



FROM	NAME & TITLE	Robert Cename, Budget Director 	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 22-0096R – Approving the Submission of an Application to the State of Maryland for the Redesignation of Baltimore City’s Modified Consolidated Enterprise Zone and its Focus Areas		

DATE:

TO

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

March 21, 2022

The Department of Finance is herein reporting on City Council Bill 22-0096R, Approving the Submission of an Application to the State of Maryland for the Redesignation of Baltimore City’s Modified Consolidated Enterprise Zone (EZ) and its Focus Area, the purpose of which is to approve the submission of an application to the State of Maryland to redesignate Baltimore City’s Focus Area and modified Consolidated EZ to include Downtown, Port Covington, Highlandtown, and Greektown among others.

Background

The State’s Secretary of Business and Economic Development may permit redesignation of all or a portion of a designated EZ and Focus Area. To apply for redesignation, the City needs to complete an application showing that the proposed zone meets certain unemployment, population and low-income requirements.

The designation of area as an enterprise zone is effective for 10 years. A portion of an enterprise zone may be designated as a Focus Area for the lesser of 5 years or the remainder of the 10-year term of the applicable enterprise zone. In Fiscal 2018, the Mayor and City Council approved the redesignation of the Baltimore City’s Enterprise Zone Focus Areas with the passage of City Council resolution Bill 17-0048R. This redesignation expires on June 14, 2022.

The State of Maryland’s Enterprise Zone program enables Baltimore City to provides Real property and state Income Tax credits for businesses located in a Maryland EZ in return for job creation and investments. Businesses located in Focus Areas may also qualify for Personal Property Tax credits on new investments in personal property and enhanced Income Tax credits for creating new jobs. A business is eligible for the EZ Tax Credit Program if it makes a capital investment in its property or hires at least one new employee in the EZ. Commercial, Retail, and Industrial projects are eligible. The Real Property tax is a ten-year credit granted on the incremental increase in property taxes resulting from improvements. For years one through five, the credit is an 80 percent reduction to the increase in property taxes, with the benefit decreasing by 10 percent annually for years six through ten. The credit for properties developed in Focus Areas remains at a flat 80 percent for all ten years, rather than declining in years six through ten. The state reimburses the City for half of the annual Real and Personal Property Tax credit cost.

The table below summarizes the difference in traditional Enterprise Zone and Focus Area Tax credits. Baltimore City has the most Enterprise Zone acres in the state.

Year	EZ Credit	Focus Area Credit
1 – 5	80%	80%
6	70%	80%
7	60%	80%
8	50%	80%
9	40%	80%
10	30%	80%

Since Fiscal 1999, the City has granted \$345.4 million in EZ and Focus Area tax credit where the State has reimbursed for half of this cost. Between fiscals 2017 and 2021 a total of 107 credits have been granted for a total cost of \$150.6 million.

Fiscal Impact

The cost to Baltimore City of awarding the EZ Tax credit (including Focus Area credits) averages \$15.1 million annually after State’s reimbursement. The average pre-improvement assessment of a single property in an Enterprise Zone in Fiscal 2021 was \$1.9 million, with a post-improvement assessment of \$11.7 million. Additionally, the annual number of new EZ and Focus Area tax credit recipients has averaged 19 since Fiscal 2017. It is estimated that the redesignation proposed by this legislation would cost the City over \$180 million or \$90 million after the State reimbursement for half of the cost over the ten-year period for a project that is certified in Fiscal 2023.

Other Considerations

Mayor Scott recently announced the creation of a Tax Credit Review Committee tasked with the evaluation of all existing property tax credits. It is expected that this Committee will review these programs and provide recommendations to ensure that these incentive programs provide sustainable and equitable growth to the City’s tax base and ultimately the reduction in tax credit costs to the City. The extension of this tax credit will allow projects to continue as the Committee finalizes recommendations.

Conclusion

Despite the increase of cost that this legislation would authorize, the Department of Finance does not object to the redesignation of City’s EZ and Focus Areas. Finance will attend the hearing of legislation and answer any relevant questions.

cc: Henry Raymond
 Natasha Mehu
 Nina Themelis