

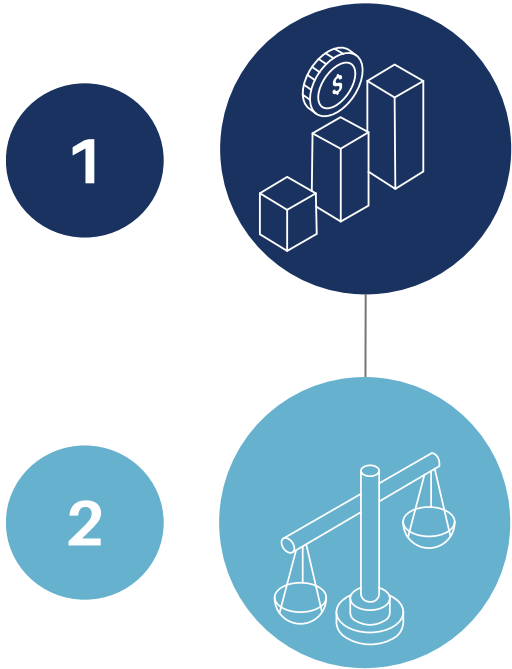
City Council LO25-0015

Tax Credit Workgroup Update

April 22, 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

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

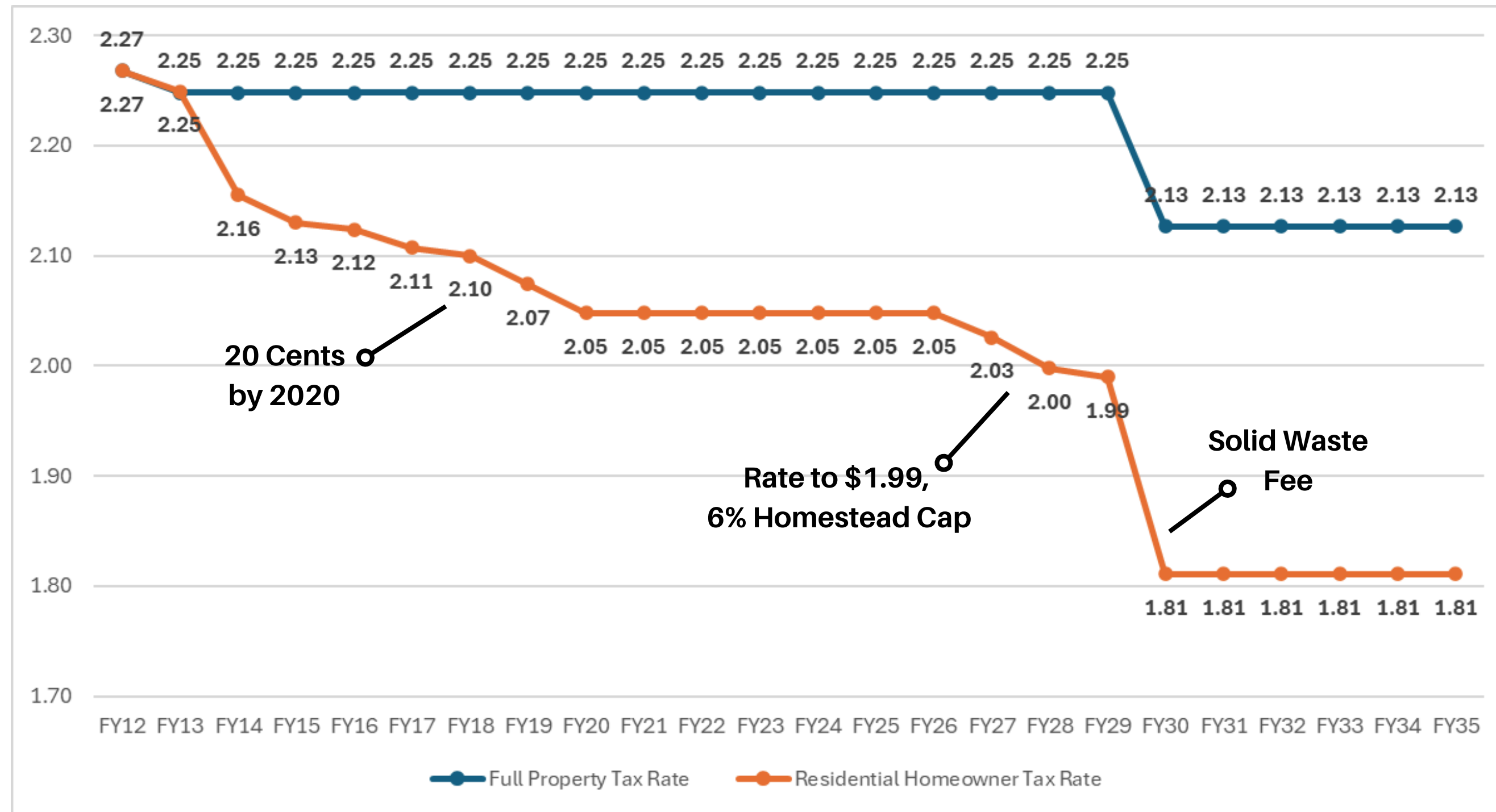
Finding #1

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

<u>Factor</u>	<u>Baltimore</u>	<u>Other Jurisdictions</u>
<div>A</div> 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.
<div>B</div> Homestead 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).
<div>C</div> 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.

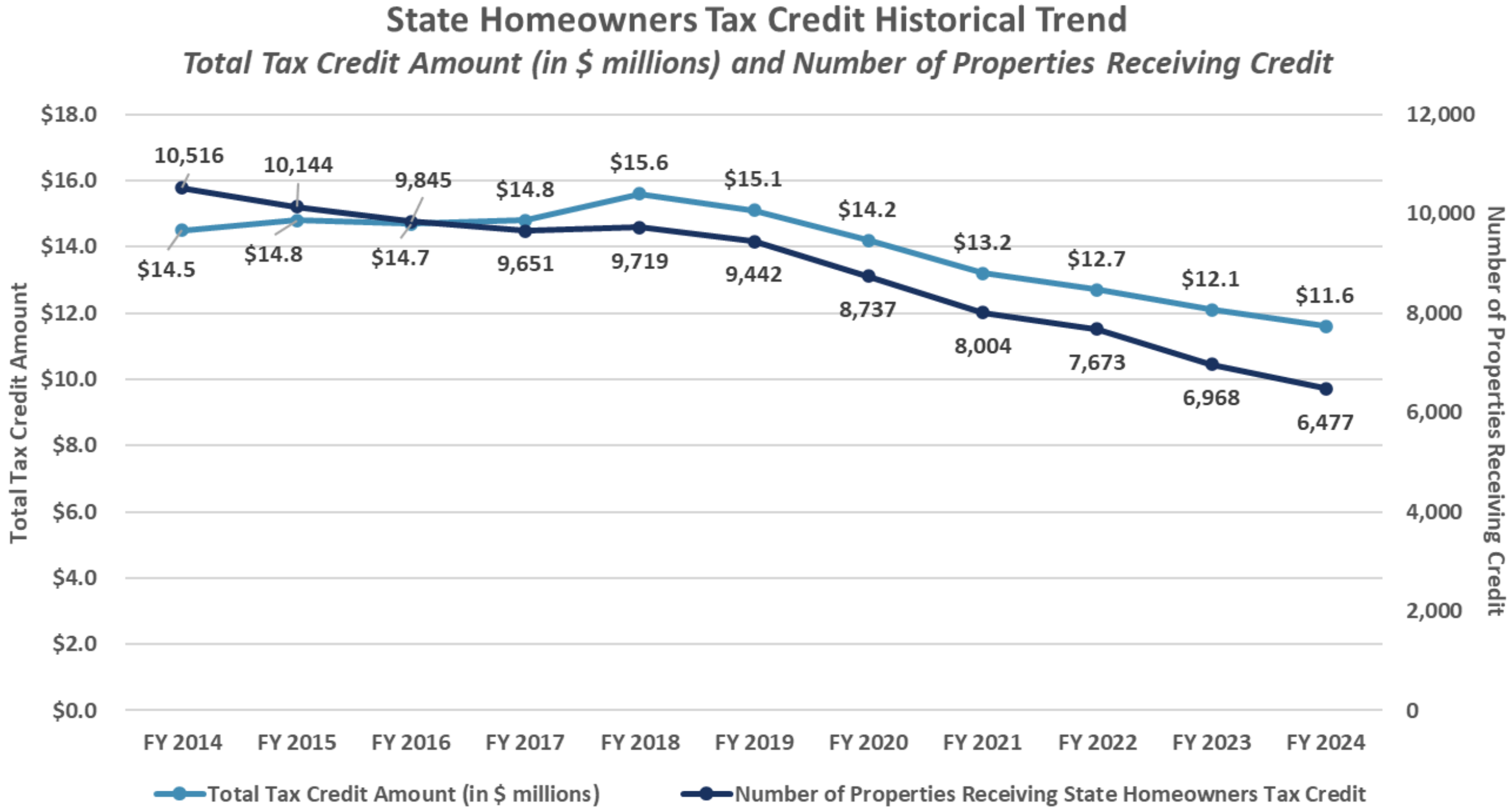
Finding #1 (cont.)

Simple corrections to those mis-alignments could reduce the residential homeowner tax rate to \$1.81.



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....

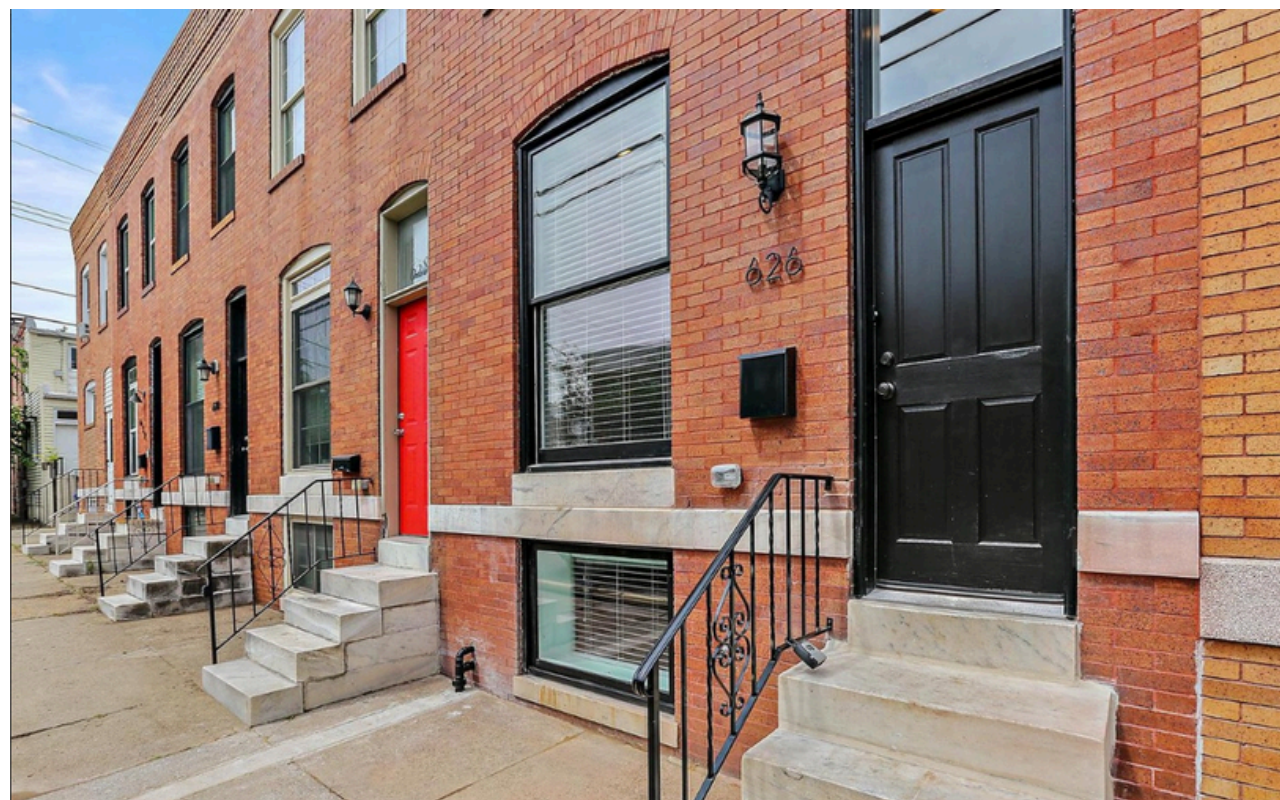
- **Brownfield Tax Credit**

- 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.



Brandon M. Scott
Mayor

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