

400 Washington Avenue, Room 221  
Towson, Maryland 21204



Office (410) 887-3193  
Fax (410) 887-4621

## OFFICE OF THE COUNTY AUDITOR INTEROFFICE MEMORANDUM

TO: All Council Members  
FROM: Lauren M. Smelkinson, County Auditor *LMS*  
DATE: December 17, 2018  
SUBJECT: Revised Fiscal Note for FM-1

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Please find attached a revised fiscal note for FM-1, reflective of the Administration's amended explanation of the \$44 million water and sewer contribution to Tradeport Atlantic.

Attachment

cc: notes distribution list

FM-1 (Public Infrastructure Agreement)

Council District(s) 7

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**Department of Economic and Workforce Development**

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**Tradepoint Atlantic, LLC – Public Infrastructure Agreement**

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The Administration is requesting approval of an agreement with Tradepoint Atlantic, LLC (TPA) for the design and construction of certain infrastructure, the County funding of certain costs of the infrastructure, the public dedication of the infrastructure, and the leasing of additional land to the County. According to the agreement, TPA has requested financial assistance from the County with respect to the design and construction of road infrastructure and water and sewer lines and related infrastructure within the TPA property. The agreement provides for the County to reimburse TPA up to \$78 million for eligible infrastructure improvement costs, including \$34 million for road and \$44 million for public water and sewer line infrastructure. The scope of the road and water and sewer infrastructure improvements will be described in multi-year construction contracts (the "Contracts"). The agreement also requires TPA to provide certain land to the County, at no cost. In exchange, the County will construct a new fire station and police substation (to be financed by the County at an estimated cost of \$18 million) to meet the needs of TPA's proposed development. The agreement commences upon Council approval and continues through the termination of the Contracts, or, should a default occur, within 30 days after delivery of notice of default. On December 14, 2018, the Administration advised that approximately \$28.4 million of the \$43.6 million to be contributed by the County for water and sewer line infrastructure costs will be recouped through the charges to be assessed to the property owner(s) benefitted by the project through front-foot assessments. On December 17, 2018, the County Attorney advised that the proposed agreement, including the contribution of Metropolitan District funds, is in compliance with the requirements of the Metropolitan District Act. See Exhibit A.

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**Fiscal Summary**

<b>Funding Source</b>	<b>Maximum Roadway Infrastructure Support</b>	<b>Maximum Water and Sewer Infrastructure Support</b>	<b>Maximum Amount of Infrastructure Support</b>
<b>County</b> <sup>(1)</sup>	--	\$ 44,000,000 <sup>(2)</sup>	\$ 44,000,000
<b>State</b> <sup>(3)</sup>	\$ 34,000,000	--	34,000,000
<b>Federal</b>	--	--	--
<b>Other</b>	--	--	--
<b>Total</b>	<u>\$ 34,000,000</u>	<u>\$ 44,000,000</u>	<u>\$ 78,000,000</u> <sup>(4)</sup>

- <sup>(1)</sup> The Agreement states that the County will expand and replace the existing fire academy and build a new police substation and fire station on the TPA property to be leased to the County at no cost. These projects are estimated to total an additional \$18 million in capital construction costs, to be funded with General Obligation bonds. The Agreement does not reference stormwater management infrastructure funding, nor whether the amount collected in stormwater waiver fees (more than \$2 million to date) will be sufficient to provide the stormwater management necessary for the TPA site.
- <sup>(2)</sup> Metropolitan District funds, approximately \$28.4 million of which the Administration advised will be paid back over 40 years via water and sewer benefit assessments.
- <sup>(3)</sup> Maryland Enterprise Zone Tax Credits. TPA will receive 75% of Enterprise Zone reimbursements, if any, received from the State. The County will retain the remaining 25%.
- <sup>(4)</sup> Maximum reimbursement to TPA for infrastructure projects, including approximately \$28.4 million of which the Administration advised will be repaid over 40 years via water and sewer benefit assessments.

**Analysis**

Tradeport Atlantic (TPA) is a multi-modal business park and logistics hub situated on over 3,000 acres of land in Sparrows Point, the former location of the Bethlehem Steel mill. TPA is seeking County financial assistance of up to \$78 million to support certain costs associated with the design, installation, construction, and development of public roads (\$34 million) and water and sewer lines (\$44 million) on the property. Eligible expenses include construction hard costs (general conditions and fees); costs of payment and performance bonds; engineering and design fees; environmental monitoring and planning costs; materials testing costs; and permit and insurance costs. The proposed agreement states that the infrastructure improvement will facilitate the development of the property, enhance the County's tax base, and promote job growth and economic development within the County.

Public Road Infrastructure

The County will pay for certain costs incurred up to \$34 million for the design, construction, and

development of the public road infrastructure within the property. The TPA property is located in a State-designated Enterprise Zone and is therefore eligible to receive special property tax credits for 10 years. As provided in the State budget, the State is to remit to the County 50% of the amount of the property taxes that would have been collected had the property not been granted a tax credit. TPA is required to provide invoices and other documentation required by the County to verify the costs incurred, and the County will pay TPA 75% (up to \$34 million) of any State Enterprise Zone reimbursements it receives for the TPA property; the County will retain the remaining 25% of the State reimbursements. The agreement states that in the event no reimbursements are received, or that reimbursements are less than the total amount incurred by TPA, the County shall have no obligation to pay such sums from any other source.

#### Public Water and Sewer Infrastructure

The County will pay for certain costs incurred up to \$44 million for the design, construction, installation, improvement, and development of public water and sewer lines and related infrastructure within the property, and, according to the Olszewski Administration as of December 14, 2018, will recoup approximately \$28.4 million of such payments through the charges to be assessed to the property owner(s) benefitted by the project through front-foot assessments. TPA must submit invoices for eligible expenses, and the County will pay TPA for such costs incurred (up to \$44 million) from its Metropolitan District Fund. The agreement also provides that the County will reimburse TPA \$4,184,490 for previously completed water and sewer infrastructure work within 30 days of the Department of Public Works' approval of the work.

Upon Council approval of this agreement, the County and TPA will enter into multi-year public road and public water and sewer construction contracts (the "Contracts"), which are not typically brought to the Council for approval. The agreement states that TPA and the County Administrative Officer will diligently negotiate and use all commercially reasonable efforts to finalize, execute and deliver the contracts on mutually agreeable terms. The Contracts will incorporate the Department of Public Works' February 2000 "Standard Specifications for Construction and Materials" and "Standard Details for Construction" and shall contain scopes of work prepared jointly by the County and TPA. The Contracts will require certain MBE and WBE participation and will require that TPA meet all County environmental guidelines. The Contracts will also acknowledge that certain portions of the public road and water and sewer infrastructure have been constructed/completed. The Administration anticipates that the water and sewer installation will be completed by December 31, 2022 and the road installation will be completed by December 31, 2023.

The proposed agreement provides that upon completion of construction of the road and water and sewer infrastructure, TPA will dedicate the land to the County for rights-of-way. The agreement further provides that upon recordation of each of the dedications, the County shall thereafter be required to maintain, repair, and replace such infrastructure.

#### Fire Station and Police Substation

The Administration advised that the County will need to construct a new fire station and police substation to meet the needs of TPA's proposed development of the property. According to the Administration, TPA acknowledges that the County would not need to construct a new fire or police substation, but for TPA's proposed improvements to the property, and that the County's agreement to construct such facilities constitutes good and valuable consideration for TPA to make such additional land available to the County. Specifically, the contract provides that TPA will lease to the County 5 acres of developable land, at no cost, for the County to replace and expand the existing fire training academy and to construct a new police substation and fire station. The Administration advised that construction of these facilities is expected to cost approximately \$18 million, for which the County will issue bonds, and it will take three years to complete once begun; planning will begin immediately once the property is secured.

#### Contractor's Analysis

The Administration advised that originally, the County was intending to utilize Baker Tilly Virchow Krause, LLP to review TPA's proposed Tax Increment Financing (TIF) project; however the County terminated that portion of its contract with Baker Tilly Virchow Krause, LLP due to a potential conflict of interest. For this reason, the County procured the services of its financial advisor, Public Resources Advisory Group (PRAG), which secured RKG Associates, Inc. (RKG), an independent economic analysis firm, to conduct a third-party review analysis of the project and the request. The analysis evaluated the projected tax revenues to be generated by the project and the financial and economic impacts to the County over the long term. The analysis also reviewed a TIF study prepared by MuniCap, Inc. in 2017 and revised in April 2018, which was procured by TPA. The most recent TIF proposal would have the County finance \$100 million in public infrastructure improvements within the TPA property. The Mohler Administration advised that in October 2018, the County and TPA agreed to the proposed non-TIF financing structure because the TIF was not feasible. According to RKG's analysis of the new financing structure, new tax revenues generated through the TPA site will be sufficient to cover annual debt service costs by 2034; by that year, real estate taxes are expected to grow to a level sufficient enough to cover annual debt services costs, and could accrue a positive cash balance of approximately \$9.9 million annually by 2048. The consultant's fiscal impact study

does not reflect any portion of the \$44 million in water and sewer support being recouped by the County through front-foot assessments in future years.

On November 19, 2018, the Council approved Bill 84-18, which appropriated \$20 million of federal funds to the TIGER (Transportation Investment Generating Economic Recovery program) Grant Gifts and Grant Fund program. The funds will be re-granted to Tradepoint Marine Development, LLC, a subsidiary of TPA, and will be used to support port upgrades and infrastructure improvements at the Tradepoint Atlantic site. The TIGER grant requires a \$30.5 million match, which Tradepoint Atlantic will provide, and includes the proposed \$1.5 million grant from TPA to Baltimore County (Bill 95-18 on this agenda) for grant administration/management and workforce development purposes.



## COUNCIL ACTION REQUEST FORM EXECUTIVE SUMMARY

Tradepoint Atlantic (TPA) owns approximately 3,250 acres of real property and improvements thereon located in Sparrows Point in eastern Baltimore County. The Property is the location of one of the largest brownfields redevelopment projects in the United States, which involves the establishment of a multi-modal business park and logistics hub, commonly known and referred to as Tradepoint Atlantic.

### Request for support of public road infrastructure

TPA has requested financial assistance from the County with respect to the design, construction, installation, improvement, and development of certain public roads, streets, and related infrastructure within the Property. The public Road infrastructure will facilitate the development of the Property, enhance the County's tax base, and promote job growth and economic development within the County.

To assist TPA in the funding of the design and construction of the public Road infrastructure, the County is willing to reimburse TPA for the cost of the public Road infrastructure by assigning a portion of the State Enterprise Zone Reimbursement applicable to the Project to TPA. The County agrees to pay for certain construction costs actually incurred up to a cap of \$34,000,000 by TPA and its affiliates in connection with the design, construction and development of the public Road infrastructure.

### Request for support of public water and sewer infrastructure

TPA has also requested financial assistance from the County with respect to the design, construction, installation, improvement, and development of public water and sewer lines and related infrastructure within the Property. The public Water and Sewer infrastructure will facilitate the development of the Property, enhance the County's tax base, and promote job growth and economic development within the County.

### Contractual agreements

To assist TPA in the funding of the design and construction of the public Water and Sewer infrastructure, the County agrees to make funds available, on a reimbursement bases from its Metropolitan District Funds. The County agrees to pay, solely from its Metropolitan District funds, for certain construction costs actually incurred up to a cap of \$44,000,000, for certain costs incurred (and to be incurred) by TPA and its affiliates in connection with the design, construction and development of the public Water and Sewer infrastructure.

The scope of the public Road infrastructure will be described in a multi-year public road construction contract (the "Roads Contract") between the parties. By executing and delivering this Agreement, the County is authorizing and requiring the negotiation, execution and delivery of the Roads Contract as a multi-year construction contract. Certain portions of the public Road infrastructure have been constructed and shall be defined as such in the Roads Contract.



## COUNCIL ACTION REQUEST FORM EXECUTIVE SUMMARY

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The scope of the public Water and Sewer infrastructure will be described in a multi-year public water and sewer construction contract between the parties. By executing and delivering this Agreement, the County is authorizing and requiring the negotiation, execution and delivery of the Water and Sewer Contract as a multi-year construction contract. Certain portions of the public Water and Sewer infrastructure, have been completed and shall be defined as such in the Water and Sewer Contract.

### New public safety needs in Sparrows Point

In addition, the County will need to construct a new fire station and police substation to meet the needs of TPA's proposed development of the Property. TPA agrees to make certain land available to the County for this and other governmental uses, at no cost to the County. TPA acknowledges that the County would not need to construct a new fire station or police substation, but for TPA's proposed improvements to the Property, and that the County's agreement to construct such facilities constitutes good and valuable consideration for TPA to make such additional land available to the County.

### County due diligence

In response to the TPA request for support of the public infrastructure, the Administration conducted thorough due diligence and independent assessment.

The county's financial advisor, Public Resources Advisory Group (PRAG), secured an independent economic analysis firm, experienced in large public infrastructure financing, to conduct a third-party review. RKG Associates conducted a comprehensive analysis of the project and the request. Their analysis evaluated the projected tax revenues of the project, along with the fiscal and economic impacts to Baltimore County over the long term.

RKG produced a favorable analysis for Baltimore County, as detailed in the full report provided as a supplement to the Agreement.

Prepared by: Department of Economic and  
Workforce Development