

Andrew Klein

FROM	NAME & TITLE	Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410 396-4941)
	SUBJECT	City Council Bill No. 14-0359 –Tax Credits–High-Performance Market-Rate Rental Housing

CITY of
BALTIMORE
MEMO



DATE:

May 23, 2014

TO

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

City Council Bill 14-0359 proposes a ten year tax credit for High-Performance Market-Rate Rental Housing based on a percentage of the difference between the property tax liabilities on the first assessment after the occupancy permit is issued and the tax liability that would have been owed if the project had not been undertaken.

Analysis

The High-Performance Market-Rate Rental Housing Tax Credit is designed to increase the population in the city of Baltimore. It is anticipated that an additional 2,376 new apartments will be added to the existing inventory in the city.

The credit will be limited to the following percentages:

Year	Percentage
1-5	80%
6	70%
7	60%
8	50%
9	40%
10	30%



The tax credit, based on the above schedule, may not be greater than the difference of the tax computed on the full cash value of the property after the occupancy permit was issued and the base full cash value of the property assessed at the time of the application.

Fiscal Impact

The High-Performance Market-Rate Rental Housing Tax Credit is a ten year credit that will reduce the amount of taxes due on the difference between the existing property tax assessment and the final assessment after construction is completed. The ten year credit will result in an

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average of 65% reduction in the property tax due on the increase in assessment over the ten year period.

The estimates are based on current projects that are in the pipeline. A sunset provision is in place to prevent apartments supply from significantly exceeding demand. A thorough analysis conducted on the tax credit found that over a ten year period, the credit cost of \$30.3M will offset \$45.4M in new property taxes. This results in a \$15.1M increase in taxes over this time frame. The peak credit cost is expected to occur in year five and cost \$4.2M for that year.

Finance Department Position

The Finance Department supports Council Bill 14-0359.

cc: Harry E. Black
Angela Gibson
William Voorhees