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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 20-0552 – Tax Credits – Historical Properties		

DATE:

TO

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

August 26, 2020

Position: Support with amendment

The Department of Finance is herein reporting on City Council Bill 20-0552, Tax Credits – Historical Properties, the purpose of which is to extend the Historic Tax Credit program through February 2022 and grant the Director of Planning equal and concurrent powers as the Director of Finance in the administration of this credit.

Background

The Historic Tax Credit Program was established in 1996 to foster the rehabilitation of residential and commercial buildings in historic districts. The 10-year credit is granted for “significant improvements” exceeding 25% of a property’s full cash value and the credit is up to 100% of the increased tax liability due to the historic renovation for projects with construction costs less than or equal to \$5 million. This legislation extends the end date of the program from February 2021 to February 2022. Under this extension, the Commission for Historical and Architectural Preservation (CHAP) plans to review how the program is being administered and whether it meets the intent of the program without locking the City into a long term commitment to the credit. The one year extension is intended to give the City flexibility to make adjustments to the credit in the long term.

Fiscal Impact Analysis

Extending the deadline to February 2022 for applications will result in an increase in the total credits granted, thereby increasing the number of properties that will be receiving the credit through 2032. Based on historical data, this would result in an additional 234 properties receiving the tax credit annually and covering up to 100% of the taxes due on the increased assessment from the renovation on properties, which is a \$200,000 assessment increase on average. This leads to an increase of \$10.5 million in tax expenditures over the next 10 years. The Department of Finance supports extending the Historic Tax Credit Program by one year to allow for a thorough review, which may result in revisions to the program that will ultimately reduce the costs to the City.

Other Considerations

The Department of Finance is opposed to the portion of this bill that grants the Director of Planning administrative power because it has the potential to create conflict in the administration of this credit. Currently, the Director of Finance is solely responsible for the administration of this credit. In addition, the Director of Finance has a distinct fiduciary duty to the City, which differs substantially from that of the Director of Planning. The Department of Finance proposes an amendment that reflects similar language

as the Urban Agriculture Tax Credit, which provides authority to the Director of Finance to establish rules and regulations and settle disputes, but requires consultation with the Department of Planning.

The Department of Finance currently manages a portfolio of 18 real property tax credits and provides online applications for seven of those tax credits that are accepting new applications. In addition to providing Baltimore City residents and developers the ability to apply for many of these credits online, the Department also provides online access to the Rules and Regulations for those credits that have them. To that end, the Department has worked over the last several years to create a uniform parallel structure for tax credit Rules and Regulations, organizing the essential information that applicants need in an easy to follow format that is broken down by subject. Although every effort is made to make these Rules and Regulations user-friendly, they remain legal administrative documents that have the force of law behind them. Failure to adhere to them is not a minor indiscretion on the part of the applicant, but often an act that prohibits eligibility for the credit. The uniform enforcement of these Rules and Regulations is as essential to their purpose as their uniform drafting. As such, it is essential that the Department continue to be responsible for both the drafting and enforcement of the Rules and Regulations for all tax credits.

Conclusion

While the extension of the deadline will lead to an increase in the long term cost of the credit, the Department of Finance supports the intention of the legislation to allow CHAP to review the program to ensure it is meeting the intentions of the credit and possibly revise the program to ensure it is efficient and effective. The Department of Finance proposes an amendment to remove the portion that grants the Director of Planning concurrent administrative power for this tax credit and replace it with requiring consultation between the Departments because this could lead to conflicting positions and an inefficient administration of these credits.

For the reasons stated above, the Department of Finance supports City Council Bill 20-0552, with the proposed amendment.

cc: Henry Raymond
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