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BALTIMORE CITY COUNCIL BUDGET AND APPROPRIATIONS COMMITTEE

Mission Statement

The Budget and Appropriations Committee (BA) is responsible for ensuring taxpayer dollars are expended prudently and equitably. BA will exercise regular oversight of the funding and spending practices of City agencies, the City's budget, expenditures, loans, and other financial matters. The committee's areas of jurisdiction include all budgets & appropriations, taxation, financial services, consumer protection, audits, and the Comptroller's Office.

The Honorable Danielle McCray

Chairwoman

PUBLIC HEARING

**TUESDAY, APRIL 22, 2025
9:00 AM**

COUNCIL CHAMBERS

Legislative Oversight LO25-0015

Briefing – City of Baltimore Tax Credits

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CITY OF BALTIMORE

BRANDON M. SCOTT, Mayor



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BILL SYNOPSIS

Committee: Budget & Appropriations

Legislative Oversight # LO 25-0015

AGENCY BRIEFING – CITY OF BALTIMORE TAX CREDITS

Sponsor: President Cohen and Councilmember McCray, et al

Introduced: March 10, 2025

Purpose:

For the purpose of inviting the City's Department of Finance to present and brief the City Council on the recommendations, outcomes and/or conclusions resulting from the Tax-Credit Task Force.

Effective: This Legislative Oversight does not require a committee vote.

Agencies Reporting

| | |
|--------------------|--|
| Finance Department | |
|--------------------|--|

Analysis

Current Law

Baltimore City Code – Article 1, Subtitle 1-City Council, 1-6

§ 1-6. Agencies to provide legislative information.

It shall be the duty of the head of every City department or bureau established by the Baltimore City Charter or by ordinance to provide all technical materials, plats, drawings, and information that are requested by any member or the President of the City Council for the purpose of introducing legislation into the Council.

(City Code, 1976/83, art. 1, §6.) (Ord. 76-080.)

Background

A diverse range of stakeholders were asked to undertake a comprehensive review and improvement of the City's current tax credit systems. The workgroup members were asked to formulate strategic recommendations to:¹

¹ Website: Mayor Brandon Scott, Tax Credit Workgroup

1. Attract Additional Net Investment to Baltimore City
2. Foster Sustainable Growth in General Fund Revenues
3. Maximize Efficiency in Subsidies.

The workgroup's goal was to deliver a report to the Mayor with recommendations by the close of business on December 31, 2024.²

Membership

| Member | Organization |
|------------------|------------------------------------|
| John Bullock | Baltimore City Council |
| Bob Cennane | City of Baltimore |
| Dan Ellis | The NHP Foundation |
| Kyara Gray-Uqdah | Charm City Buyers |
| Dean Harrison | Harrison Development |
| Bill Henry | City of Baltimore |
| Alice Kennedy | City of Baltimore |
| Jon Laria | Ballard Spahr |
| Faith Leach | City of Baltimore |
| Mac McComas | Johns Hopkins, 21st Century Cities |
| Chris Mfume | The Civic Group |
| Annie Milli | Live Baltimore |
| Michael Mocksten | City of Baltimore |
| Caron Watkins | City of Baltimore |
| Nick Mosby | XXXXXXXXX |
| Keenan Rice | MuniCap |
| Chris Ryer | City of Baltimore |
| Doug Schmidt | Workshop Development |
| Colin Tarbert | Baltimore Development Corp. |
| Khalil Uqdah | Charm City Buyers |
| Justin Williams | City of Baltimore ³ |

On Tuesday, April 22, 2025, a representative from the City's Department of Finance will brief the City Council on the recommendations, outcomes and/or conclusions resulting from the Tax Credit Task Force. **See the attached report.**

Following is a list of Tax Credits for Baltimore City⁴

² Ibid

³ Ibid

⁴ Website: Baltimore City Department of Finance

Tax Credits

- 9-1-1 Specialists Property Tax Credit
- Admission and Amusement Tax Exemption
- Arts and Entertainment Districts Property Tax Credit
- Brownfields Property Tax Credit
- Dwelling on Cemetery Property Tax Credit
- Energy Conservation Devices (Real Property Tax Credit)
- Enterprise Zone Property Tax Credit
- Fallen Hero Property Tax Credit
- Food Desert Retail Incentive Areas - Personal Property
- High-Performance Inclusionary Housing Tax Credit
- High-Performance Market Rate Rental Housing - Citywide
- High-Performance Market Rate Rental Housing - Targeted Areas
- High-Performance Newly Constructed Dwellings Property Tax Credit
- Historic Restoration and Rehabilitation (CHAP) Property Tax Credit
- Home Improvement Property Tax Credit
- Homestead Property Tax Credit
- Low-Income Employees Property Tax Credit
- Maryland Homeowners' Property Tax Credit Program
- Newly Constructed Dwelling Property Tax Credit
- Portable Homestead Tax Credit
- Public Safety Officers Tax Credit's Rules and Regulations
- Targeted Homeowners Tax Credit
- Tax Credit for Conservation Property
- Urban Agriculture

Additional Information

Fiscal Note: None

Information Source(s): Baltimore City Website

Marguerite M. Currin

Analysis by: Marguerite M. Currin

Direct Inquiries to: (443) 984-3485

Analysis Date: April 16, 2025

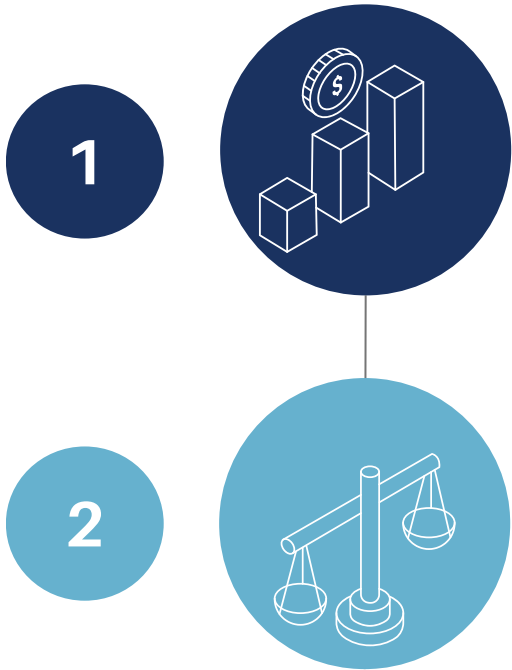
City Council LO25-0015

Tax Credit Workgroup Update

April 2025



Agenda



Background

History, Mission, Scope

Workgroup Findings to Date



Tax Credit Workgroup

Background



Brandon M. Scott
Mayor

Workgroup History



Workgroup formed at the Mayor's direction in January 2024.

Workgroup membership includes elected officials, City agency heads, private and public experts, and private developers.

Workgroup has completed its review of existing tax credit programs, and is deliberating on a proposed set of reforms.

Mission



The Workgroup's mission is to recommend the right mix of tax credits that accomplishes the following three goals:

1

Attracts additional investment to Baltimore City

Which in turn:

2

Creates sustainable growth in General Fund revenues

In a manner that:

3

Minimizes the City's cost by providing only the subsidy required to make projects feasible



Brandon M. Scott
Mayor

Scope

The Workgroup is reviewing two different types of tax credits:

Homeowner Protection Tax Credits

INTENT:
To protect or reduce the tax burden
on the residential homeowner.

- 1) Homestead Tax Credit
- 2) Targeted Homeowners Tax Credit
- 3) State Homeowners Tax Credit

Development Tax Credits

INTENT:
To encourage the building of new
residential or commercial properties

- 1) Newly Constructed Tax Credit
- 2) High-Performance Market-Rate Rental Tax Credit
- 3) CHAP (Historic) Tax Credit
- 4) Enterprise Zone (EZ) Tax Credit
- 5) Brownfield Tax Credit

Tax Credit Workgroup Findings



Brandon M. Scott
Mayor

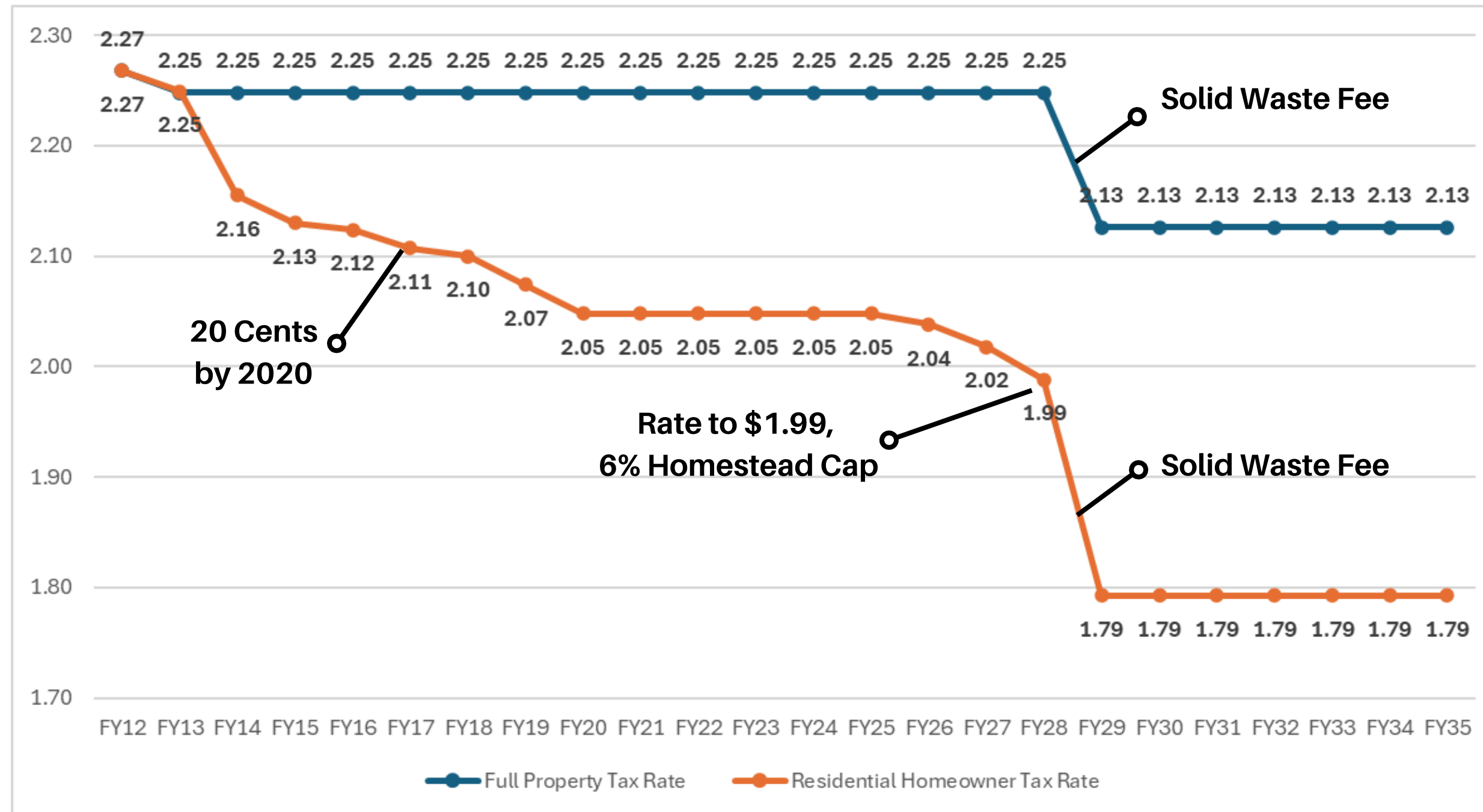
Finding #1

City's "sticker price" tax rate is mis-aligned with other Maryland jurisdictions.

| Factor | Baltimore | Other Jurisdictions |
|----------------------------------|---|--|
| A Targeted Homeowners Tax Credit | Provide all residential homeowners with a tax credit that is the equivalent of 20 cents off the full rate. (\$2.248 to \$2.048) | Some municipalities simply charge a lower tax rate for different classes of property, i.e. residential. |
| B Homeowners Tax Credit | Provide a very generous 4% cap for homeowners, ranking as one of the lowest Statewide. | Majority of counties and municipalities set cap between 5% and 10% (State maximum). |
| C Solid Waste Collection Costs | City pays for Solid Waste costs out of the General Fund, resulting in a higher property tax levy. | Other large counties charge a separate "Solid Waste collection" fee, resulting in a lower property tax levy. |

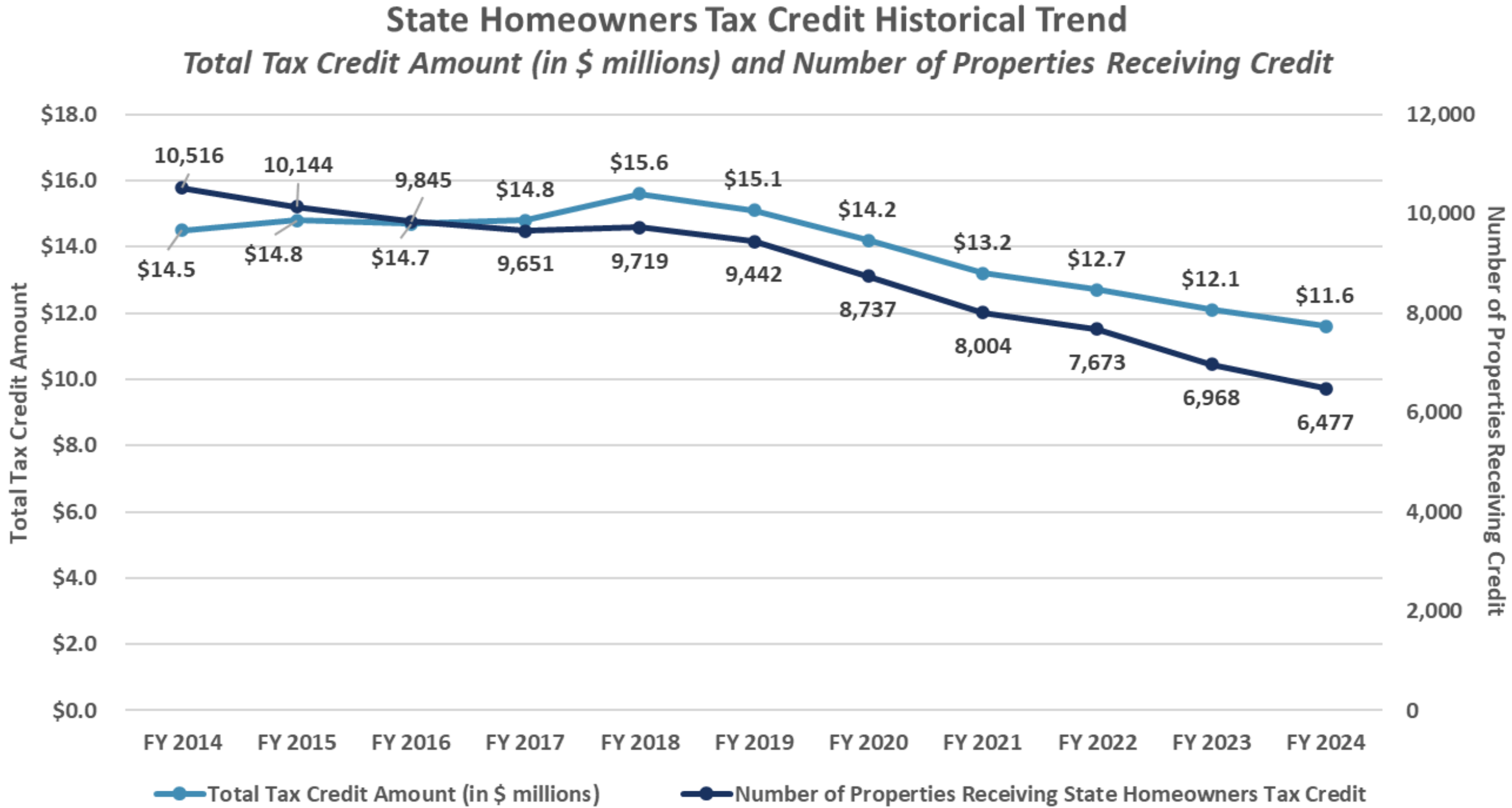
Finding #1 (cont.)

Simple corrections to those mis-alignments could reduce the residential homeowner tax rate below \$1.80.



Finding #2

The City is under-enrolled in the State HTC, which costs homeowners valuable tax relief.



Finding #3

No “but for” process for the City to test projects with the largest subsidies.

| | Affordable Apartment Project | Market-Rate Apartment Project |
|--|--|---|
| 1 Approval | Board of Estimates | By Right |
| 2 Review Process | Committee incl. Mayors Office, CP Office, Law, Real Estate, HCD, Finance | Fiscal Integrity Office (Finance) for compliance w/ rules only |
| 3 Developer Submission and Financial Review | Project Pro-Forma, rent rolls, debt service coverage, with and w/out PILOT analysis | None |
| 4 Annual Volume | average of 5-10 projects | average of 3-5 projects |
| 5 Annual Subsidy Amount | range from \$25k to \$200k, average of \$50k | range from \$150k to \$2.5 million, average of \$500k |



The subsidy for one market-rate project averages 10x that of an affordable project.

Finding #4

City's "one size fits all" approach does not account for neighborhood differences.

Other cities have identified broad "tiers" to better target their abatement strategies.
(Columbus, OH example)

Persistently
Disinvested

Ready for
Revitalization

Market
Ready

Need

Full tax abatement plus additional private, governmental investments.

Targeted ongoing flow of investment that can "tip the balance."

Begin "graduating" out of the highest level of subsidies.



Finding #5

Too many rules that are burdensome or inconsistent between tax credits.

ELIGIBILITY

- Some require dwelling to be occupied as principal residence.
- Others require filing of State income tax each year.

APPLICATION REQUIREMENTS

- Some require two step process and pre-approval.
- Others require just one final application.



TRANSFER

- Some transfer to subsequent owners.
- Other lapse after change of ownership.



CREDIT CALCULATION / TERMS

- Some use assessment for calculation of tax credit.
- Others use a property appraisal for calculation.
- Credit terms range from five to ten years.



Finding #6

Other program-specific findings and issues....

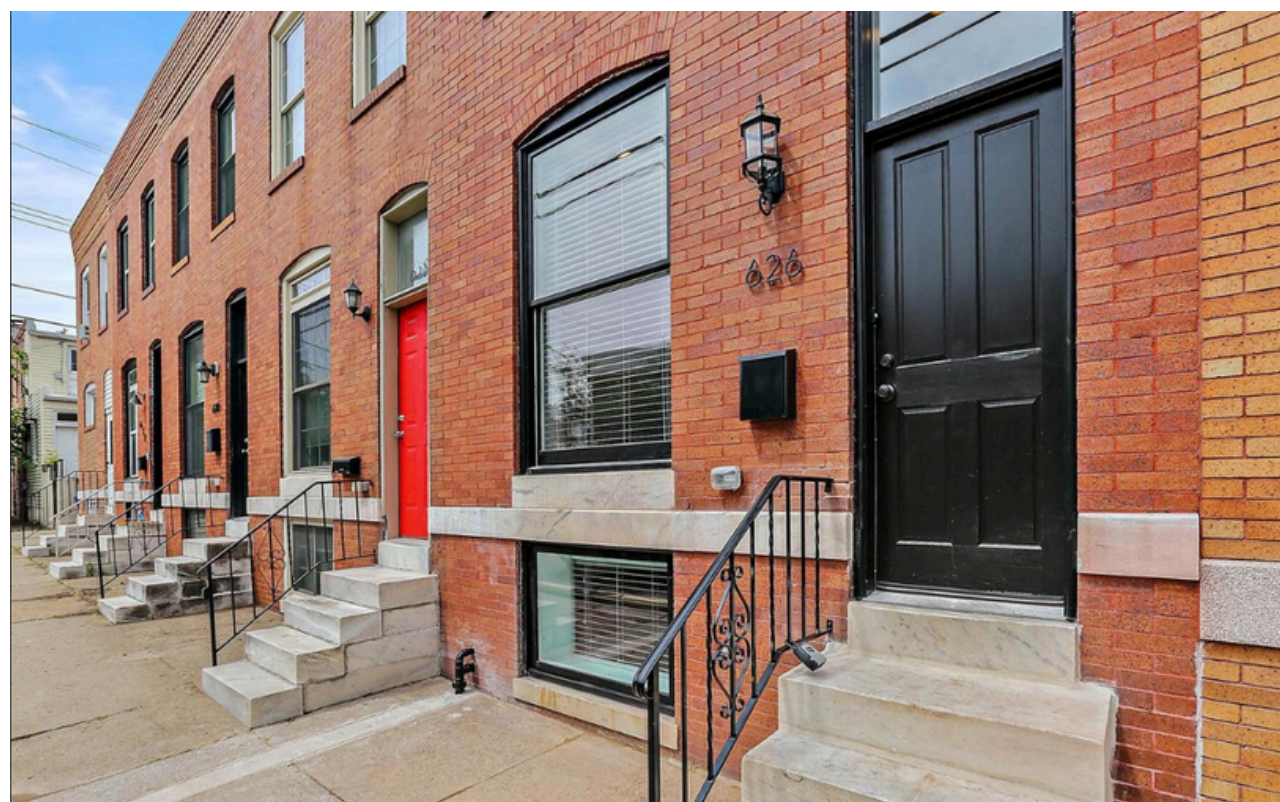
- **Brownfield Tax Credit**

- State law requires that, for each credit granted, an additional 30% contribution must be made to the State's economic development fund.
- State law allows counties to add optional provisions on credit length and terms; Baltimore's provisions are the most generous in the State.



- **CHAP (Historic) Tax Credit**

- Historic district boundaries do not necessarily align with development needs.
- CHAP is the only program that offers a full 100% abatement for ten years, with over 80% of that value going to Typology A & B neighborhoods.



Finding #6 (cont.)

Other program-specific findings and issues....

- **Newly Constructed Tax Credit**

- Large homebuilders say that the credit does **not** influence their decision to build; more important is available land, zoning, and economies of scale.
- Requirement for tax credit application to be filed within 90 days of settlement has led to some missed opportunities for homeowners.



- **High Performance Market-Rate Rental Tax Credit**

- Tax credit was created to incent market-rate and above projects, but demand is currently highest for middle-income and affordable units.
- Activity in this tax credit has slowed due to higher interest rates and construction costs.



Finding #6 (cont.)

Other program-specific findings and issues....

- **Enterprise Zone Tax Credit**
 - Best City “value” of all tax credits, due to 50% State reimbursement.
 - City was able to fend off a proposal in Governor’s budget that would have phased this program out entirely.



Brandon M. Scott
Mayor

Questions?



Brandon M. Scott
Mayor