

## WRITTEN TESTIMONY

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On behalf of the Baltimore Development Corporation

### Before the Senate Finance Committee

March 5, 2026

### Senate Bill 455

*Economic Development — Transformational Project Financing Program —  
Establishment*

### POSITION: FAVORABLE WITH AMENDMENTS

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## I. Introduction

Chair Guzzone, Vice Chair Klausmeier, and distinguished members of the Senate Finance Committee, thank you for the opportunity to submit written testimony on Senate Bill 455. My name is Otis Rolley, and I serve as President and CEO of the Baltimore Development Corporation (BDC), Baltimore’s economic development agency. BDC is the entity responsible for attracting and retaining businesses, supporting small and minority-owned enterprises, managing the City’s portfolio of development incentives, and implementing the comprehensive economic development strategy for Baltimore City.

I submit this testimony in **strong support** of SB 455, with recommendations for targeted amendments that would strengthen the bill’s effectiveness for Baltimore and jurisdictions across the state. This written testimony supplements my oral remarks and provides additional detail on the bill’s significance, its alignment with Baltimore’s economic development strategy, and proposed refinements for the Committee’s consideration.

## II. Baltimore’s Economic Context: The Case for State Partnership

Baltimore City is at a critical inflection point. The convergence of remote work, commercial real estate devaluation, and decades of disinvestment in key corridors has produced an economic development challenge that local tools alone cannot solve.

The scale of the challenge is significant. Downtown Baltimore has experienced more than \$647 million in assessed property value losses.<sup>1</sup> This is not merely a Baltimore problem—it is a state revenue problem. As property values decline, the income tax, sales tax, and business tax revenues that the State collects from economic activity in these districts decline with them. The fiscal interdependence between Baltimore’s economic health and the State’s revenue base is well-documented and undeniable.

Baltimore’s population of historically underserved communities—who comprise 62% of our residents but account for only 12% of business revenue<sup>2</sup>—stands to benefit most from the kind of transformational, mixed-use development that SB 455 is designed to catalyze. Through our Baltimore Together comprehensive economic development strategy,<sup>3</sup> BDC has established an equity-centered framework for inclusive growth. SB 455 provides a critical financing tool to advance that vision.

Traditional local Tax Increment Financing has been an important tool for Baltimore, but it has inherent limitations. Local TIF captures only the property tax increment—a single revenue stream that, in a declining assessment environment,<sup>4</sup> may be insufficient to support the scale of investment required. SB 455 addresses this structural gap by adding a complementary state revenue stream, creating the layered financing needed to make transformational projects economically viable.

### **III. Analysis of Senate Bill 455**

#### **A. Core Mechanism and Fiscal Discipline**

SB 455 establishes the Transformational Project Financing Program within the Maryland Economic Development Corporation (MEDCO), authorizing the capture of net-new state revenues—income tax, sales and use tax, and other designated state taxes—generated within approved State-supported development districts. These revenues are deposited into a Transformational Project Financing Fund and disbursed to trustee-held project trust accounts to pay debt service on bonds, replenish reserves, and reimburse approved project costs.

Critically, the bill includes robust fiscal safeguards. Disbursements are limited to net-new state revenues after displacement adjustments, capped at 30 years, and explicitly do not constitute a pledge of the State’s full faith and credit. Independent third-party

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<sup>1</sup>CoStar Group, Baltimore Metro Office Market Report, Q4 2025. Downtown Baltimore office vacancy exceeded 27% by late 2025, with assessed values declining across multiple assessment cycles.

<sup>2</sup>U.S. Census Bureau, Annual Business Survey; Baltimore City Department of Finance analysis.

<sup>3</sup>Baltimore Together: A Comprehensive Economic Development Strategy for Baltimore City, adopted 2025.

<sup>4</sup>Maryland Department of Assessments and Taxation, Baltimore City reassessment data, 2023–2025 cycles.

fiscal analysis is required for larger projects, and the Comptroller must certify that each district produces a positive net fiscal benefit to the State. This is not speculative spending; it is performance-based reinvestment tied to demonstrated economic activity.

## **B. Priority Area Exemptions: A Structural Advantage for Equitable Development**

One of the bill’s most significant features is the exemption of Priority Areas from displacement adjustments under § 12–2A–05(D). Priority Areas include sustainable communities, transit-oriented developments, enterprise zones, arts and entertainment districts, Main Street communities, and priority funding areas. Baltimore’s development districts fall overwhelmingly within these designations.<sup>5</sup>

This exemption is both economically sound and equitable. Development in these areas—many of which have experienced sustained disinvestment—is far more likely to represent genuinely new economic activity than relocation from elsewhere in the state. The exemption correctly recognizes this reality and ensures that the full value of state revenue capture is available where it is most needed and where the “but-for” case is strongest.

The additional exemption for affordable housing components from displacement adjustments further aligns the bill with inclusive development principles. For Baltimore, where affordable housing production is essential to retaining working families and preventing displacement, this provision ensures that mixed-income transformational projects are not penalized for including affordability.

## **C. Expanded Bond Proceeds Uses**

Under § 12–2A–06(A), bond proceeds for a State-supported development district may be used for the construction, rehabilitation, or expansion of privately owned buildings. This represents a meaningful expansion beyond traditional TIF, which is generally limited to public infrastructure and site improvements.

For Baltimore, this provision is essential. Our transformational challenge is not primarily greenfield development on vacant land. It is the adaptive reuse and substantial rehabilitation of aging commercial buildings—office towers that need to be converted to mixed-use, historic structures that require capital-intensive renovation, and industrial buildings that can become innovation spaces. The ability to use bond proceeds for private building rehabilitation closes a critical gap in the current financing toolkit.

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<sup>5</sup>Maryland Department of Planning, Priority Funding Area designations; Maryland Department of Housing and Community Development, Sustainable Communities and Enterprise Zone registries.

## D. Baltimore City Charter Integration

The bill directly amends Article II, § 62 of the Charter of Baltimore City to integrate the State-supported development district framework into Baltimore’s existing TIF authority. This is significant because it eliminates potential legal ambiguity and ensures that Baltimore can use this new tool without additional local legislative action. The Committee’s attention to this detail reflects a sophisticated understanding of Baltimore’s unique governance structure and is appreciated.

## E. National Context

Maryland would not be the first state to adopt a state-level TIF mechanism. Several states, including Minnesota, Illinois, Ohio, and Missouri, have implemented programs that dedicate state revenues to support local development districts.<sup>6</sup> SB 455 builds on these models while incorporating stronger fiscal protections—particularly the displacement adjustment framework and independent fiscal analysis requirements—that position Maryland’s program as among the most disciplined in the nation.

## IV. Recommended Amendments

While BDC strongly supports SB 455, I respectfully recommend four targeted amendments that would strengthen the bill’s effectiveness without altering its core structure or fiscal discipline.

### Amendment 1: Clarify Merit-Based Approval Criteria (§ 12–2A–03(D))

**Current language:** Section 12–2A–03(D) requires MEDCO to ensure that State-supported development districts “are approved in a manner that provides meaningful participation by political subdivisions of varied population size and geographic location across the State while accounting for the number and quality of the applications received.”

**Concern:** As drafted, the geographic equity provision could be interpreted as a de facto quota system that limits the number of projects approved in any single jurisdiction, regardless of their fiscal merit. Baltimore, as the state’s largest independent city and the jurisdiction with among the greatest need for this tool, could be disadvantaged if MEDCO interprets this provision as requiring geographic distribution at the expense of project quality.

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<sup>6</sup>See, e.g., Minnesota’s Tax Increment Financing statute, Minn. Stat. § 469.174–469.1794, which permits state revenue participation in certain designated districts; and similar programs in Illinois, Ohio, and Missouri.

**Recommended amendment:** Revise § 12–2A–03(D) to read: “In administering approvals, the Corporation shall ensure that approval decisions are based primarily on the quality of the transformational plan, the net fiscal benefit to the State, and the demonstrated need for State participation, while encouraging meaningful participation by political subdivisions of varied population size and geographic location across the State.” This language preserves the geographic diversity aspiration while establishing clear primacy for merit-based criteria.

### **Amendment 2: Require Transparency in Displacement Adjustment Revisions (§ 12–2A–05(C))**

**Current language:** Section 12–2A–05(C) authorizes the Comptroller to evaluate displacement adjustment percentages at least every two years and, based on market conditions and empirical data, to use different percentages than those established in the statute.

**Concern:** The bond market requires predictability. If displacement percentages can change significantly without advance notice, bond investors will price in additional risk, increasing the cost of capital for every State-supported development district in Maryland. Developers making multi-year capital commitments based on projected revenue streams need reasonable assurance that the rules will not change retroactively or without opportunity for input.

**Recommended amendment:** Add new subsection 12–2A–05(C)(3) requiring the Comptroller to: (i) publish proposed changes to displacement adjustment percentages in the Maryland Register at least 90 days before they take effect; (ii) accept and consider public comment for a period of not less than 60 days; (iii) publish a written explanation of the basis for any revised percentages; and (iv) apply revised percentages only prospectively to new applications, not to previously approved districts. This amendment preserves the Comptroller’s analytical flexibility while providing the transparency and stability that capital markets require.

### **Amendment 3: Extend or Add Flexibility to the Formation Deadline (§ 12–2A–03(A)(1))**

**Current language:** Section 12–2A–03(A)(1) requires that a development district be formed and a TIF plan approved before July 1, 2031.

**Concern:** Transformational projects of the scale contemplated by this bill often require extended predevelopment periods—land assembly, environmental remediation, community engagement, infrastructure planning, and complex financing negotiations. A project that begins the development district formation process in 2029 may not

complete it by July 2031 due to factors entirely outside the municipality’s control. The deadline creates appropriate urgency, but rigidity could exclude worthy projects.

**Recommended amendment:** Either extend the deadline to July 1, 2033, or add a provision authorizing MEDCO to grant extensions of up to 24 months for applicants that demonstrate substantial progress toward district formation, including evidence of community engagement, preliminary fiscal analysis, and developer commitment. An extension provision is preferable to a blanket deadline extension because it maintains urgency while accommodating real-world project development timelines.

#### **Amendment 4: Narrow Exception to Cross-Collateralization Prohibition (§ 12–2A–06(B))**

**Current language:** Section 12–2A–06(B) prohibits revenues and reserves for a State-supported development district from being used for any other district or transformational plan, and prohibits cross-collateralization among transformational plans.

**Concern:** This prohibition is sound fiscal policy for standalone districts. However, large-scale urban revitalization often involves multiple contiguous development districts that function as a single economic ecosystem. Baltimore’s downtown, for example, could involve adjacent districts covering different blocks or corridors that are components of an integrated revitalization strategy. Prohibiting any cross-support among these districts could force suboptimal financing structures and undermine the integrated approach that would produce the greatest net fiscal benefit to the State.

**Recommended amendment:** Add an exception to § 12–2A–06(B) permitting limited cross-support among contiguous State-supported development districts within a single political subdivision, subject to the following conditions: (i) the districts are part of a single integrated development plan approved by MEDCO; (ii) the combined districts demonstrate a positive net fiscal benefit to the State after displacement adjustments; (iii) cross-support is limited to surplus revenues after all primary obligations of the supporting district are met; and (iv) MEDCO provides written approval for each instance of cross-support. This narrow exception preserves fiscal discipline while enabling the integrated financing structures that complex urban revitalization requires.

### **V. Alignment with Baltimore’s Economic Development Strategy**

SB 455 is directly aligned with BDC’s current strategic priorities and ongoing initiatives.

The **Baltimore Together** comprehensive economic development strategy, adopted in 2025, establishes an equity-centered framework for inclusive economic growth. Its core

premise is that Baltimore’s economic development must produce broad-based prosperity—not just aggregate growth figures, but measurable improvements in business ownership, workforce participation, and wealth-building among historically underserved communities. SB 455’s Priority Area exemptions and affordable housing provisions are structurally aligned with this vision.

The **Downtown RISE PILOT** initiative, which BDC has been advancing through the legislative process, addresses the acute commercial real estate crisis in downtown Baltimore. SB 455 complements the RISE PILOT by providing an additional financing mechanism for the transformational redevelopment projects that the PILOT is designed to incentivize. Together, these tools create a comprehensive package: the PILOT reduces holding costs to encourage redevelopment, while SB 455 provides the capital needed to execute it.

BDC’s **organizational transformation**—including the restructuring of our leadership team and the establishment of new operational capacity—positions us to be a sophisticated, high-performing applicant under the Program. We are building the institutional capacity to develop rigorous transformational plans, manage complex TIF districts, and work effectively with MEDCO through the application and approval process.

## VI. Conclusion

Senate Bill 455 represents an important evolution in Maryland’s economic development toolkit. It recognizes that the State and its political subdivisions share a fiscal interest in catalytic development, and it creates a disciplined, performance-based mechanism for the State to invest alongside local governments in projects that generate net-new economic activity.

For Baltimore City, SB 455 is not merely helpful—it is essential. The scale of our commercial real estate challenge, the depth of our commitment to inclusive economic growth, and the urgency of our downtown revitalization effort all demand a financing tool of this caliber. With the targeted amendments I have outlined, this bill can become a national model for how states partner with their cities to drive equitable, fiscally responsible economic development.

On behalf of the Baltimore Development Corporation, I respectfully urge a **favorable report on Senate Bill 455 with the recommended amendments.**

Thank you for your consideration. I welcome any questions from the Committee.

**Contact Information**

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