

**CITY OF BALTIMORE**  
**COUNCIL BILL 08-0073R**  
**(Resolution)**

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Introduced by: Councilmembers Young, Clarke, Curran, Middleton, Branch, Cole, Henry,  
Reisinger, Conaway, Welch

Introduced and read first time: October 6, 2008

Assigned to: Taxation, Finance and Economic Development Committee

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REFERRED TO THE FOLLOWING AGENCIES: Department of Finance, Baltimore Development  
Corporation

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A RESOLUTION ENTITLED

1 A COUNCIL RESOLUTION concerning

2 **Informational Hearing - TIFs and PILOTs**

3 FOR the purpose of requesting the Director of Finance to brief the Council on the current use and  
4 necessity of TIFS and PILOTS in Baltimore City, the impact they have on jobs and housing,  
5 and the importance of the role they play in regard to the property tax rate in Baltimore City.

6 **Recitals**

7 TIFs and PILOTs are programs that are generally used to encourage the redevelopment of  
8 ailing neighborhoods and commercial zones. TIFs require developers to pay all existing  
9 property taxes on the projects they propose. Any new tax revenue generated after construction is  
10 then directed back to a City Trustee who earmarks the funds for public services. Under State  
11 law, TIFs can only be granted for infrastructure improvements and parking garages.

12 TIF bonds must be approved by an ordinance of the Baltimore City Council. In conjunction  
13 with the ordinance, the City will request the Supervisor of Assessments in the Maryland State  
14 Department of Assessment and Taxation to certify the original assessable property tax base of  
15 the TIF district. The final bond documents are subject to final approval by the Board of  
16 Estimates. TIF bonds may be tax-exempt or taxable private activity bonds, depending on whether  
17 a project meets the "private security and "private use" test under IRS regulations.

18 In Maryland, there are 2 types of PILOT programs. The first, is restricted to large projects in  
19 urban renewal zones. This program also requires a threshold amount of equity participation by  
20 the developer. The PILOTs require the developer to pay the existing real estate taxes on the  
21 property, plus 5% of any new real estate taxes generated for the length of the term. The second  
22 type, which are older and seldom used, generally requires developer to pay just \$1 a year in  
23 property taxes for up to 25 years.

24 During these demanding economic times, it is difficult to say whether development programs  
25 such as TIFs and PILOTs are a help or a hindrance to the local economy or the citizens of  
26 Baltimore. While these programs are effective in communities as a way to target the use of  
27 funds for a specific goal, there is still the issue that these programs reduce the City's potential  
28 tax earnings. If the City continues to provide these tax programs to developers, lowering the  
29 property tax rate for Baltimore City citizens will continue to become more difficult as time

EXPLANATION: Underlining indicates matter added by amendment.  
~~Strike out~~ indicates matter deleted by amendment.

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1 passes. On the other hand, without the TIF and PILOT programs, typically rundown or  
2 underdeveloped districts may never have the opportunity to be redeveloped and returned to their  
3 former glory.

4 It is now more important than ever to have these questions answered. Baltimore City citizens  
5 are suffering from the same economic woes as the rest of the country, but also have a higher than  
6 average property tax rate to factor into their budgets. If the issuance of these tax programs are  
7 something that the City can do without, and if their absence will allow the citizens of Baltimore  
8 City to receive some relief in these worrisome economic times, then the tax payers in Baltimore  
9 City, as well as the City Council, need to be informed about the options in regard to TIFs and  
10 PILOTs. Hopefully, this information can aid the City Council in helping to reduce the burden  
11 that the property tax rate currently imposes on the taxpayers of Baltimore City.

12 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That this  
13 Body requests the Director of Finance to brief the Council on the current use and necessity of  
14 TIFS and PILOTS in Baltimore City, the impact they have on jobs and housing, and the  
15 importance of the role they play in regard to the property tax rate in Baltimore City.

16 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Mayor, the  
17 Director of Finance, and the Mayor's Legislative Liaison to the Council.