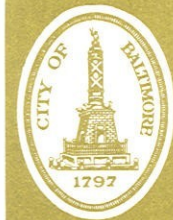


FROM	NAME & TITLE	<i>Andrew Kleine</i> Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4941
	SUBJECT	City Council Bill #08-0106 - Brownfields Tax Credit

CITY of
BALTIMORE
MEMO



TO DATE: May 23, 2008

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

Attention: Ms. Karen Randle:

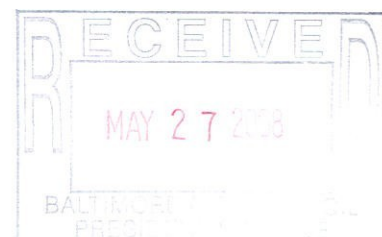
City Council Bill #08-0106 has been introduced for the purpose of modifying the eligibility criteria for an additional credit against a Brownfields site's property tax liability; clarifying the criteria for an extended tax-credit period; and generally related to the tax credit for Brownfields sites.

Per Article 28, § 10-10(c) and (e) of the Baltimore City Code, the Brownfields site is granted a 50 percent credit for 5 taxable years, or 10 taxable years if the site is in a designated State Enterprise Zone. Also, if the aggregate cost of the site's purchase and the voluntary cleanup or corrective action plan efforts equals or exceeds \$250,000, the Brownfields site will be granted an additional credit of 20% of the site's increased property tax liability.

City Council Bill #08-0106 would restrict Brownfields sites' tax credit eligibility in the following ways:

- First, for the basic 50 percent credit, it would require the site to be deemed a 'qualified property' in an Enterprise Zone, as defined in the Maryland Annotated Code, (Tax – Property Article § 9-103).
- Second, it would increase the purchase, cleanup and corrective action cost threshold from \$250,000 to \$1,000,000 to qualify for an additional credit, and reduce the additional credit from 20 percent to 10 percent (for a total 60 percent credit).
- Third, it would allow for an additional 10 percent credit (for a total 70 percent credit) if the improvements on the site achieve either a Gold-Level Rating or higher in Leadership in Energy and Environmental Design, (LEED), or the energy and environmental design standards must be equivalent to a Gold Level Rating, as identified by a City building official.

The total cost impact to the City for the period of 2003-2007 was \$1,667,235. This amount includes \$1,167,023 in allowable credits plus the City's contribution to the Maryland Economic Development Assistance Fund in the amount of \$500,212. As of Fiscal Year 2008, 32 properties qualify for the Brownfields Tax Credit. The following analysis identifies the tax credits granted under the current law and City Council Bill #08-0106.



Current Law

Basic Credit @ 50%	\$348,720
Additional 20% Credit with a \$250,000 threshold	<u>133,691</u>
Total Tax Credit	\$482,411
(Basic Credit is based on the Average Improvement Value on 32 properties)	
(Add'l Credit is based on the Average Improvement Value on 14 properties)	

City Council Bill #08-0106

Basic Credit @ 50%	\$348,720
Additional 10% Credit with a \$1m threshold – Tier 1	56,188
Additional 10% Credit with a \$1m threshold + LEED (for a total Additional Credit of 20%) – Tier 2	<u>56,188</u>
Total Tax Credit	\$461,097
(Basic Credit is based on the Average Improvement Value on 32 properties)	
(Add'l Credit on both Tiers is based on the Average Improvement Value on 7 properties. The 2 nd Tier is also based on the assumption that all 7 properties meet the LEED requirement.)	

Increasing the cost threshold to \$1,000,000 and reducing the first tier of the additional credit to 10% would reduce the number of credits granted and increase the City's property tax revenues. The inclusion of the additional 10% credit granted (for a total of 20%) to a site for achieving a Gold-Level Rating per LEED requirements is also fiscally feasible, since the total tax credit granted under the Bill remain below the tax credits granted under the current law. This Bill will have a positive fiscal impact on the City, and continue to encourage the re-development of properties that have been exposed to environmental deterioration; therefore, the Department of Finance supports City Council Bill #08-0106.

cc: Edward J. Gallagher
Angela Gibson