

## **City reaches slots pact that could cut taxes - Dixon cautions 8-cent reduction years off**

By Annie Linskey and Gadi Dechter, *Baltimore Sun*, April 8, 2009

The Dixon administration and the group bidding to build a slots parlor in Baltimore have reached an agreement that could generate enough money to slash Baltimore's property tax rate by up to eight cents, officials said.

"It looks like this process is going to move forward," said Mayor Sheila Dixon. "The goal was to try to reduce property tax. I know that we've got to do our best to get some [property tax] relief."

If all goes as planned, the reduction to the property tax -- now \$2.268 per \$100 in assessed value, by far the highest rate in the state - would be the largest single cut in recent memory. When he was mayor, Gov. Martin O'Malley made two-cent reductions in 2005 and 2006. Dixon reduced the rate by two cents in 2007.

But Dixon Wednesday cautioned that the slots facility will not fund a property tax reduction until the casino is in place. "We are not going to see it tomorrow," Dixon said. "We don't want to misguide people. This is not money we are going to see for a couple years."

Under the agreement, the casino would provide ground rent to the city via a profit sharing agreement on gross gambling revenues, and those funds won't begin to flow until the casino is operating, which city officials hope will be in 2011. The money from slots must be used for either property tax reduction or school construction, so those funds cannot be used to eliminate expected budget shortfalls in those years.

City Council President Stephanie C. Rawlings-Blake is "pleased" by the deal, said her spokesman, Ryan O'Doherty. "She is especially excited about the real potential for significant property tax relief, not to mention the public education funding and job creation benefits that this new facility will bring to the citizens of Baltimore."

Kevin Johnson, an officer with the bidders, Baltimore Entertainment Group, declined to comment. His group was the only one to bid on the Baltimore site.

According to the deal, the bidders will pay the city \$20.8 million when the casino opens, which includes ground rent, property taxes and other revenues, said First Deputy Mayor Andrew Frank.

That would provide a minimum five-cent reduction in property taxes. Since the revenue is based on the casino's performance, Frank said, the city's share could grow.

Within five years, the city predicts total slots-related revenues to grow to about \$25.4 million a year, which could be used to reduce Baltimore's property tax rate by nearly eight cents, Frank said.

The city will also receive a percentage of the gambling funds the state receives via taxes. That

money is slated for education. Rawlings-Blake, in a February letter to the Baltimore Development Corporation, had urged the city to consider a profit-sharing lease agreement. She also urged the BDC to draft the zoning legislation necessary for construction to move forward. O'Doherty said she plans to introduce the zoning bill at the next City Council meeting.

The casino is expected to provide 700 full-time jobs, many of them going to city residents, Frank said. Those positions will pay an average salary of about \$41,000, Frank said. City officials also expect 450 part-time jobs to be created. "We have negotiated basic business terms that would result in substantial revenue that could be applied to property tax relief and new school construction," Frank said.

Though the city did not get the \$36 million in annual rent it sought, Frank characterized the agreement as a vindication of city officials' belief that the downtown site is "desirable" and could be used to achieve meaningful property tax relief. "It was a tough negotiation," he said.

The deal will be presented to the Board of Estimates for approval on April 15.

The agreement also indirectly describes an expectation that the bidders will open the casino with 3,750 slot machines -- the maximum number allowed by state law.

In their initial bid, the group only applied for 500 machines, a figure so low that many didn't believe the parlor could make enough profit to support significant property tax reduction. Dixon had threatened to walk away from the deal if the city could not reduce the property tax in a "meaningful" way.

And until recently the Baltimore slots deal seemed to be stalled. "We were being told that it didn't look like the numbers were going to work for the city," said City Councilman William H. Cole IV. "At one point we thought that no deal was going to happen at all."

Dixon, as City Council president, did not favor slots. However, a commission she created to examine how to reduce the city's property taxes recommended using revenues from slots to lower the rate. That commission had assumed that a parlor could bring in \$85 million to the city and fund a 36-cent reduction to the rate.

Reducing the property tax rate by one cent costs the city \$3.2 million. Baltimore homeowners pay twice the rate paid by residents in Baltimore County.

Voters chose in a referendum last year to allow slots facilities to be built in five parts of the state. Baltimore is the only jurisdiction under the law to require a casino be built on public land and to be allowed to collect revenue from leasing land to the slots operator.

The facility would be built on city property south of M&T Bank Stadium on the Middle Branch of the Patapsco River. The city owns several parcels of land in that area, including some slated to be developed into a sports-themed office and recreation park called Gateway South, and an animal shelter. In November, the city also purchased a lot adjacent to the shelter that was used for overflow parking at games.