



**MEMORANDUM**  
**OFFICE OF THE MAYOR**

**To:** Baltimore City Council, Committee of the Whole  
**From:** Justin Williams, Deputy Mayor  
**Date:** 11/14/23  
**Re:** CCB Nos. 22-0195 and 22-0369

This memorandum addresses the current status of the pending inclusionary housing legislation in Baltimore City, emphasizing the Administration's commitment to developing an effective inclusionary housing program. While recognizing the positive aspects of the proposed legislation, we must also acknowledge significant concerns that prevent our full support in its current form.

**Commitment to Inclusionary Housing**

The Mayor and Administration remain steadfast in our commitment to reinstituting a robust inclusionary housing program in Baltimore. Our goal is to establish a program that significantly surpasses the achievements of its predecessor by producing a larger number of units. We recognize the necessity of such initiatives to foster inclusive and equitable community development.

**Concerns with Current Legislation (22-195, Version XXI and 22-369, Version V)**

1. **Cost Control:** The proposed legislation lacks a reasonable cap on overall costs, which could lead to unsustainable financial commitments for the city.
2. **Sunset Provision:** Absence of a sunset clause prevents periodic evaluation of the program's impact on the development community, a crucial aspect for long-term planning and adjustment.
3. **Tax Credit Cap:** The proposed cap on tax credits of \$1,440 per affordable unit may be insufficient to cover subsidy costs, potentially leading to concerns that it may be an unconstitutional taking.
4. **Process Issues:** The legislative process has had limited developer engagement and lacks transparency. The most recent version of the legislation, set for voting, has not been made public, raising significant concerns about inclusivity and thoroughness in the decision-making process.
5. **Real Estate Finance Industry Consultation:** For example, there appears to be a lack of consultation with lenders and others in the real estate finance industry. This oversight could lead to funding challenges for residential projects, adversely affecting tax revenue, job creation, and market rate supply.

6. **Assessment of Previous Outcomes:** Additionally, the impact of the 37 units created under previous programs is unclear. It's vital for the Council to understand these outcomes before committing significant funds to the new program.
7. **Ambiguities Not Caught:** As an example, the legislation's applicability to student housing and extended stay hotels remains unclear, potentially leading to unintended exclusions or inclusions. With ability for broader stakeholder review, other ambiguities may be caught.
8. **Income Level Graduation:** The legislation does not appear to address situations where residents' incomes rise beyond the restricted levels, risking the misuse of affordable housing resources.

**Broader Context and Alternatives**

Inclusionary zoning should be viewed primarily as a tool for integrating new development rather than a comprehensive solution for affordable housing needs. In areas where market rate housing is scarce, alternative approaches, have proven more effective and cost-efficient.

For example, Somerset I, used \$1.5 million in city funds to create 23 units at 60% AMI, 50 units at 50% AMI, 11 units at 30% AMI, and 20 market rate units, at a **onetime cost to the City of \$17,857.**

NHP Foundation's project in Park Heights, which will be breaking ground soon, is creating 100 affordable units (90 at 60% AMI and 10 at 50% AMI) at a **onetime cost per unit to the City of \$90,468.**

Project	Total Units	TDC (rounded)	Total City Sources	Home	Trust Fund	ARPA	Other	60% AMI	50% AMI	30% AMI	Market Rate	Cost per Unit (City sources)
Somerset I	104	\$30,100,000	\$1,500,000	\$1,500,000				23	50	11	20	\$ 17,857
NHP Senior	100	\$52,210,000	\$9,046,833		\$ 960,000	\$7,749,333	\$337,500	90	10			\$ 90,468

By comparison, at the proposed cap of \$14,400 per year over 30 years, **the net present value of each proposed Inclusionary Unit is \$198,213.**

Further, we must consider the diverse needs of different communities, including reducing vacant houses and addressing appraisal gaps. It's essential to explore alternative strategies, such as bonus density, which can incentivize the creation of affordable units without directly straining the city's budget.

**Moving Forward**

We propose additional time to revise the legislation, ensuring it aligns with our collective objectives and addresses the concerns raised. By doing so, we aim to develop an inclusionary housing program that is mutually acceptable to the City Council, the Administration, and community stakeholders.