



BALTIMORE DEVELOPMENT CORPORATION

Biennial Performance Audit

Fiscal Years Ended June 30,
2022 and 2021

City Auditor, Josh Pasch
December 5, 2023



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Office of the Comptroller

Josh Pasch, City Auditor

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Honorable Bill Henry, Comptroller
and Other Members of the Board of Estimates
City of Baltimore

EXECUTIVE SUMMARY

We conducted a *Biennial Performance Audit of the Baltimore City Development Corporation for the Fiscal Years Ended June 30, 2022, and June 30, 2021*. The objectives of our performance audit were to: (1) determine whether the Baltimore Development Corporation (BDC) met its performance measure targets; and (2) evaluate whether BDC has adequately designed internal controls related to the following selected performance measures:

- “# of commercial corridor facades completed;” and
- “# of new permanent jobs per 1 million of public investment.”

Our audit did not identify any deficiencies in internal controls related to the selected performance measures. However, for the performance measure “# of new permanent jobs per 1 million of public investment,” we observed that:

- The budget book reported “Actual” is based on the estimated numbers of new permanent jobs; and
- The Fiscal Year (FY) 2022 actual should have been reported as 142 rather than 14.

We recommend BDC work with the Director of Bureau of Budget and Management Research (BBMR) to disclose the basis of the “Actual” number to increase the transparency to the public and correct the FY 2022 actual.

There were no prior findings that required follow-up.

We wish to acknowledge BDC’s cooperation extended to us during this engagement.

Respectfully,

Josh Pasch, CPA
City Auditor, City of Baltimore
December 5, 2023

BACKGROUND INFORMATION

I. Baltimore Development Corporation

The BDC is a non-profit organization, which serves as the economic development agency for the City. As reported in the Annual Comprehensive Financial Report, BDC is classified as a related organization of the City of Baltimore (City) and is contracted and funded by the Department of Housing and Community Development. The BDC's mission is to: (1) retain and expand existing businesses; (2) support cultural resources; and (3) attract new opportunities that spur economic growth and help create jobs. The BDC serves as a one-stop shop for anyone interested in opening, expanding, or relocating a business in the City.

II. Selected Performance Measures

We judgmentally selected the following two performance measures of BDC for our review:

- **“# of commercial corridor facades completed”**: This is the number of completed commercial corridor façade program participants in FYs 2022 and 2021. The Façade Improvement Grant (FIG) program provides funds to businesses for exterior improvements. The grants are to be used to enhance the appearance of individual building facades, signs and awnings, and other exterior improvements. This performance measure enables the City to leverage public dollars to encourage private investment to spur continued revitalization efforts in the City. There are three types of FIG: Citywide, Main Streets and Carroll-Camden. The BDC matches 50 percent up to \$7,500 for Citywide; 50 percent up to \$10,000 for Main Streets; and 50 percent up to \$15,000 for Carroll-Camden.
- **“# of new permanent jobs per 1 million of public investment”**: This measure examines the job creation impact of real estate projects that result from the investment of public dollars. By using permanent jobs (and excluding temporary / construction jobs), the measure captures the ongoing impact of a project on the City's economy and job opportunities, and not just the short-term impact associated with its construction or development.

The targets and actuals of these performance measures are summarized in Table I on next page.

Table I

Summary of Selected Performance Measures' Targets and Actuals as Reported in the FY 2024 and FY 2023 Budget Books for Fiscal Years 2022 and 2021

Performance Measure ¹	FY 2022		FY 2021	
	Target	Actual	Target	Actual
"# of commercial corridor facades completed"	33	37	33	40
"# of permanent jobs per 1 million of public investment" ²	26	14	315	38

Source: FY 2024 and FY 2023 Budget Books

Notes:

¹ These performance measures are reported under Service 810 – Real Estate Development.

² Per the BDC,

- The FY 2021 target was based on expectations related to the Port Covington / Baltimore Peninsula project, which were delayed due to COVID.
- The FY 2022 actual was reported as 14 due to a data entry error. The FY 2022 actual should be 142.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted our performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our audit objectives. The objectives of our performance audit were to: determine whether BDC met its performance measure targets; and (2) evaluate whether BDC has adequately designed internal controls related to the following selected performance measures:

- “# of commercial corridor facades completed”; and
- “# of permanent jobs created relative to public investment”.

The scope of our audit was for the periods of FY 2022 and FY 2021. However, certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

To accomplish our objectives, we:

- Interviewed key individuals from BDC leadership and conducted walkthroughs to obtain an understanding of processes that govern the initialization, authorization and recording of both performance measures; and
- Judgmentally selected samples and reviewed supporting documentation to determine whether (1) documentation to support the numbers reported in the budget booked were secured and maintained; and (2) there is evidence of internal reviews and approvals.

SECTION I: CURRENT FINDING AND RECOMMENDATION

None