Brandon M. Scott
Mayor

PLANNING COMMISSION

Sean Davis, Chairman

Chris Ryer
Director

STAFF REPORT

REQUEST: FY2025-2030 Capital Improvement Program Recommendations

RECOMMENDATION: Approval

STAFF: Kristen Ahearn

PETITIONER: City of Baltimore

BACKGROUND/HISTORY

Background. The City Charter requires the Planning Commission to make recommendations for a six-year capital improvement program (CIP), the first year of which becomes the City's capital budget for the upcoming year. The remaining five years act as a guide for future capital projects. Per Board of Estimates policy, a capital project is a physical betterment or improvement costing more than $50,000 and any preliminary studies relative to that project. It does not include projects that cost less than $50,000, vehicular equipment, repairs and maintenance costing less than $100,000, and salaries for positions that are not part of the cost of the project.

The Planning Commission recommends a new six-year Capital Improvement Program (CIP) each year. Starting late September, the Department of Planning (DOP) works with participating city agencies to solicit project requests, prioritize projects for funding, and prepare the six-year plan.

Capital Needs. Baltimore's aging infrastructure often results in higher costs for the city due to the need for emergency repairs, maintenance, or increased energy usage. The table below summarizes the estimated capital needs to reach and maintain a state of good repair, according to different city agencies.

The DOP has taken various steps to reduce the gap between need and available funding, including advocating for an increase in Highway User Revenue allocated to the City, working with the Department of General Services, the Department of Real Estate, and the Mayor's Office to reduce the City's building inventory, encouraging agencies to adopt an asset management program, and exploring additional funding sources for capital projects.

Estimated Capital Needs to Achieve and Maintain a State of Good Repair		
Agency	Total Needed to Achieve State of Good Repair	Annual Need to Maintain State of Good Repair
DGS	$1,100 [1]	$58 [2]
DOT	$1,300 [3]	$158 [4]
BCRP	$260 [5]	$11 [6]
DPW SW	$116 [7]	$17 [8]
DHCD	$3,000 [9]	$54 [10]
BCIT	$135 [11]	$19 [12]
Schools	$4,000 [13]	$200 [14]
Total	$9,911	$517

Amounts in millions.

While working with agencies, DoP has identified other major costs that will have to be addressed outside of the scope of the current capital budget, whether by a dedicated debt source or public private partnership. These include projects such as a convention center overhaul, comprehensive courthouse improvements, and more.

Process. For the FY25-30 Capital Improvement Program (CIP), DoP implemented a new budgeting tool, Adaptive Planning, procured by the City. While DoP typically provides a target range, for the current program we provided a target based on what we expect to be able to fund. As a result, DoP recommends funding most of what agencies requested. In addition, DoP allowed agencies to record additional projects if they have a description, scope, estimated budget, and duration. This will allow the City to plan around longer-term needs and alternative funding mechanisms.

Adaptive Planning is integrated with Workday, the system of record for the City's finances, which will be of great benefit once the data in Workday is corrected. In addition, DoP has worked with the Unifier implementation team to ensure those two systems are integrated. This will allow detailed reporting on project statuses once Unifier is implemented and populated with data.

Data Remediation. Currently, fund sources and amounts in certain Workday project accounts are incorrect. Appropriations cannot be connected to expenditures to determine balances by fund source and cannot be tied to the age of the funding. DoP continues to lead data remediation efforts with the help of Department of Finance (DoF) and technical assistance from Workday consultants. With six months of continued technical support and sustained commitment from DoF, DoP will be able to report more confidently and regularly on the status of existing capital projects.

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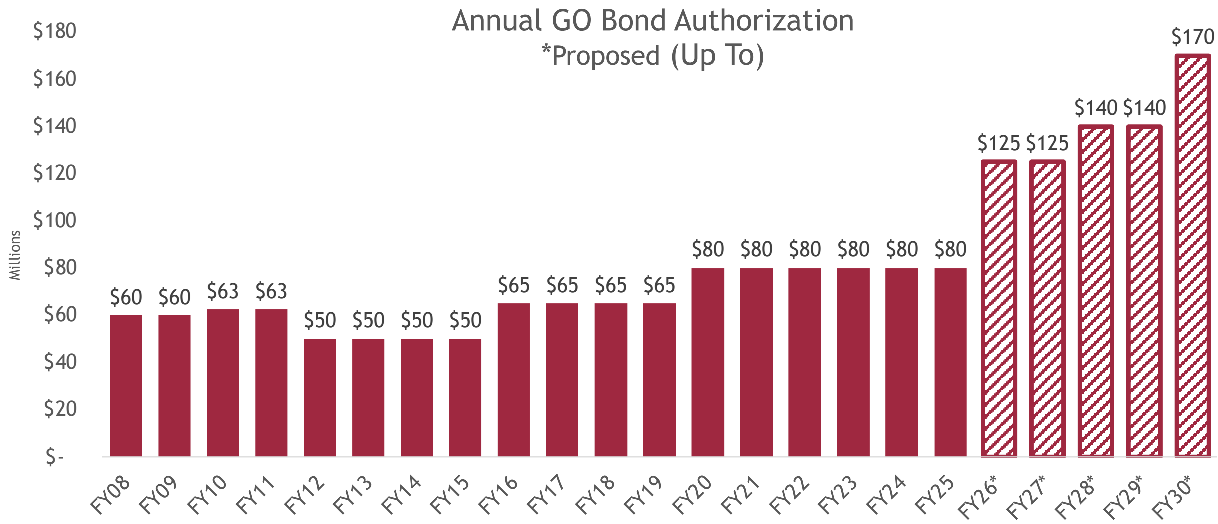
1 DGS CIP FY 23-28 Presentation (Slide 11)
2 DGS CIP FY 23-28 Presentation (Slide 12)
3 DOT CIP FY 23-28 Presentation (Slide 12)
4 DOT CIP FY 23-28 Presentation (Slide 12) .
5 RP CIP FY 22-27 Presentation (Slide 22)
6 RP CIP FY 22-27 Presentation (Slide 20)
7 DPW (SW) CIP FY 23-28 Presentation (Slide 5)
8 DPW (SW) CIP FY 23-28 Presentation (Slide 6)
9 HCD CIP FY 23-28 Presentation (Slide 15)
10 HCD CIP FY 23-28 Presentation (Slide 43 - 47)
11 DOP CIP FY 23-28 Presentation (Slide 9)
12 BCIT refresh cycle is 7years ($135M/7)
13 BCPS estimates overall need at $4B
14 BCPS CIP FY 23-28 Presentation (Slide 7)

Uncertainty in Fund Sources. The CIP process this year started with more uncertainty (and optimism) than usual around future funding levels. Subject to voter approval in the next election, the City will be authorized to issue *up to* $125 million per year in GO bonds for FY26 and FY27, with further increases in subsequent years. The Board of Finance established a policy to review the amount of GO bonds budgeted annually prior to the start of budget planning. DoP's recommended FY25-30 CIP shows the highest possible GO bond amount, per the debt study recently completed by the Bureau of Treasury, as displayed in the chart below.

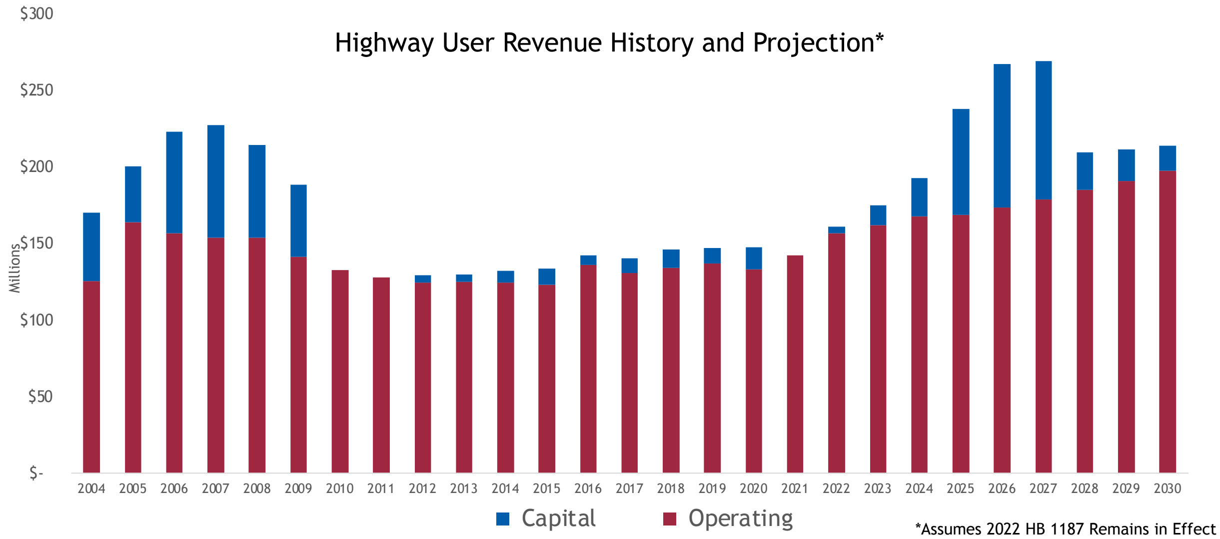


The recommendations are based on amounts programmed into four major buckets as shown below. It is assumed that funding for the Vacants Initiative allows the City to focus its GO bond authority on City assets and infrastructure.

Programmed GO Bond Allocations ($ Millions)						
	FY25	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**
Infrastructure	$36.0	$62.5	$62.5	$94.0	$94.0	$113.0
Affordable Housing	*$7.0*	*$10.0*	*$10.0*	*$11.0*	*$11.0*	*$12.0*
Community/Economic Development	$18.0	$27.5	$27.5	$5.0	$5.0	$5.0
Schools	*$19.0*	*$25.0*	*$25.0*	*$30.0*	*$30.0*	*$40.0*
	$80.0	**$125.0**	**$125.0**	**$140.0**	**$140.0**	**$170.0**

*Allocations are approximate and not necessarily the loan questions that would appear on the ballot

The recommended FY25-30 CIP shows the projected amounts of Highway User Revenue (HUR) that Baltimore City will receive if 2022 HB1187 remains in effect. Based on HB 1187, the projected amounts are significantly increased in FY26 & FY27 before a sharp decline in FY28. By contrast, the Governor's proposed budget indicates that he will significantly reduce HUR to local jurisdictions starting in FY26. If the General Assembly acts on this issue this year, which is expected, the CIP will be updated accordingly.



RECOMMENDATION

As noted above, DoP provided agencies with targets in line with what we expected to recommend. As a result, Planning is recommending few changes as compared to previous years. They are detailed below:

- **Prioritize Hanover Street Bridge NEPA:** When CIP planning began, the City was expected to contribute $58 million in HUR to capital. The most recent projection from DoF shows contributions of $69.3 million to capital. DoP recommends putting $10 million of the incremental amount toward the NEPA study for Hanover Street Bridge. This will either make the City more competitive for its RAISE grant application for this corridor, or will provide a backstop so NEPA work can commence if the grant is not awarded. This project scores high on all Planning Commission evaluation criteria and is a top priority for funding.

- **Prioritize Eastside Transfer Station**: The Department of Public Works earmarked $16.5 million in State funding for the Eastside Transfer Station. This funding was not part of the Governor's initial budget, leaving the transfer station still partially funded. DPW has received a $4 million EPA grant for composting at the same site, which will rely on infrastructure constructed as part of the transfer station project. DPW has three years to spend the EPA grant, putting these funds at risk if the transfer station is not funded in FY26. It will be critical to fully fund the transfer station in FY26 so work can commence.

- **Consider P3 for Waxter Center**: The cost to upgrade the HVAC system at the Waxter Center has increased from the initial $4.3 million estimate to over $8.5 million according to a more recent assessment. The building has an FCI score of 69, which suggests it should be replaced. The deferred maintenance on the building is almost $15 million dollars (for building systems only), and even with an HVAC replacement the building will continue to present a strain on the operating budget in the form of frequent and costly repairs.

  DoP has identified this as a prime development site with an opportunity to issue an RFP requiring a private developer to include a new senior center space in the building. This would ensure that the seniors in the community will have access to a new and improved facility, while also allowing the city to benefit from the sale of the property and maintaining this important part of the historic district. Redevelopment also provides potential for increased tax revenue.

- **Reduce Scope of Southern District Police Station:** Originally proposed in FY21, the improvements proposed for the station included lockers and bathrooms and were estimated to cost $1 million. The scope of the project has expanded to include construction of a gym (despite the station's location ¼-mile from the new state of the art Middle Branch Recreation Center), with a new cost estimate of $7 million and a $6 million request in FY25 to close the gap.

- **Defer Funding for Downtown Campus (Fayette Street from Holliday to President):** Downtown buildings on Fayette Street from President Street to Holliday Street collectively have $302 million in deferred maintenance and an average FCI score of 64, which suggests complete replacement. Unlike many City assets, they also hold potential value for redevelopment. In addition, some of the police-related uses could be moved to the Sun Building should that lease be expanded. The agencies in the Benton and Cummings buildings have significant potential for telework-related space reductions. With all these factors at play, this collection of buildings presents a strong candidate to explore sale or public-private partnership opportunities.

  MOID and DGS have engaged a consultant to model financial opportunities related to this set of properties. As a result, DoP recommends delaying funding on any project within this two-block area until at least next year. Next year, with a new Comprehensive Plan including a Downtown focus currently underway in the Planning Department and the results of the DGS/MOID study, the City can have more informed discussions about the future of these assets.

- **Fully Fund Park Heights Library**: The Enoch Pratt Free Library has had a donor commit $6 million in private funding to the new Park Heights Library project. As a result, the funding gap is less than what DGS has originally requested from the FY25 CIP and DOP recommends funding $1.5 million instead of the full $3 million requested.

- **Clifton Park – Defer for Morgan State University to Complete**: BCRP proposed budgeting $250,000 to prepare a concept plan for Clifton Park. Per the City's agreement with Morgan State University, the University is required to prepare a plan for the park. It is expected that once the University completes its campus-wide plan in the next year, it will turn its focus to the park and begin the required study soon thereafter, making this a redundant investment.

- **Rail Transfer Station Study (Solid Waste) – Fund Study:** Although DPW did not request funding to study a rail transfer station, this facility will be needed within the next 2-3 decades, possibly sooner if the incinerator is closed. This is a major project that may require land acquisition; therefore DoP recommends prioritizing a study to lay out the next steps for this facility. Having a cost estimate will also allow for a cost-benefit analysis of waste diversion alternatives, potentially presenting the City with scenarios where smaller investments in waste diversion (such as construction and demolition debris) provide a large return by delaying the need for a large and expensive rail transfer facility.

- **Adjust Middle Branch Resiliency Initiative:** Initial estimates for a State grant were $35 million. The item was adjusted to $10.8 million in response to the actual award amount.

- **Accelerate Funding for Solo Gibbs Phase II:** Additional funding is recommended towards Solo Gibbs Phase II, and funding is recommended to be accelerated. Despite this additional funding, the project still has an estimated $4 millionm+ gap and will need additional funding from private donations, South Baltimore Gateway Partnership and/or State funds.

Future Years

In future years of the CIP, two trends govern the recommendations: the bump and subsequent disappearance of HUR and the overall increase in GO bonds.

- **Maximize Return on Highway User Revenue**: Highway User Revenue for capital increases to over $90 million per year in FY26 and FY27, and then declines to austerity levels in the remaining years of the program. To show impact, DoP recommends focusing $90 million in FY26 and FY27 on putting significant local funding toward the two flagship special projects (West Baltimore United and Druid Park Lake Drive) and increasing the local match for federally funded projects that we will not be able to fund in the remaining years of the program. Also in the remaining years, programmatic items (such as resurfacing, ADA, sidewalks, traffic safety) are reduced back to the austerity levels of 2010-2020.

- **GO Bond Increase – Create Special Projects Set-Aside**: Starting in FY26 and continuing through FY30, DoP recommends implementing a policy to reserve 20 percent of infrastructure-related GO bonds for special projects, loosely defined as large items that do not have state of good repair as a primary goal. DoP recommends programming funds for the following special projects: Eastside Transfer Station, Surplus Schools Demolition, New Police Station, and Druid Hill Park.

Special Projects Set-Aside ($ Millions)						
	FY25	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**
Eastside Transfer Station		$12.5				
Surplus Schools Demolition			$12.5		$6.6	
New Police Station				$18.8	$12.2	
Druid Hill Park (BCRP)						$22.6
Total	**$-**	**$12.5**	**$12.5**	**$18.8**	**$18.8**	**$22.6**

- **GO Bond Increase – Establish Replacement Cycles**: DoP recommends beginning to program replacement reserves for City-owned assets in FY26-30. Although there are some major projects that will need to be funded out of these bonds, the increase also allows the City to establish a discipline around replacing assets on a standard cycle. As agencies build out asset condition data, we will be able to plan for a replacement cycle for specific types of asset (roofs, playgrounds, etc.).

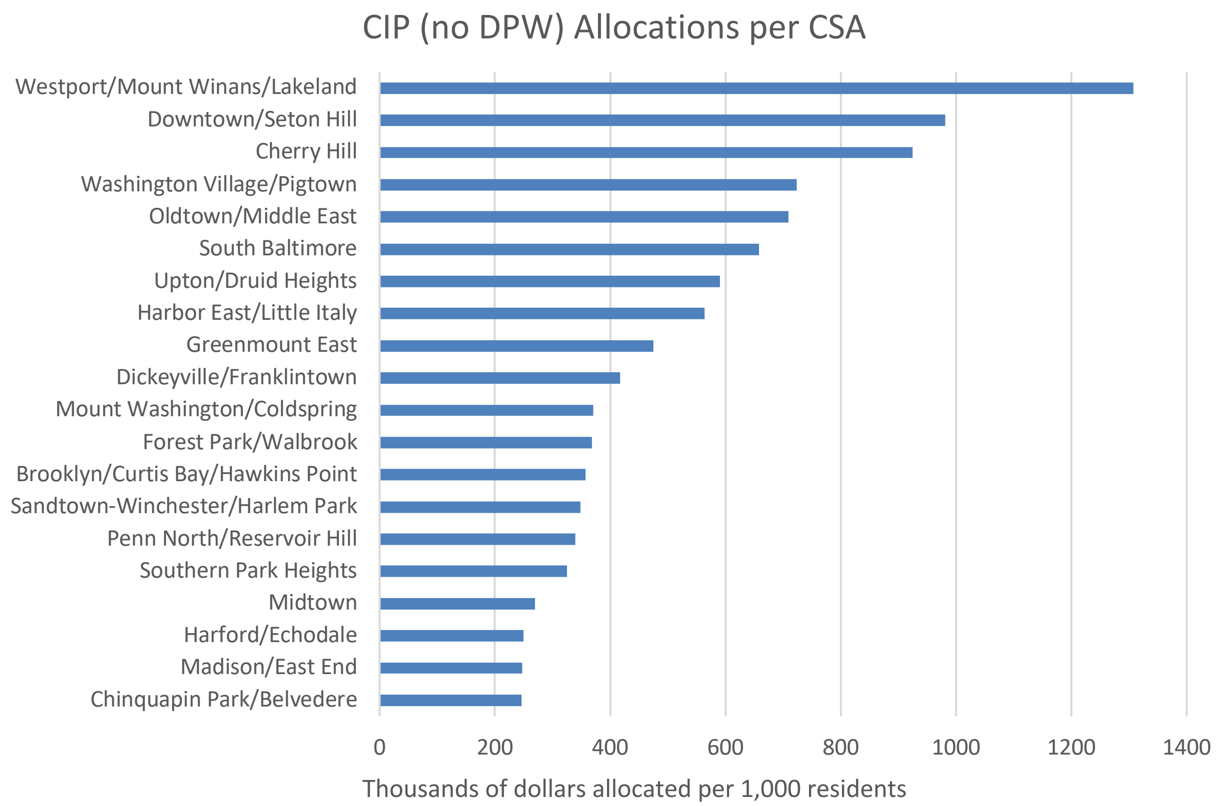
CONFORMITY TO PLANS

In the current FY 2024-2029 Capital Improvement Program, the amount of GO bonds programmed for the outer years (FY 2025-2029) is $80 million per year. The Department of Finance is leading a planning process to update the City's 10 Year Financial Plan. The FY 2025-2030 Capital Improvement Program reflects the recommendations of the 10 Year Financial Plan, including up to $125 million per year in GO bonds for FY26 and FY27, per the 2024 Loan Authorization.

DISTRIBUTION & EQUITY

The Urban Sustainability Directors' Network (USDN) sets forth four overarching ways to consider equity: structural, procedural, distributional, and transgenerational. The Planning Commission has been attempting to address distributional equity through its annual CIP distribution analysis and by using equity as an evaluation criteria for each specific project proposal. It has been working to improve outreach and engagement to improve procedural equity.

The preliminary distribution analysis (based on initial recommendations) shows the highest investment for FY2025 in the following three Community Statistical Areas (CSA): Westport/Mt. Winans/Lakeland (Westport), Downtown/Seton Hill (Downtown), and Cherry Hill. The top twenty CSAs in terms of non-DPW investment (per 1,000 residents) are shown in the chart below. Maps showing the investment for both DPW and non-DPW allocations are attached.

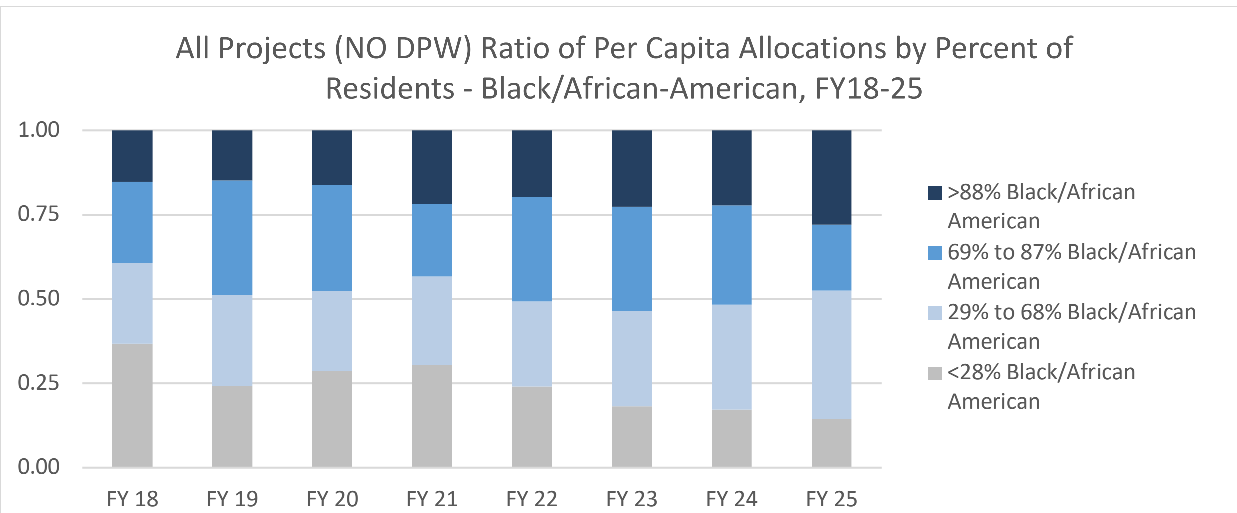


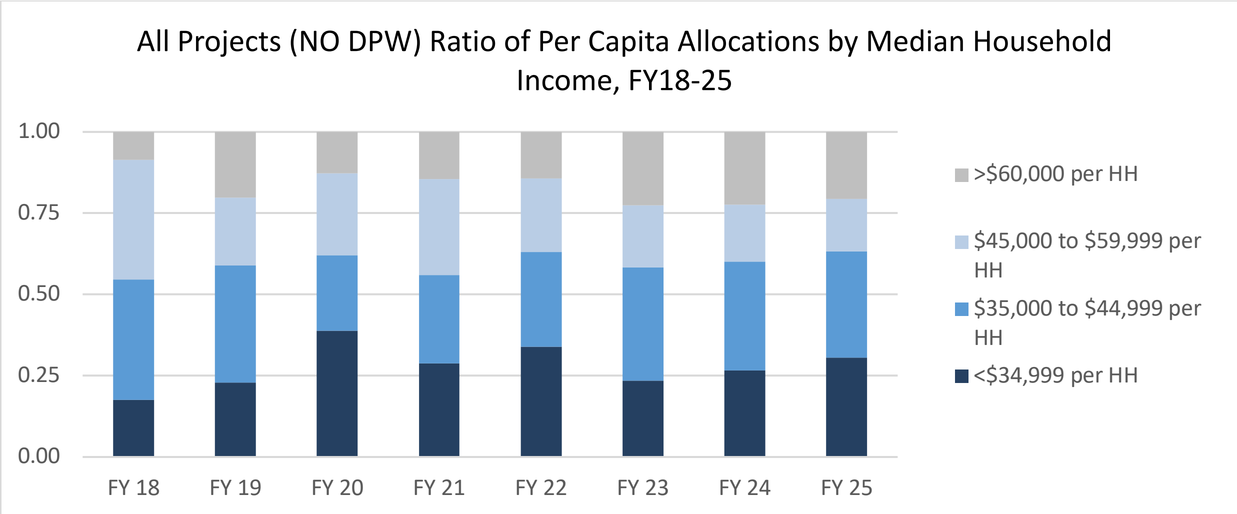
**Based on DRAFT recommendations from February 22, 2024*

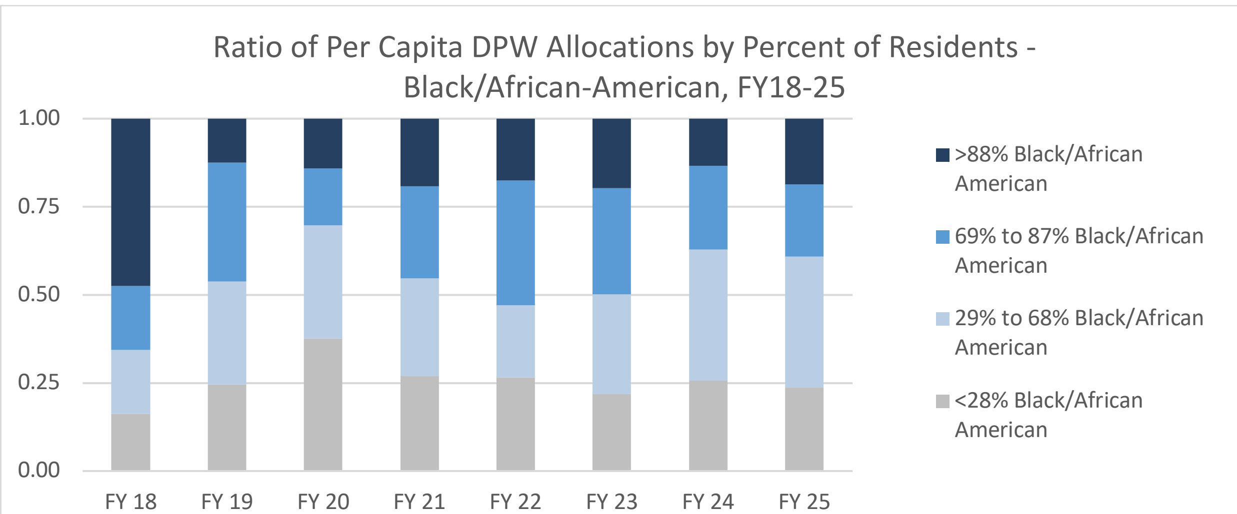
The following investments are driving the inclusion of Cherry Hill and Westport in the top five: the Middle Branch Resiliency Initiative (PRJ003180), school system investments in neighboring Brooklyn (PRJ002877 and PRJ002352), the casino-funded Warner Street Entertainment District project, the Southern District Police Station (PRJ000371), Florence Cummins Park Improvements (PRJ003235), the Hanover Street Bridge over CSX (PRJ002537) and Hanover Street Corridor/Vietnam Veterans Memorial Bridge (PRJ002913), Russell Street Viaduct (PRJ002894), Waterview Avenue Bridge (PRJ001934), Patapsco Avenue Multimodal Study (PRJ003206), Russell Street Rehabilitation (PRJ002906), and West Patapsco Avenue Rehabilitation (PRJ001360). Cherry Hill is in the quartile with the highest percent of Black or African American residents and in the quartile with the lowest incomes. Westport is in the middle half of neighborhoods with respect to both race and income.

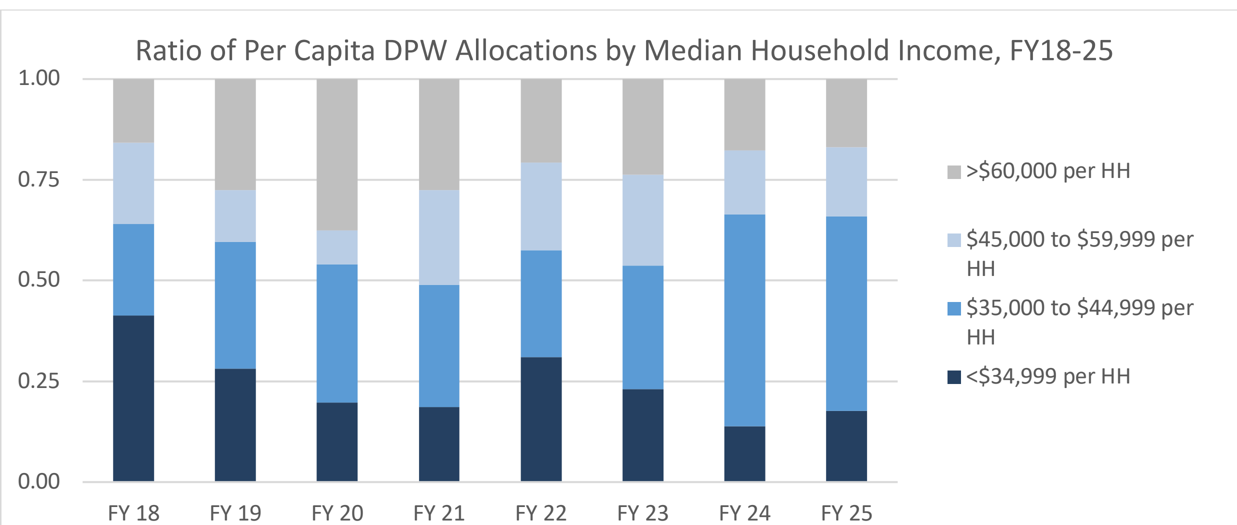
The inclusion of downtown in the top five neighborhoods is driven primarily by the need to make major investments in public buildings, including the Abel Wolman HVAC and Fire Protection project (PRJ000528), the urgently needed City Hall Tunnel Structural Repairs (PRJ003048), and nearly final phase of the City Hall Stone Renovation project (PRJ001009). Several Parking Authority projects funded by Parking Revenue Bonds may also be contributing to the higher investment figures in this geography.

Charts showing the investment by quartile for both DPW and non-DPW allocations, for both race and income, are below.



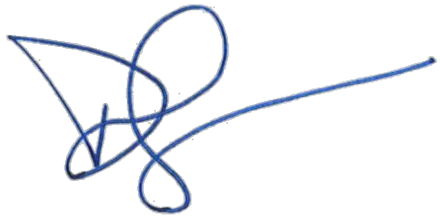

All Projects (NO DPW) Ratio of Per Capita Allocations by Median Household Income, FY18-25
1.00
0.75
0.50
0.25
0.00
FY 18
FY 19
FY 20
FY 21
FY 22
FY 23
FY 24
FY 25
>$60,000 per HH
$45,000 to $59,999 per HH
$35,000 to $44,999 per HH
<$34,999 per HH


Ratio of Per Capita DPW Allocations by Percent of Residents - Black/African-American, FY18-25
1.00
0.75
0.50
0.25
0.00
FY 18
FY 19
FY 20
FY 21
FY 22
FY 23
FY 24
FY 25
>88% Black/African American
69% to 87% Black/African American
29% to 68% Black/African American
<28% Black/African American


Ratio of Per Capita DPW Allocations by Median Household Income, FY18-25
1.00
0.75
0.50
0.25
0.00
FY 18
FY 19
FY 20
FY 21
FY 22
FY 23
FY 24
FY 25
>$60,000 per HH
$45,000 to $59,999 per HH
$35,000 to $44,999 per HH
<$34,999 per HH

RECOMMENDATION

The Planning Department recommends approval of the recommendations for the FY2025-2030 Capital Improvement Program.



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