


<b>FROM</b>	NAME & TITLE	THOMAS J. STOSUR, DIRECTOR	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	DEPARTMENT OF PLANNING 8 <sup>TH</sup> FLOOR, 417 EAST FAYETTE STREET		
	SUBJECT	CITY COUNCIL BILL #13-0176 /TAX CREDITS-HIGH PERFORMANCE MARKET-RATE RENTAL HOUSING		

**TO**

DATE:

The Honorable President and  
 Members of the City Council  
 City Hall, Room 400  
 100 North Holliday Street

February 8, 2013

At its regular meeting of February 7, 2013, the Planning Commission considered City Council Bill #13-0176, for the purpose of providing a property tax credit for certain newly constructed or converted high-performance market-rate rental housing projects; imposing certain limitations, conditions, and qualifications; providing for the administration of the credit; defining certain terms; setting a date for termination of the program; and generally relating to property tax credits.

In its consideration of this Bill, the Planning Commission reviewed the attached staff report which recommended amendment and approval of City Council Bill #13-0176 and adopted the following resolution; 8 members being present (8 in favor).

RESOLVED, That the Planning Commission concurs with the recommendation of its departmental staff, and recommends that City Council Bill #13-0176 be amended and passed by the City Council.

If you have any questions, please contact Mr. Wolde Ararsa, Division Chief, Land Use and Urban Design Division at 410-396-4488.

TJS/WA/jml

Attachment

- cc: Ms. Kaliopé Parthemos, Deputy Chief for Economic and Neighborhood Development  
 Mr. Alex Sanchez, Chief of Staff  
 Ms. Angela Gibson, Mayor's Office  
 The Honorable Rochelle "Rikki" Spector, Council Rep. to Planning Commission  
 Mr. David Tanner, BMZA  
 Mr. Geoffrey Veale, Zoning Administration  
 Mr. Nicholas Blendy, DHCD  
 Ms. Barbara Zektick, DOT  
 Ms. Elena DiPietro, Law Dept.  
 Ms. Karen Randle, Council Services  
 Ms. Brenda McKenzie, President & CEO, BDC



Stephanie Rawlings-Blake  
Mayor

## PLANNING COMMISSION

Wilbur E. "Bill" Cunningham, Chairman

### STAFF REPORT



Thomas J. Stosur  
Director

February 7, 2013

**REQUEST:** City Council Bill #13-0176/Tax Credits – High Performance Market-Rate Rental Housing

For the purpose of providing a property tax credit for certain newly constructed or converted high-performance market-rate rental housing projects; imposing certain limitations, conditions, and qualifications; providing for the administration of the credit; defining certain terms; setting a date for termination of the program; and generally relating to property tax credits.

**RECOMMENDATION:** Approval with Amendments

Amend the list of Qualified Locations to include the following:

- (8) STATION NORTH AREA, WITHIN:
  - (I) CENSUS TRACT 110200, CENSUS BLOCK 1000;
  - (II) CENSUS TRACT 120400, CENSUS BLOCK 1010;
  - (III) CENSUS TRACT 120500, CENSUS BLOCKS 1001-1005, 1010-12, 1017-1027, 1030-1031, 2016-2017, 2022, 2024-2025;
  - (IV) CENSUS TRACT 120600, CENSUS BLOCKS 3012-3022; AND
  - (V) CENSUS TRACT 120700, CENSUS BLOCKS 3026-3027

**STAFF:** Jill Lemke

**PETITIONER(S):** Administration (Baltimore Development Corporation)

**OWNER:** N/A

#### SUMMARY

This bill will create a new tax credit program for the construction of new high-performance market-rate rental housing projects that are either new construction or an adaptive reuse of formerly non-residential properties. The program's goal is to help grow Baltimore's residential population in an environmentally sensitive manner by encouraging the construction of new high performance market rate rental housing.

High Performance refers to a high performance building, as defined in State Tax-Property Article §9-242, that achieves a LEED Silver rating or higher, or a comparable rating under another appropriate rating system.

A qualifying Market-Rate Rental Housing Project under this proposal is one that contains 50 or more rental units, where none of the units (unless subject to Baltimore's inclusionary housing ordinance) are subject to rent or income limits.

In order to qualify the project must also be constructed on undeveloped land or convert an existing non-residential structure to residential use, where the cost of construction exceeds \$60,000 per rental unit and the first occupancy permit is issued after January 1, 2013.

The amount of the Credit shall equal a percentage of the property tax liability for the amount of increment, or difference between the assessed value of the project and the property tax liability based on the previous assessment of the property had the improvement not been made. The tax credit percentages will be applied over 15 years according to the following schedule:

<b>YEARS</b>	<b>Percentage</b>
1,2	100%
3,4,5	80%
6	70%
7	60%
8,9,10	50%
11	40%
12	30%
13,14,15	20%
16+	0

In no event, however, should the tax credit granted, either alone or when combined with Maryland Enterprise Zone credits, exceed the amount of the property tax imposed on the property.

#### **SITE/GENERAL AREA**

Eligible Areas: The tax credit can only be applied in select census block groups in the following general areas, as described in detail in the legislation, and shown on the attached map. In addition, within these areas, the tax credit can only be used on properties that already have the proper zoning and meet the existing requirements for multi-family residential.

- The Downtown Management Authority District, where it overlaps with the Maryland Enterprise Zone
- Designated areas of: Reservoir Hill  
Jonestown  
W. Coldspring Lane  
Poppleton  
York Road Corridor  
Belair Road Corridor  
STATION NORTH

#### **CONFORMITY TO PLANS**

The proposed action is consistent with the following Goals, Objectives, and Strategies of Baltimore City's Comprehensive Master Plan: LIVE, Goal 1, Objective 1: Expand Housing

Choices for all residents, and Objective 2: Strategically redevelop vacant properties throughout the City, and Objective 5: Increase the City's Population by 10,000 households; and LIVE Goal 2: Elevate the Design and Quality of the City's Built Environment, Objective 1: Improve Design Quality of the Built Environment, and Objective 3: Promote Transit Oriented Development and mixed-use development to reinforce neighborhood centers and Main Streets.

## **ANALYSIS**

This project will help the City meet the Mayor's goal to grow Baltimore by 10,000 households by 2020 and help spur development to meet an increasing demand for rental units, particularly within the downtown district.

In 2011, the Mayor's Downtown Task Force made recommendations for dealing with the issue of increasing commercial vacancies. One of their recommendations was the creation of a tax credit incentive program for residential conversions. This recommendation was based in part on a similar incentive in Philadelphia which generated \$68.2 million in construction spending that would not have happened otherwise (Kevin Gillen, PhD, Wharton Research Fellow, 2008).

The Downtown Partnership, following the recommendations of the Downtown Task Force, commissioned a study by the Jacob France Institute at the University of Baltimore which concluded that each additional rental household generates \$44,728 in additional economic activity, supports 3 tenths of an additional job, and generates an estimated \$1064 in City tax revenues.

Other areas of the City were evaluated for inclusion by the Department of Housing, Planning and Baltimore Development Corporation. The six (6) areas chosen were areas with a mix of proper zoning for multi-family housing, existing plans, and community support for additional development that could serve as a catalyst for improving the area.

Expanding the program outside of downtown was supported by a recent study conducted by Zimmerman/Volk Associates, Inc. which found demand for up to 5,800 new units over the next five (5) years. Of the total housing demand, market-rate rentals account for 60% or 3,480 units over the same time period.

The proposed tax credit has also been vetted by the Baltimore City Finance Department. The Finance Department will also be developing specific rules and regulations for implementing the program upon its passage, and will be administering the program once it goes into effect.

## **COMMUNITY INPUT:**

In advance of this hearing, staff notified a total of 40 community organizations and stakeholder groups.



**Thomas J. Stosur**  
**Director**