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State Center, Phase I: The $127 Million Taxpayer Handout

ROCKVILLE, MD—The controversial State Center office building project represents a $127 million handout from state taxpayers to developers, according to an estimate in a new report jointly issued by the Maryland Public Policy Institute and the Maryland Tax Education Foundation. That subsidy is likely to climb higher as additional phases of the project are developed, the report adds.

The project, proposed to replace the current state facilities in mid-town Baltimore bordering Preston Street, envisions a mixed-use complex containing state and private office space, retail and dining space, mixed-income housing and a parking garage. Proponents have touted its potential to revitalize the area, but critics have found fault with the project's size and lack of transparency, particularly surrounding the selection of the development team and the procurement process.

The joint report, entitled "State Center, Phase I: The $127 Million Taxpayer Handout" charges that state officials have understated the true public cost of the project. The true cost does not just include direct public financing of the building, but also the state's agreement to pay above-market rents for office space, a state-financed parking garage, the use of state-owned land, the use of tax-increment-financing bonds for the project, and the handing out of tax credits.

Backers of the project have repeatedly claimed it will provide long-term economic development benefits to the city. However, one of the report's authors, Maryland Tax Education Foundation president Jeff Hooke, is skeptical of that claim: "Successful later phases may produce such spillover effects that are beneficial to the local economy, but predicting such effects is speculative at this point."

The report's other author, Maryland Public Policy Institute senior fellow Gabriel J. Michael, emphasized that the $127 million estimate only accounts for the first phase of the project: "Detailed information is currently only available for the first phase, so our estimate is necessarily partial. If the later phases proceed, the actual taxpayer subsidy will be significantly larger."

The joint study adds to the list of skeptical analyses of the State Center project. Two such reports, written by the Maryland legislature's nonpartisan Department of Legislative Services, concluded that the project "was not in the best interest of the State" and explicitly recommended against its approval. Currently, work on the project is halted pending the decision of a Baltimore judge on whether to allow a lawsuit against the developers and the state to continue. The suit alleges violations of procurement law in both the awarding of the redevelopment rights and the issuing of $33 million in bonds for a parking garage at the site.

The report can be found on the Maryland Public Policy Institute's website, at www.mdpolicy.org.

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