

# WRITTEN TESTIMONY

## House Bill 1580

*Economic Development – Maryland Enhanced Tax Increment Financing (TIF) Districts*

### House Ways and Means Committee

March 5, 2026

**Position: FAVORABLE**

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## I. Introduction and Position

The Baltimore Development Corporation (BDC) submits this written testimony in strong support of House Bill 1580, which would establish Maryland Enhanced Tax Increment Financing (TIF) Districts. As Baltimore’s designated economic development agency and a partner to the City of Baltimore, BDC has direct experience with the financing gaps that prevent large-scale, transformative development projects from moving forward. HB 1580 addresses these gaps by creating a structured mechanism for state participation in locally approved TIF plans for the largest, most impactful projects in the state.

**BDC respectfully urges the Committee to issue a favorable report on this legislation.**

## II. What House Bill 1580 Does

HB 1580 amends the Tax Increment Financing subtitle of the Economic Development Article to create a new category of development district—the “Maryland Enhanced TIF District.” The bill accomplishes three main objectives:

1. **Defines Maryland Enhanced TIF Districts.** A qualifying district must involve a project that either includes a convention center or is located within one-half mile of a transit station, must exceed \$500 million in total project costs, and must have local TIF approval already in place.

2. **Authorizes MEDCO bond issuance.** With approval from the Board of Public Works, the Maryland Economic Development Corporation (MEDCO) may issue bonds to finance development within Enhanced TIF Districts, expanding the universe of financing tools available for these projects.
3. **Enables state revenue pledges.** On MEDCO’s recommendation and with Board of Public Works approval, the state may pledge incremental sales and income tax revenues generated within the Enhanced TIF District to support debt service and project costs. Critically, these are net-new revenues that arise only because the development occurs.

### III. The Problem This Bill Solves

#### A. Maryland’s Commercial Real Estate Crisis Demands New Tools

Maryland’s urban centers are confronting an unprecedented commercial real estate crisis. The post-pandemic transformation of American work patterns has left downtowns across the state with rising vacancy rates, declining property values, and a shrinking tax base. In Baltimore’s central business district, office vacancy rates have exceeded 24 percent, with five consecutive quarters of rising vacancy through the end of 2025. Major tenants including T. Rowe Price, Bank of America, Transamerica, and PricewaterhouseCoopers have relocated or announced plans to leave downtown for newer office environments, and assessed property values for key commercial buildings have declined by as much as 45 percent.

This is not a Baltimore-specific challenge. Communities across Maryland—from suburban office parks to smaller city centers—face similar dynamics as national trends in remote and hybrid work reshape demand for commercial space. Nationally, experts estimate that more than one billion square feet of office space could become obsolete by the end of this decade. The scale of the challenge requires financing tools that match its magnitude—and traditional local TIF mechanisms, while valuable, often cannot close the gap alone for the largest transformative projects.

#### B. The Financing Gap for Large-Scale Projects

Tax increment financing has been a proven tool in Maryland and nationally for funding the public infrastructure that enables private development—roads, utilities, structured parking, environmental remediation, and site preparation. However, Maryland’s current TIF framework relies exclusively on local property tax increments and, in limited cases, alternative local tax revenues. For the largest transformative projects—those with total costs exceeding \$500 million—this local-only approach often leaves a significant financing gap.

The reason is straightforward: while transformative projects generate substantial new state-level tax revenues through increased economic activity, sales, employment, and property values, local jurisdictions have no mechanism to capture a portion of these state revenues to support the infrastructure investments that make the projects possible. This means that the state benefits from the tax increment generated by locally financed development without contributing to the upfront costs that create those revenues. HB 1580 corrects this misalignment by enabling the state to reinvest a share of the incremental revenues it receives back into the districts that generate them.

## **IV. Why State Participation Matters**

### **A. Transit-Oriented Development Serves Statewide Goals**

The bill’s focus on transit station proximity and convention center-anchored projects reflects sound economic development policy. Transit-oriented development creates dense, walkable, mixed-use communities that reduce automobile dependence, lower household transportation costs, and generate higher levels of economic activity per acre than conventional development patterns. Research from the Center for Transit-Oriented Development has found that TOD produces 43 percent fewer greenhouse gas emissions than comparable conventional development while increasing surrounding property values.

Maryland has invested billions in transit infrastructure—the MARC system, the Baltimore Metro, light rail lines, and the Purple Line. These are state assets that serve state interests. By enabling Enhanced TIF Districts near transit stations, HB 1580 ensures that the state can help maximize the return on its own transit investments by

catalyzing the development that makes transit systems financially and operationally sustainable.

## **B. Competitive Positioning in a National Market**

Maryland is competing for transformative investment with states that already offer state-level TIF participation and enhanced development incentives. Cities like San Francisco, Dallas, Charlotte, and Chicago have used state-enhanced TIF structures to unlock billions of dollars in private investment, catalyze transit-oriented development, and revitalize struggling commercial districts. San Francisco’s Transbay Transit Center project, for example, used a TIF district supported by multiple levels of government to fund a \$4.2 billion multimodal transportation hub and surrounding mixed-use development. Dallas created a TOD TIF District that strategically links development around eight transit stations.

Without comparable tools, Maryland risks losing major development projects—and the jobs, housing, tax revenue, and community benefits they generate—to other states. HB 1580 ensures Maryland can compete on a level playing field for the largest, most impactful projects.

## **C. Net-New Revenues Protect the State’s Fiscal Position**

A central feature of this bill is that the state revenues pledged under an Enhanced TIF District are incremental—they represent the increase in state sales and income taxes above the base level that existed before the district was created. Without the transformative project, these revenues would not exist. The state is not diverting existing funding; it is choosing to reinvest a portion of net-new revenues to support the infrastructure that generates them. This is fiscally responsible economic development policy that creates a self-sustaining cycle of investment and return.

## **V. Built-In Safeguards and Accountability**

HB 1580 incorporates multiple layers of oversight that protect the state’s fiscal interests:

- **Local approval prerequisite:** A Maryland Enhanced TIF District can only be established where the local jurisdiction has already approved TIF financing, ensuring that the community most affected by the project has endorsed it through its elected governing body.
- **High threshold for qualification:** Only projects exceeding \$500 million in total costs and meeting transit proximity or convention center requirements qualify. This ensures the tool is reserved for truly catalytic investments, not routine development.
- **MEDCO oversight:** The Maryland Economic Development Corporation serves as the issuer and makes the recommendation for state revenue pledges, providing professional evaluation of project viability and fiscal impact.
- **Board of Public Works approval:** The Governor, Comptroller, and Treasurer must approve both the bond issuance and any pledge of state revenues, providing the highest level of executive oversight in state government.
- **Flexible bond sale structure:** The bill permits private or public bond sales, enabling MEDCO to achieve the most favorable terms for each project's circumstances.

## VI. Impact on Baltimore and Communities Across Maryland

While BDC testifies from the perspective of Baltimore, this bill is designed to benefit communities across Maryland. Any jurisdiction with transit stations or convention center-anchored development can potentially benefit from Enhanced TIF Districts. For Baltimore specifically, this tool is essential as the city works to address the downtown commercial real estate crisis while capitalizing on major development opportunities around its transit infrastructure, including the Metro, Light Rail, MARC stations, and the future Red Line.

Baltimore's ongoing efforts to revitalize the Inner Harbor, support the Harborplace redevelopment, convert obsolete office buildings to residential use, and strengthen

neighborhoods around transit stations all stand to benefit from the enhanced financing capacity this bill provides. Moreover, as Maryland’s largest city and the anchor of a metropolitan economy, Baltimore’s economic health has direct implications for state revenue, statewide employment, and the vitality of the broader regional economy.

Importantly, the Baltimore Together comprehensive economic development strategy—which centers inclusive economic growth and the advancement of historically underserved communities—aligns directly with the transit-oriented development focus of this legislation. By concentrating transformative investment near transit infrastructure, Enhanced TIF Districts can create economic opportunity in the neighborhoods that need it most, connecting residents to jobs, services, and mixed-income housing through public transit.

## **VII. Alignment with Broader Economic Development Priorities**

This legislation is consistent with the broader recognition across Maryland’s economic development community—including the Maryland Association of Counties—that local TIF plans require strategic state partnership to close funding gaps for the most catalytic projects. The Maryland Association of Counties has noted that counties rely on TIF to fund critical infrastructure that unlocks private investment and expands the local tax base, and that layering state revenue-sharing on top of local TIF financing helps close funding gaps for projects that otherwise would not move forward.

HB 1580 provides the statutory framework for exactly this kind of partnership, and it does so with appropriate limitations and oversight to ensure the tool is used responsibly and effectively.

## **VIII. Conclusion**

House Bill 1580 represents a common-sense, fiscally responsible approach to economic development that recognizes a simple truth: when transformative projects generate new state revenues, the state should have the option to reinvest a portion of those revenues to help make those projects possible. The bill’s high thresholds, multiple layers of

approval, and focus on transit-oriented and convention center-anchored development ensure that this tool will be used judiciously for the most impactful projects.

Maryland's communities cannot afford to wait. Every year of inaction is another year of declining property values, lost private investment, and missed opportunities to build the transit-oriented, mixed-use communities that will define the next generation of economic growth. HB 1580 gives our state the tools it needs to lead.

**The Baltimore Development Corporation respectfully urges a favorable report on House Bill 1580.**

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