construction of the vacant properties. Multiple tranches of bonds are anticipated every several years for the next ten to fifteen years. TIF will provide a source of funds for the appraisal gap, leading to development that will bring vacant and abandoned properties back on the tax rolls, reduce upkeep costs for the City, reduce crime, and provide workforce and affordable housing.

Comptroller Henry asked if Finance would provide information regarding the amount of the initial tranche. Ms. Rogers stated that the amount of the first tranche is not yet known. She invited Commissioner Alice Kennedy, DHCD, to brief Board members on the TIF application. Commissioner Kennedy stated that it is not uncommon, when doing a TIF, not to know what the first tranche will be during the introduction of the legislation. She added that the first tranche would represent around 300 homes, roughly \$20M, but Finance will not know the amount until we are to issue the bonds. Ms. Kennedy shared a PowerPoint presentation with the Board while responding to questions for clarification as she spoke. Director Mocksten, Finance, aided in responding to questions by advising Board members that the \$3 billion proposed capital investment is the expanded vision of which this TIF is a part.

The TIF is the first step in this project. It represents \$150 million that should renovate approximately 4,000+ properties strategically placed adjacent to areas of strength so that they can build into the rest of the community. Commissioner Kennedy noted that, of the \$3 billion proposed capital investment, \$1 billion is designated for infrastructure in neighborhoods where vacant properties are being renovated. Board members raised concerns regarding the results of the But-for-Test to assess the appraisal gap when selling the renovated properties. The But-for-Test utilizes the area median income for the State of Maryland, but the area median income for the City of Baltimore is lower than statewide income. Comptroller Henry asked if there is a sensitivity analysis that uses the area median income for Baltimore City. He stated that he is concerned that the test

might mislead the public regarding how much money is needed to make this project successful. Director Mocksten stated that Finance is working on solidifying other revenue means and that there are opportunities to obtain money through federal programs. He advised board members that this meeting addresses the TIF's legal aspect, which included the 4,285 properties in the proposal. Commissioner Kennedy affirmed that today's request is for the Board to approve the resolution authorizing the introduction of the City-Wide Affordable Housing TIF legislation to the City Council in the amount not to exceed \$150 million, which is the first portion of the City's commitment of the \$3 billion proposed capital investment. She stated that the initial vacant rehabilitations completed last year will provide the tax increment revenues to secure bonds issued to finance Phase I.

The resolution authorizing the introduction of the City-Wide Affordable Housing Tax Increment Financing (TIF) legislation was approved on Mr. Meier's motion, seconded by Mr. Williams.

OTHER BUSINESS

There was no other business. The meeting was adjourned at 4:37 pm.

Jennell Rogers
Clerk to the Board of Finance