


FROM	NAME & TITLE	Chris Ryer, Director	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Planning 417 East Fayette Street, 8 th Floor		
	SUBJECT	CITY COUNCIL BILL #20-0552 / TAX CREDITS – HISTORICAL PROPERTIES		

DATE: August 21, 2020

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

At its regular meeting of August 20, 2020, the Planning Commission considered City Council Bill #20-0552, for the purpose of extending the period within which applications may be accepted for an historic improvement tax credit; granting the Director of Planning certain administrative powers; and providing for a special effective date.

In its consideration of this Bill, the Planning Commission reviewed the attached staff report, which recommended amendment and approval of City Council Bill #20-0552 and adopted the following resolution; eight members being present (eight in favor):

RESOLVED, That the Planning Commission concurs with the recommendation of its departmental staff, and recommends that City Council Bill #20-0552 be amended and passed by the City Council.

If you have any questions, please contact Mr. Eric Tiso, Division Chief, Land Use and Urban Design Division at 410-396-8358.

CR/ewt

attachment

cc: Mr. Nicholas Blendy, Mayor's Office
Mr. Matthew Stegman, Mayor's Office
Ms. Nina Themelis, Mayor's Office
The Honorable Edward Reisinger, Council Rep. to Planning Commission
Mr. Colin Tarbert, BDC
Ms. Livhu Ndou, BMZA
Mr. Geoffrey Veale, Zoning Administration
Ms. Stephanie Murdock, DHCD
Ms. Elena DiPietro, Law Dept.
Mr. Francis Burnszynski, PABC
Mr. Liam Davis, DOT
Ms. Natawna Austin, Council Services
Mr. Dominic McAlily, Council Services



Bernard C. “Jack” Young
Mayor

PLANNING COMMISSION

Sean D. Davis, Chairman

STAFF REPORT



Chris Ryer
Director

August 20, 2020

REQUEST: City Council Bill #20-0552: Tax Credits – Historical Properties – Repealing and Re-ordaining, with Amendments:

For the purpose of extending the period within which applications may be accepted for an historic improvement tax credit; granting the Director of Planning certain administrative powers; and providing for a special effective date.

RECOMMENDATION: Amend and approve, with the following amendment:

- Add “jointly” after “The Finance Director AND THE DIRECTOR OF PLANNING may” in line 18 of the bill.

STAFF: Stacy Montgomery

PETITIONER: The City Council President and Councilman Bullock, at the Request of the Administration (The Commission for Historical and Architectural Preservation)

BACKGROUND/HISTORY

- Ordinance # 95-668, approved December 4, 1995
- Ordinance # 97-183, approved August 5, 1997, amending the existing legislation to require the approval of the Department of Finance for projects over \$ 3.5 million
- Ordinance # 00-103, approved December 4, 2000, extending the application deadline to January 3, 2006
- Ordinance # 07-597, approved May 29, 2007, extending the application deadline to February 28, 2009
- Ordinance #09-0263, approved March 12, 2009, extending the application deadline to February 28, 2014
- Ordinance #13-0287, approved February 3, 2014, extending the application deadline to February 29, 2016
- Ordinance #15-0585, approved February 26, 2016, extending the application deadline to February 28, 2021
- In July of 2019, the Department of Planning retained the services of PlaceEconomics, a consulting firm that specializes in the economic impacts of historic preservation, to conduct a study of the historic tax credit program.
- In October of 2019, the Historic Tax Credit Advisory Committee was formed to guide the renewal process and the consultant study of the tax credit. The committee was made up of developers and consultants who frequently use the tax credit, representatives from The Baltimore Development Workgroup, Live Baltimore, the Small Developers Collective,

the Baltimore Development Corporation, Baltimore Heritage, AIA Baltimore, and staff of the Departments of Planning, Housing and Community Development, and Finance, including the Planning Director and Budget Director. The committee met six times from November to May and discussed program goals, the existing legislation, the existing rules and regulations, the larger city budget, addressing equity, use by homeowners, a concurrent study of all city tax credits, and the Middle Neighborhoods study. In February of 2020, the committee was considering robust changes to the program that would make it more widely available within the City.

- In March and April of 2020, CHAP, Planning, and Department of Finance staff met (virtually) to discuss the impact which the economic downturn resulting from COVID-19 would have on the changes under consideration. After lengthy study and consultation, the team agreed to a one-year renewal of the existing legislation in order to assess what long-term impact COVID-19 would have on the City's budget.
- The amendments to the current legislation and extension were developed by the CHAP Staff and Executive Director, the Director of Planning, and the Department of Finance, in consultation with the Administration and Legislative Reference.

PROPOSAL

Bill 20-0552 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; granting the Director of Planning certain administrative powers; and providing for a special effective date.

The proposed legislation would extend the deadline for submission of new applications for the Historic Tax Credit one year, from February 28, 2021 to February 28, 2022.

The legislation also adds the Director of Planning to section (k) *Administration*, allowing the Director of Finance and the Director of Planning to:

- (1) adopt rules and regulations to carry out this section;
- (2) settle any disputed claims that may arise in connection with the credit authorized; and
- (3) delegate his or her powers and duties to administer this section to any employee or agency of the City

CONFORMITY TO PLANS

This program is in conformance with the Baltimore City Comprehensive Master Plan. The historic tax credit is helping our City to accomplish several major goals including:

- 1) Strengthening neighborhoods through direct and indirect investment;
- 2) Elevating the design and quality of the built environment by requiring all projects to meet CHAP's Design Guidelines;
- 3) Returning underutilized buildings to productive use; and
- 4) Enhancing the stewardship of Baltimore's historical and cultural resources.

ANALYSIS

Designed to encourage the restoration and rehabilitation of historic properties to the highest quality standards, and to increase livability and attractiveness in our City's neighborhoods, the historic tax credit is granted on the assessment increase directly resulting from qualifying restoration work, and is fully transferable to a new owner if the property is sold before its ten-year credit life ends. It is administered by the Commission for Historical and Architectural Preservation (CHAP) through the Historical and Architectural Preservation Division of the Department of Planning. The City's Department of Finance creates the Rules and Regulations and calculates and applies the tax credit to tax bills.

This program has made it possible for residential as well as commercial property owners to undertake comprehensive rehabilitation projects that significantly contribute to the character and quality of life of our historic districts and their communities in general, by not only encouraging investing in our historic districts, but also ensuring quality in design and material. This program is utilized throughout a wide cross section of Baltimore's historic neighborhoods, from Mount Vernon to East Monument, from Reservoir Hill to Canton. To date more than \$1.2 billion have been invested in many of the 80 historic districts and individually designated historic landmarks. Since its establishment in 1996, the program has received nearly 5,000 applications for the rehabilitation of historic properties; nearly 3,500 of those properties have been certified or are in the process of being certified for the historic tax credit upon project completion.

In 2019, the Department of Planning hired PlaceEconomics, a consulting firm specializing in the economics of historic preservation, to analyze the historic tax credit. The report provided a great deal of useful data about the program, and presented the following key findings in the executive summary:

1. More than 3,500 historic properties have been renovated using the CHAP credit, representing private sector investment of nearly \$1.2 billion.
2. The credit produces value. The properties whose CHAP credits have now expired increased in value from \$17 million in 2000 to \$211 million in 2019. Income from city property taxes on these properties rose from \$1.3 million to \$5.9 million.
3. In the next nine years, the City can expect \$43 million in additional tax revenues from properties with expiring CHAP credits.
4. Because of the private investment and increasing property values, the taxes foregone over ten years are recouped in just over seven years.
5. The City of Baltimore is foregoing around \$10 million a year through the CHAP credit. However, very conservatively, if even 52% of the projects would not have happened without the credit, the city is better off financially than if there were no credit.
6. These projects have a "halo effect." Properties located within 500 feet of CHAP credit projects see increases in aggregate property values greater than properties between 500 and 1000 feet of CHAP projects, and significantly greater than the rest of the city.
7. Critical mass matters. In general, the greater the percentage of properties that are eligible for the credit, the greater share of them will use the credit. The program is also responsible for bringing private investment to Baltimore's weaker market neighborhoods.
8. Just the incremental rate of higher value growth in the halo vicinity of CHAP projects has created a preservation premium of \$2.5 billion in property values. If as little as 20% of that

premium is attributable to the investment in CHAP projects, the \$10 million in foregone revenues from the credit is recovered from the additional taxes generated from nearby properties.

9. The program creates jobs. Over the last five years an average of nearly 600 direct and indirect jobs and \$36 million in labor income have been generated each year through CHAP credit projects.
10. During the Great Recession, investment in CHAP projects was counter-cyclical, increasing in activity when the rest of the construction activity in Baltimore declined.

The final draft of the report has been included in the supplementary materials to the staff report and can be found on the CHAP website, here:

https://chap.baltimorecity.gov/sites/default/files/Analysis%20of%20the%20Baltimore%20CHAP%20Credit%207_31_2020_small.pdf

The proposed legislation would extend the deadline to accept new applications to February 28, 2022, providing a one-year extension of the program. This will provide a year to gain a better understanding of the fiscal impact of COVID-19 on the City’s budget and to determine what changes would be most appropriate.

The proposed legislation would also include the Director of Planning in important administrative duties, which are currently only overseen by the Director of Finance. The change would allow the Director of Planning to be a part of the adoption of program Rules and Regulations, be involved in disputed claims, and delegate his powers. The Law Department has suggested that the current legislation be amended to include the word “jointly” (The Finance Director AND THE DIRECTOR OF PLANNING may *JOINTLY*...). This would prevent the two directors from making separate and potentially contradictory decisions.

AMENDMENT: Add “jointly” after “The Finance Director AND THE DIRECTOR OF PLANNING may” in line 18 of the bill.

COMMUNITY NOTIFICATION

Over 2,500 individuals interested in the historic tax credit were notified through a targeted eblast and 19,000 notices were sent through the Planning Commission eblast.



Chris Ryer
Director