

*Habitat*

FROM	NAME & TITLE	Robert Cename, Budget Director	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 20-0632 – Property Tax Credit – Habitat for Humanity		

TO

DATE:

The Honorable President and  
Members of the City Council  
City Hall, Room 400

October 28, 2020

**Position: Oppose**

The Department of Finance is herein reporting on City Council Bill 20-0632, Property Tax Credit – Habitat for Humanity, the purpose of which is to grant, in accordance with State Tax-Property Article § 9-252, a 100% property tax credit, for up to 5 years, against certain real property owned and held by Habitat for Humanity.

**Background**

Habitat for Humanity is a global nonprofit housing organization where volunteers help to build or renovate homes that are then transferred to private owners, who have also helped build the homes. In 2010, the Maryland General Assembly passed enabling legislation that allows local jurisdictions to implement real property tax credits specifically for Habitat for Humanity properties that are intended to be rehabbed and transferred to a private owner. Anne Arundel and Harford Counties have implemented similar legislation based on the enabling State legislation. Harford County has issued approximately \$6,000 in property tax credits to Habitat for Humanity on a handful of properties from Fiscal 2018 to Fiscal 2020, while Anne Arundel has not yet issued any property tax credits.

**Fiscal Impact**

The Department of Finance is unable to provide an exact fiscal impact estimate because the number of properties eligible under this legislation would change year over year due to the completion of projects and subsequent transfers, as well as additional property acquisitions. Currently, Habitat for Humanity owns 53 properties that would be eligible under this legislation. The Fiscal 2021 property tax revenues for those properties is estimated at \$33,758, or roughly \$637 per property. If Habitat maintains a similar sized portfolio the amount of foregone property tax revenue from this proposed credit will range from \$30,000 to \$35,000 in future years.

**Other Considerations**

Establishing a tax credit for one individual organization spark other organizations to request similar credits for properties being developed, thereby increasing the amount of foregone property tax revenues within the City. As a reminder, approximately 30% of properties in the City are tax exempt, which is equivalent to approximately \$376.8 million. Considering the housing and development market conditions in the City, as well as the large number of other non-profit developers such as Community Development Corporations, this tax credit for a single organization could result in other organizations or individual developers asking for credits for similar work. Such expansion of tax credits would impact that City's property tax revenues and General Fund budget. In addition, establishing this credit creates challenges

for the City that increases costs due to the administration of the credits, as well as foregone property tax revenues.

**Conclusion**

This legislation establishes a tax credit for a single organization, which will likely have a small fiscal impact, but could result in other organizations requesting similar tax credits and thereby having much larger fiscal impacts for the City's General Fund.

**For the reasons stated above, the Department of Finance opposes City Council Bill 20-0632.**

cc: Henry Raymond  
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