

**CITY OF BALTIMORE
COUNCIL BILL 14-0399
(First Reader)**

Introduced by: The Council President

At the request of: The Administration (Department of Finance)

Introduced and read first time: June 16, 2014

Assigned to: Taxation, Finance and Economic Development Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Planning Commission, Department of Housing and Community Development, Department of Real Estate, Department of Finance, Commission for Historical and Architectural Preservation, Board of Estimates

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Tax Credits – Historic Properties – Calculations**

3 FOR the purpose of amending the City Code provisions that govern the tax credit for historic
4 improvements, restorations, and rehabilitations to incorporate new requirements enacted by
5 Chapters 193 and 194, 2014 Acts of the General Assembly; requiring a certain calculation and
6 value to be determined by the State Department of Assessments and Taxation and a certain
7 calculation and value to be determined by certain professional appraisers; defining certain
8 additional terms; correcting, clarifying, conforming, and reorganizing related language and
9 provisions; and generally relating to a property tax credit for historic properties.

10 BY repealing and reordaining, with amendments

11 Article 28 - Taxes
12 Section(s) 10-8
13 Baltimore City Code
14 (Edition 2000)

15 **SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE,** That the
16 Laws of Baltimore City read as follows:

17 **Baltimore City Code**

18 **Article 28. Taxes**

19 **Subtitle 10. Credits**

20 **§ 10-8. Historic IMPROVEMENTS, restorations, and rehabilitations.**

21 (a) *Definitions.*

22 (1) *IN GENERAL.*

23 In this section, the following words have the meanings indicated.

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.

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1 (2) *CHAP*.

2 "CHAP" MEANS THE COMMISSION FOR HISTORICAL AND ARCHITECTURAL
3 PRESERVATION OR THE COMMISSION'S DESIGNEE.

4 (3) *ELIGIBLE IMPROVEMENTS*.

5 [(2)] "Eligible improvements" means significant improvements to[, or restoration or
6 rehabilitation of, historic properties] AN HISTORIC PROPERTY.

7 (4) *HISTORIC PROPERTY*.

8 "HISTORIC PROPERTY" MEANS A PROPERTY:

9 (I) INDIVIDUALLY LISTED ON THE NATIONAL REGISTER OF HISTORIC PLACES;

10 (II) INDIVIDUALLY LISTED ON THE CITY LANDMARK LIST;

11 (III) LOCATED WITHIN A NATIONAL REGISTER HISTORIC OR LANDMARK DISTRICT
12 AND CERTIFIED BY CHAP AS CONTRIBUTING TO THE HISTORIC SIGNIFICANCE OF
13 THAT DISTRICT; OR

14 (IV) LOCATED WITHIN A CITY HISTORICAL AND ARCHITECTURAL PRESERVATION
15 DISTRICT AND CERTIFIED BY CHAP AS CONTRIBUTING TO THE HISTORIC
16 SIGNIFICANCE OF THAT DISTRICT.

17
18 (5) *SIGNIFICANT IMPROVEMENTS*.

19 [(3)] "Significant improvements" means [a] IMPROVEMENTS, RESTORATION, OR
20 rehabilitation FOR WHICH the total DOCUMENTED CONSTRUCTION cost [of which] equals
21 or exceeds 25% of a property's full cash value [prior to] BEFORE COMMENCEMENT OF
22 THE IMPROVEMENTS, RESTORATION, OR rehabilitation [as reflected in the assessment
23 records].

24 (b) *Program goal*.

25 The goal of this program is to help preserve Baltimore's neighborhoods by encouraging
26 home and business owners to make special efforts to restore or rehabilitate historic
27 buildings.

28 (c) *Credit granted*.

29 In accordance with [the provisions of] State Tax-Property Article § 9-204.1, [there is
30 hereby granted] a 10-YEAR tax credit IS GRANTED against the [Baltimore] City real property
31 tax [imposed on] ATTRIBUTABLE TO eligible improvements [to] OF historic properties.

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1 (D) *CHAP APPROVAL REQUIRED.*

2 THE TAX CREDIT GRANTED BY THIS SECTION APPLIES ONLY TO ELIGIBLE IMPROVEMENTS
3 THAT, BEFORE THE IMPROVEMENTS ARE BEGUN, HAVE BEEN PRELIMINARILY APPROVED BY
4 CHAP AS MEETING LOCAL HISTORIC PRESERVATION STANDARDS.

5 (E) [(d)] *Amount of credit – IN GENERAL.*

6 (1) *CALCULATION ADJUSTMENTS.*

7 [Subject] THE CALCULATIONS SPECIFIED IN PARAGRAPHS (2) AND (3) OF THIS
8 SUBSECTION ARE subject to:

9 (I) the [limitations imposed] REDUCTION REQUIRED by paragraph [(2)] (5) of this
10 subsection; and

11 (II) THE LIMITATIONS IMPOSED by:

12 (A) PARAGRAPH (6) OF THIS SUBSECTION; AND

13 (B) subsection [(g)] (F) of this section[, the property tax credit granted
14 under this section shall equal the difference between:].

15 [(i) the property tax that, but for the tax credit, would be payable after
16 the completion of the eligible improvements; and]

17 [(ii) the property tax that would be payable if the eligible improvements
18 were not made.]

19 (2) *CREDITS INITIALLY GRANTED BEFORE OCTOBER 1, 2014.*

20 (I) FOR CREDITS INITIALLY GRANTED UNDER THIS SECTION BEFORE OCTOBER 1, 2014,
21 AND FOR THE DURATION OF THE CREDIT, THE CREDIT IS EQUAL TO THE DIFFERENCE
22 BETWEEN:

23 (A) THE REAL PROPERTY TAX ON THE MOST RECENT FULL CASH VALUE OF THE
24 PROPERTY BEFORE THE COMMENCEMENT OF ELIGIBLE IMPROVEMENTS; AND

25 (B) THE REAL PROPERTY TAX ON THE MOST RECENT FULL CASH VALUE OF THE
26 PROPERTY AFTER COMPLETION OF THE ELIGIBLE IMPROVEMENTS.

27 (II) FOR PURPOSES OF THIS CALCULATION, THE FULL CASH VALUE OF THE PROPERTY IS
28 THE FULL CASH VALUE BEFORE PHASE IN, AS DETERMINED BY THE STATE
29 DEPARTMENT OF ASSESSMENTS AND TAXATION THROUGH THE ASSESSMENT
30 PROCEDURES ESTABLISHED UNDER TAX-PROPERTY ARTICLE, TITLE 8, OF THE
31 MARYLAND CODE.

32 (3) *CREDITS INITIALLY GRANTED ON OR AFTER OCTOBER 1, 2014.*

33 (I) FOR CREDITS INITIALLY GRANTED UNDER THIS SECTION ON OR AFTER OCTOBER 1,
34 2014, AND FOR THE DURATION OF THE CREDIT, THE CREDIT IS EQUAL TO THE
35 DIFFERENCE BETWEEN:

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1 (A) THE REAL PROPERTY TAX ON THE FULL CASH VALUE OF THE PROPERTY BEFORE
2 THE COMMENCEMENT OF ELIGIBLE IMPROVEMENTS; AND

3 (B) THE REAL PROPERTY TAX ON THE FULL CASH VALUE OF THE PROPERTY AFTER
4 COMPLETION OF THE ELIGIBLE IMPROVEMENTS.

5 (II) FOR PURPOSES OF THIS CALCULATION, THE FULL CASH VALUE OF THE PROPERTY
6 SHALL BE DETERMINED BY AN APPRAISAL OF THE PROPERTY BEFORE COMMENCEMENT
7 AND AFTER COMPLETION OF ELIGIBLE IMPROVEMENTS BY A PROFESSIONAL
8 APPRAISER SELECTED BY THE CITY AND LICENSED UNDER BUSINESS OCCUPATIONS
9 AND PROFESSIONS ARTICLE, TITLE 16, SUBTITLE 3, OF THE MARYLAND CODE.

10 (4) NOTWITHSTANDING PARAGRAPH (3) OF THIS SUBSECTION, IF A PROPERTY RECEIVED
11 PRELIMINARY APPROVAL UNDER SUBSECTION (D) OF THIS SECTION BEFORE OCTOBER 1,
12 2014, THE CREDIT SHALL BE CALCULATED IN ACCORDANCE WITH PARAGRAPH (2) OF THIS
13 SUBSECTION.

14 (5) [(2)] The credit calculated under [paragraph (1) of] this subsection shall be reduced by
15 the amount of the credit, if any, for which the property is eligible under the Maryland
16 Enterprise Zone Tax Credit Program.

17 (6) NO PART OF THE CREDIT CALCULATED UNDER THIS SUBSECTION MAY BE APPLIED IN ANY
18 TAX YEAR:

19 (I) TO REDUCE THE PROPERTY'S TAX LIABILITY FOR THAT TAX YEAR, AFTER
20 APPLICATION OF ANY OTHER APPLICABLE CREDIT, TO LESS THAN THE TAX
21 LIABILITY TO WHICH THE PROPERTY WAS SUBJECT, AFTER APPLICATION OF ANY
22 OTHER APPLICABLE TAX CREDIT, BEFORE COMMENCEMENT OF THE ELIGIBLE
23 IMPROVEMENTS; OR

24 (II) IN ANY CASE IN WHICH THE PROPERTY'S TAX LIABILITY FOR THAT TAX YEAR,
25 AFTER APPLICATION OF ANY OTHER APPLICABLE CREDIT, IS LESS THAN THE TAX
26 LIABILITY TO WHICH THE PROPERTY WAS SUBJECT, AFTER APPLICATION OF ANY
27 OTHER APPLICABLE TAX CREDIT, BEFORE COMMENCEMENT OF THE ELIGIBLE
28 IMPROVEMENTS.

29 (F) [(g)] *AMOUNT OF CREDIT* – [*Projects exceeding*] *LIMITATION ON PROJECTS OF MORE THAN*
30 *\$3.5 million [in development] DOCUMENTED CONSTRUCTION costs.*

31 (1) For development projects exceeding \$3.5 million in DOCUMENTED construction costs,
32 the tax credit [shall be] IS limited to the following percentages of the amount computed
33 under subsection [(d)] (E) of this section:

34 (i) in years 1 through 5 - 80%

35 (ii) in year 6 - 70%

36 (iii) in year 7 - 60%

37 (iv) in year 8 - 50%

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1 (v) in year 9 - 40%

2 (vi) in year 10 - 30%.

3 (2) To be eligible for this limited tax credit:

4 (i) the developer must:

5 (A) submit all documents requested by the FINANCE Director; and

6 (B) submit documentation reviewed by the developer with the State
7 Department of Assessments and Taxation to support a preliminary
8 estimate of value for tax purposes based on construction costs and
9 projected income; and

10 (ii) either:

11 (A) the existing building in question must have been at least 75% vacant for
12 at least 3 years; or

13 (B) the developer must otherwise demonstrate to the FINANCE Director [of
14 Finance] that the credit is necessary in order for the project to proceed.

15 (3) At the time of application for the credit, the developer must submit a statement of
16 projected economic impact and public benefits for the project. 3 years from the date an
17 application is accepted, the developer must submit statements of actual economic
18 impact and public benefits for the project. Public benefit measures include
19 neighborhood revitalization impact, job creation, tax generation, and minority business
20 development.

21 (4) If the property is located in a Maryland Enterprise Zone, the credit under this section
22 may be taken only for those parts of the property that have been rejected as ineligible
23 for the enterprise zone tax credit.

24 (5) NO PART OF THE CREDIT CALCULATED UNDER THIS SUBSECTION MAY BE APPLIED IN ANY
25 TAX YEAR:

26 (I) TO REDUCE THE PROPERTY'S TAX LIABILITY FOR THAT TAX YEAR, AFTER
27 APPLICATION OF ANY OTHER APPLICABLE CREDIT, TO LESS THAN THE TAX
28 LIABILITY TO WHICH THE PROPERTY WAS SUBJECT, AFTER APPLICATION OF ANY
29 OTHER APPLICABLE TAX CREDIT, BEFORE COMMENCEMENT OF THE ELIGIBLE
30 IMPROVEMENTS; OR

31 (II) IN ANY CASE IN WHICH THE PROPERTY'S TAX LIABILITY FOR THAT TAX YEAR,
32 AFTER APPLICATION OF ANY OTHER APPLICABLE CREDIT, IS LESS THAN THE TAX
33 LIABILITY TO WHICH THE PROPERTY WAS SUBJECT, AFTER APPLICATION OF ANY
34 OTHER APPLICABLE TAX CREDIT, BEFORE COMMENCEMENT OF THE ELIGIBLE
35 IMPROVEMENTS.

36 (G) [(e)] *Additional requirements.*

37 A [property tax] credit [granted] under this section [shall]:

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1 (1) [be] IS subject to eligibility requirements no less stringent than those applicable to
2 credits authorized under [State] Tax-Property Article § 9-204, OF THE MARYLAND
3 CODE;

4 (2) [be for] IS LIMITED TO a period of 10 CONSECUTIVE TAX years (OR PORTION OF A
5 TAX YEAR) [for each property, starting with the next assessment beginning after
6 restoration is completed], BEGINNING WITH THE FIRST BILLING PERIOD THAT OCCURS
7 AFTER CHAP AND THE FINANCE DIRECTOR HAVE ISSUED THEIR FINAL APPROVALS;

8 [(3) apply to eligible improvements which:]

9 [(i) are located within the boundaries of:]

10 [(A) a property listed individually on the National Register of Historic
11 Places, or a National Register Historic or Landmark District; or]

12 [(B) a property or district designated as an historic property or district
13 under City law; and]

14 [(ii) have been determined by the Commission for Historical and
15 Architectural Preservation to be compatible with local historic
16 preservation standards, and have been approved by the Commission
17 prior to work beginning;]

18 [(iii) may include documented costs for interior rehabilitation;]

19 (3) [(4) be] IS fully transferrable to a new owner for the remaining life of the credit;
20 and
21

22 (4) [terminate] TERMINATES if the property is converted so as [not] to NO LONGER meet
23 established historic preservation standards [during the credit period].

24 (H) [(f)] *Continuing eligibility.*

25 [The] DURING THE CREDIT PERIOD, THE property owner shall:

26 (1) maintain the major historic features of the property;

27 (2) ensure that the property for which the credit was granted is in full compliance with
28 the Building, Fire, and Related Codes of Baltimore City; and

29 (3) submit all statements required by subsection [(g)(3)] (F)(3) of this section.

30 [(h) *Eligible areas.*]

31 [Eligible areas include Baltimore City Historic Districts, Baltimore City
32 Historic Landmarks, National Register Historic Districts, and National Register
33 Historic Landmarks.]

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1 (i) *No tax subsidy duplication allowed.*

2 Except for the Maryland State Enterprise Zone Tax Credit Program, the [historic property
3 tax] credit AUTHORIZED BY THIS SECTION does not apply to any property for which any other
4 tax subsidy from the City, whether in the form of a tax credit, payment in lieu of taxes, or
5 otherwise, is being received or has been applied for.

6 (j) *Application.*

7 (1) [The] A PROPERTY owner SEEKING THIS CREDIT shall:

8 (I) file an application [for this tax credit] with [the Commission for Historical and
9 Architectural Preservation] CHAP; and

10 (II) pay the application fee [as] set by the Board of Estimates.

11 [If the property is transferred, the new owner shall file an application in order to
12 continue the credit.]

13 (2) The application [for the tax credit] shall contain THE information, including
14 identification of major historic features, that [the Commission for Historical and
15 Architectural Preservation] CHAP considers necessary for determining the eligibility
16 of the applicant.

17 [(3) The application shall include evidence of use and occupancy in the case of
18 previously vacant properties.]

19 (k) *Administration.*

20 The FINANCE Director [of Finance] may:

21 (1) adopt rules and regulations to [implement the provisions of] CARRY OUT this
22 section;

23 (2) settle ANY disputed claims that may arise in connection with the credit authorized
24 by this section; and

25 (3) delegate HIS OR HER powers[,] AND duties [or functions in connection with the
26 administration of the credit authorized by] TO ADMINISTER this section to [the City
27 Collector or] any [other] employee OR AGENCY of the City.

28 (l) *Review.*

29 (1) [The Commission for Historical and Architectural Preservation] CHAP, in
30 coordination with the Department of Finance, shall establish review procedures for the
31 CREDIT program ESTABLISHED BY THIS SECTION.

32 (2) The Department of Finance shall analyze THE data submitted [by developers in the
33 statements required by] UNDER subsection [(g)(3)] (F)(3) of this section.

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1 (m) *Termination of program.*

2 Applications for [the] A credit UNDER THIS SECTION may not be accepted after February 29,
3 2016.

4 **SECTION 2. AND BE IT FURTHER ORDAINED**, That the catchlines contained in this Ordinance
5 are not law and may not be considered to have been enacted as a part of this or any prior
6 Ordinance.

7 **SECTION 3. AND BE IT FURTHER ORDAINED**, That this Ordinance takes effect on October 1,
8 2014.