

Andrew Klei

FROM	NAME & TITLE	Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of Budget and Management Research Room 469, City Hall (396-4941)
	SUBJECT	City Council Bill 13-0287 – Tax Credits – Historic Restorations and Rehabilitations

CITY of
BALTIMORE
MEMO



TO

DATE:
January 7, 2014

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

City Council Bill 13-0287 – Tax Credits – Historic Restorations and Rehabilitations has been introduced for the purpose of extending the period within which applications may be accepted for the tax credit for historic restorations and rehabilitations; and providing for a special effective date.

Analysis

The Finance Department has concerns about the long term continuation of this particular credit. It has several inherent issues that will need to be addressed in the future.

First, it is questionable whether the credit is actually stimulating development that would not have occurred otherwise. Anecdotal evidence suggests that much of the development that was done with CHAP credits would have been done without the credit¹.

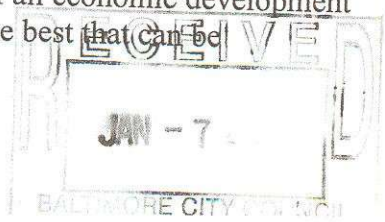
Second, the geographic limitations of the credit prevent most property owners from having access to the credit. Many of the places most in need of the credit for redevelopment do not qualify for the CHAP Credit.

Third, it is unknown if this credit is efficient in impacting the Mayor's goal of population growth. To determine the impact this credit has on population growth, it needs to be measured through performance measures similar to those utilized by the City in the Outcome Budgeting process.

Fourth, there needs to be additional consideration in how the current law is harmonized with State legislation. Additionally, the current law creates operational deficiencies, particularly in the area of transparency.

Finally, the open ended, by right nature of the credit, effectively results in an open ended expenditure for the City. In any given year, the actual tax credit may exceed the estimate and place budgetary balance in jeopardy. As the credit's cost continues to grow, this becomes a greater concern to City finances and could result in cuts to other programs.

The Department of Finance, along with the Baltimore Development Corporation, as part of the Ten-Year Plan, has embarked upon a global review of all economic development tax expenditures to determine if the current incentives are the best that can be



*Does not
oppose comments*

implemented or if some or all of these resources need to be restructured to achieve greater economic development efficiency. This is anticipated to be a yearlong process.

Given the current review, the Finance Department believes it is in the best interest of the City to extend this credit for another two years, at which time the review of the economic development resources will be complete and changes can be recommended for this and other credits.

Fiscal Impact

The Department of Finance estimates that renewal of the CHAP Tax Credit will result in an additional \$1.7M annual (?) cost for the City.

Recommendation

The Finance Department does not oppose CCB 13-0287.

CC: Harry Black
William Voorhees
Angela Gibson

ⁱ Surveys: One-third of historic property tax credit recipients would do rehabs without subsidy, June 26, 2012, Baltimore Sun)