



Catherine E. Pugh
Mayor

PLANNING COMMISSION

Sean Davis, Chairman



Thomas J. Stosur
Director

STAFF REPORT

REQUEST: 2018 Loan Authorization Program for FY 2020 and 2021 General Obligation Bond Issues

RECOMMENDATION: Approval

STAFF: Kristen Ahearn

PETITIONER: City of Baltimore

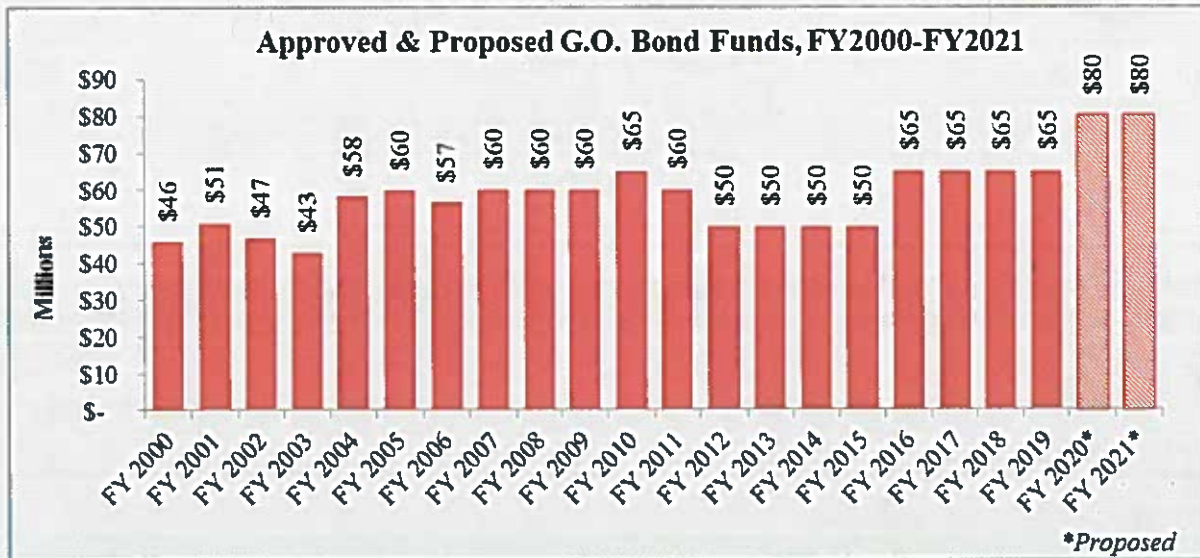
BACKGROUND/HISTORY

Every two years, the City of Baltimore must get permission from voters through a ballot referendum to issue General Obligation Bonds (GO Bonds). GO Bonds are borrowed funds that are used for capital projects, including housing and neighborhood revitalization; school renovations and improvements; economic development; improvements to City parks, recreation centers, and other government facilities; and key City institutions and cultural attractions. The next referendum will be in 2018, authorizing the City to issue \$80 million per year for the fiscal years 2020 and 2021 budgets, for a total loan authorization of \$160 million. Prior to inclusion on the 2018 general election ballot, the loan authorization package must be approved by the Planning Commission, Board of Finance, Board of Estimates, City Delegation to the Maryland General Assembly, and City Council.

In 2016, voters approved \$65 million per year (\$130 million total) in GO Bonds for fiscal years 2018 and 2019. The GO Bonds were approved for the following purposes:

- Affordable Housing: \$6 million
- Schools: \$34 million
- Community and Economic Development: \$45 million
- Parks and Public Facilities: \$45 million.

Historically, GO Bonds have comprised a small but important piece of the overall capital budget. In fiscal year 2018 GO Bonds represented six percent of the \$1.12 billion capital budget and 64 percent of the non-utility local funds (GO bonds, general funds, Highway User Revenues, and County Transportation Revenue bonds) in the capital budget. Since 2000, the total amount of GO Bonds authorized has ranged from a low of \$43 million in FY 2003 to a high of \$65 million in recent years.



CONFORMITY TO PLANS

The proposed \$80 million per year in GO Bonds for the fiscal year 2020 and 2021 budgets is an increase from the amount currently programmed in the FY2018-2023 Capital Improvement Program (CIP). While the six-year CIP serves as a guideline for future capital budgets, the entire program is revisited each year. The increased amount will be programmed in the FY2019-2024 CIP for fiscal years 2020 and 2021.

The increase conforms to the City’s official debt policy, established by the Board of Finance in 1990. In 2012, the City contracted with an outside consultant to review the debt policy. The consultant concluded that the City could issue up to \$80 million annually in GO Bonds while maintaining a stable financial position and bond rating. In response to the study, the Director of Finance elected to increase the annual authorization from \$50 million per year to \$65 million per year beginning with the 2014 ballot question for the fiscal years 2016 and 2017 budgets. Also in 2014 the City’s bond rating was increased by Standard and Poor’s so that the City’s ratings now stand at Aa2 and AA by Moody’s and Standard and Poor’s rating services, respectively. These ratings reflect a sound financial condition allowing the City to enjoy very affordable interest rates on the City’s general obligation debt.

ANALYSIS

The proposed increase in GO Bond authorization would help the City address years of deferred upgrades to its information technology infrastructure, fund new community development initiatives, and increase the City’s contribution to the Baltimore City Public Schools’ capital program. Planning Staff recommends the following allocation of funds for the 2018 Loan Authorization Program:

Parks and Public Facilities

\$65,000,000 (over 2 years)

The last major wave of investment in Baltimore’s public facilities was in the 1970s. Many of these facilities are physically decayed and now in need of major renovations or replacements. In addition, the best practices for providing various public services have changed dramatically during this time. This loan will be used to renovate/replace existing public facilities or build new

facilities as needed. These facilities include municipal office buildings, courthouses, fire stations, multi-purpose centers, libraries, parks, recreation centers, aquatic facilities, and playgrounds. Capital investments in information technology infrastructure would fall under this loan question. This question represents a \$10 million per year (\$20 million total) increase from the 2016 authorization for this purpose.

Examples of potential projects include:

- Information technology infrastructure
- Municipal building upgrades (including health and safety improvements)
 - Secure City Hall exterior stone walls
 - HVAC upgrades
 - Fire safety and electrical upgrades
 - Window, doors, and roof replacements
 - Police and fire station renovations
 - Senior center and community action center improvements
- Courthouse improvements
- Park rehabilitation and improvements
- New recreation center construction
- Recreation center improvements
- Park road and building improvements
- Solid waste facility improvements

Community and Economic Development

\$51,000,000 (over 2 years)

Baltimore is committed to supporting and promoting efforts to revitalize and stabilize neighborhoods and support investment that retains and attracts jobs in the City and increases tax revenues. Community and Economic Development funds will be used to attract and retain residents, jobs, and other investment. This loan will be used to eliminate blight through strategic whole block demolition; provide financing and incentives for private investment; and improve the appearance of commercial and industrial areas. This is a \$3 million per year (\$6 million total) increase from the 2016 authorization for this purpose.

Examples of potential projects include:

- INSPIRE plan implementation
- Grants for cultural institutions
- Green Network Plan projects
- Façade improvements
- Demolition/stabilization of vacant buildings
- Homeownership incentives
- Housing repair assistance programs
- Rash Field
- Inner Harbor projects
- Lexington Market
- Business incentives

Schools**\$38,000,000 (over 2 years)**

Baltimore City Public Schools, the City of Baltimore, the State of Maryland, and the Maryland Stadium Authority are partnering to implement the 21st Century Schools Initiative, a nearly billion dollar initiative to renovate or replace 23-28 school buildings through a combination of other funding sources. This loan authorization will complement that investment by making critical systemic improvements, such as fire alarms, HVAC systems, and other urgent needs in schools that are not currently funded through the 21st Century Schools Initiative. This loan authorization will also allow renovation and replacement of additional schools to take place, leveraging traditional State capital support through the Maryland Public Schools Construction Program. In addition, this loan authorization will allow for renovation or demolition of former school buildings that are declared surplus through the 21st Century Schools Initiative. This is a \$2 million per year (\$4 million total) increase from the 2016 authorization for this purpose.

Examples of potential projects:

- Graceland Park-O'Donnell Heights Replacement
- Holabird EM/MS #229 Replacement
- Armistead Gardens Renovation
- Systemic Improvements for roofs, windows, doors, HVAC, life safety
- Qualified Zone Academy Bond (QZAB) projects
- Programmatic space upgrades

Affordable Housing**\$6,000,000 (over 2 years)**

This loan authorization will provide \$3 million per year to fund affordable housing activities, including financing for development costs related to the rehabilitation and new construction of rental and homeownership development projects. Bond funding may be used to supplement low income housing tax credits to make projects viable.

Examples of potential projects:

- Supplemental funding for state low-income housing tax credit projects
- Infrastructure for major redevelopment projects with an affordable housing component

RECOMMENDATION

The Planning Department recommends approval of the 2018 Loan Authorization Program for the fiscal years 2020 and 2021 bond issues.



Thomas J. Stosur
Director