


FROM	NAME & TITLE	Eric Holcomb, Executive Director CHAP	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Commission for Historical and Architectural Preservation 417 EAST FAYETTE STREET, 8 TH FLOOR		
	SUBJECT	Council Bill 15-0585 Tax Credits – Historic Properties		

TO The Honorable President and
Members of the City Council
City Hall, Room 400
100 North Holliday Street

DATE: November 16, 2015

At its regular meeting of November 10, 2015, the Commission for Historical and Architectural Preservation considered City Council Bill #15-0585, for the purpose of repealing and reordaining with amendments Article 28 – Taxes, Section 10-8(a)(3), (b), (f)(1) and (2), and (m) of the Baltimore City Code.

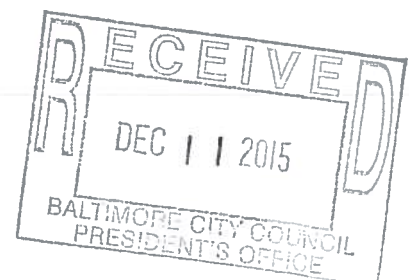
In its consideration of this Bill, the Commission for Historical and Architectural Preservation reviewed the attached staff report which recommended supporting the bill (9 members being present, 9 in favor):

FOR the purpose of extending the period within which applications may be accepted for an historic improvement tax credit; clarifying the definition of “eligible improvements”; restating the purpose and goal of this credit; modifying certain criteria for a credit limitation imposed on development projects that exceed a certain amount in construction costs; providing for a special effective date; and generally relating to the property tax credit for improvements, restorations, and rehabilitations to historic properties.

If you have any questions, please contact Mr. Eric Holcomb, Executive Director, at 410-396-4866.

Attachment

cc: Ms. Kaliopé Parthemos, Chief of Staff
Mr. Colin Tarbert, Deputy Chief for Economic and Neighborhood Development
Ms. Angela Gibson, Mayor’s Office
Ms. Elena DiPietro, Law Dept.
Ms. Natawna B. Austin, Council Services
Ms. Casey Brent, Special Assistant Mayor’s Office
Mr. Thomas J. Stosur, Director Baltimore City Department of Planning
Ms. Sheila Wyche, Mayor’s Office
The Honorable William Henry, Council Rep. to CHAP





Stephanie Rawlings-Blake
Mayor

**COMMISSION FOR
HISTORICAL & ARCHITECTURAL
PRESERVATION**

Tom Liebel, Chairman

STAFF REPORT



Thomas J. Stosur
Director

November 10, 2015

REQUEST: Review and Response to City Council 15-0585: Tax Credits – Historic Properties – Repealing and Reordaining, with Amendments

RECOMMENDATION: Submit a report recommending approval to the City Council.

STAFF: Stacy Montgomery

PETITIONER(S): The City Council at the Request of the Administration

SITE/HISTORIC DISTRICT

Baltimore City's Historic Tax Credit Program was established by ordinance in 1996. The credit has fostered the rehabilitation of historic structures, both residential and commercial, throughout Baltimore City. Approximately \$756 million dollars has been invested in the City's historic properties through the Historic Tax Credit since 1997. To date, nearly 4000 rehabilitation projects are included in the program. The substantial investment in historic buildings supports the economy of Baltimore and enhances the appearance of our neighborhoods. The 10 year credit is granted on the increased property value, directly resulting from qualifying rehabilitation work. All work must be pre-approved and meet CHAP's Design Guidelines.

The Historic Tax Credit is available to contributing properties in Baltimore City and National Register Historic Districts and Baltimore City Landmarks and buildings individually listed on the National Register of Historic Places. This includes nearly 90,000 properties in Baltimore City.

BACKGROUND

- CHAP was instrumental in the creation of the City's Historic Tax Credit in 1996 and all subsequent renewals.
- CHAP staff conducts design review for tax credit projects and administers the program in conjunction with the City's Department of Finance (who creates the Rules & Regulations for the Credit and calculates and applies the credit to the tax bill).
- CHAP approved the previous renewal of the legislation for 2 years back in 2014, with a sunset date of February 29th, 2016.

- The amendments to the current legislation and extension were developed by the CHAP Staff and Executive Director, in consultation with the Administration, the Department of Finance, Legislative Reference, and the Department of Finance.
- The bill has been referred to CHAP for comment.
- This item will be presented at the Planning Commission Hearing on November 19th, 2015.

PROPOSAL

Bill 15-0585 Tax Credits – Historic Properties has been introduced for the purpose of extending the period within which applications may be accepted for an historic improvement tax credit; clarifying the definition of "eligible improvements"; restating the purpose and goal of this credit; modifying certain criteria for a credit limitation imposed on development projects that exceed a certain amount in construction costs; modifying certain procedures for adopting rules and regulations governing the credit; providing for a special effective date; and generally relating to the property tax credit for improvements, restorations, and rehabilitations to historic properties.

The proposed legislation would extend the deadline for submission of new applications for the Historic Tax Credit five years, from February 29, 2016 to February 28, 2021.

The legislation also includes the following substantive amendments:

1. Raising the cap for which the credit is limited (section f) from \$3.5 Million to \$5 Million.
2. Inserting additional language (section (f)(2)(ii)(B)) to prevent complications with the High Performance Market Rate Tax Credits.

ANALYSIS

The proposed legislation would extend the deadline to accept new applications to February 28, 2021, providing a 5 year extension of the program.

The proposed legislation would increase the cap which limits the amount of the credit and increases the requirements of applicants. The current legislation, places a cap of \$3.5 million of investment, which requires applicants making larger investments to submit additional financial documentation for review by the Department of Finance prior to the issuance of preliminary approval of the project. The cap also limits the amount of the credit that is issued. Projects under this cap receive 100% of the credit, while projects over the cap receive 80% of the credit in the 1st five years of the credit and then the credit decreases in value by 10% each year for the remaining 5 years of the credit (70%-60%-50%-40%-30%). The cap was set at \$3.5 million in 1996 and has not been adjusted for inflation since that time. CHAP believes this change will facilitate the rehabilitation of certain historic buildings.

The final substantive change also applied to projects investing over \$3.5 million. Since the last renewal, new tax credits incentivizing the creation of market-rate rental housing have been

established. Many properties are eligible for both types of credits; however, the historic tax credit requires the design review by CHAP as well as an additional review by the Department of Finance that is not required in either of the high performance market-rate rental housing tax credits offered by the City. The proposed amendment adds a statement to section (f)(2) that allows projects eligible under the High-Performance Market Rate Rental Housing credits to be eligible for the limited credit over \$3.5 million without otherwise demonstrating to the Director of Finance that the credit is necessary for the project to proceed. Many projects are caught in limbo between these credits and this will help create a clearer path.

Staff recommends submitting a report recommending approval of the bill to the City Council.

A handwritten signature in black ink, appearing to read "E. S. Holcomb".

**Eric Holcomb
Director**

