

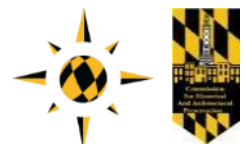
CITY COUNCIL BILL 20-0552

City of Baltimore Commission for Historical and Architectural Preservation

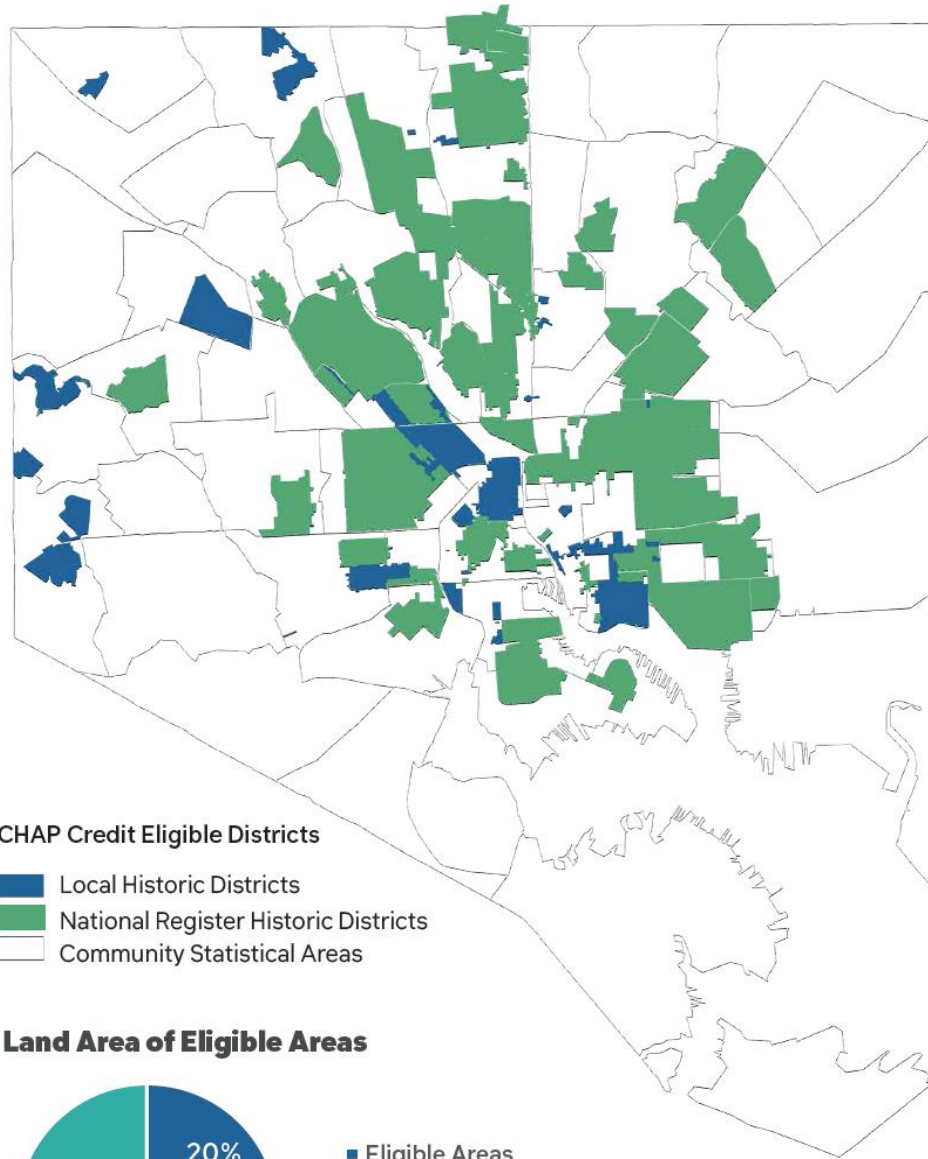


Baltimore City's Historic Tax Credit Program

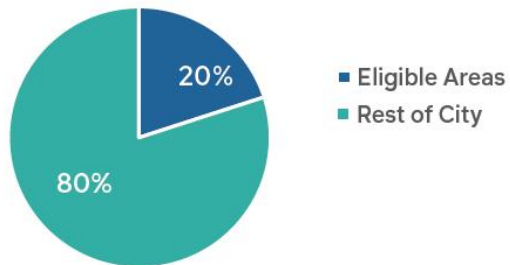
- Established by ordinance in 1996.
- Fostered the rehabilitation of historic buildings, both residential and commercial, throughout Baltimore City.
- The program requires applicants to invest a minimum of 25% of the current value of the property into a rehabilitation project that meets the CHAP Historic Preservation Design Guidelines.
- **Over \$1.2 billion of private investment has been leveraged** through the City's historic properties by the Historic Tax Credit since 1997.
- To date, over 5,000 applications have been approved and more than 3,500 projects have been completed.
- Available to historic 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 amounts to nearly 90,000 properties in Baltimore City.



CHAP Credit Eligible Areas



Land Area of Eligible Areas



Overall, the Eligible Areas include 20% of the land area of Baltimore while the other 80% of the land has no qualifying properties.⁵

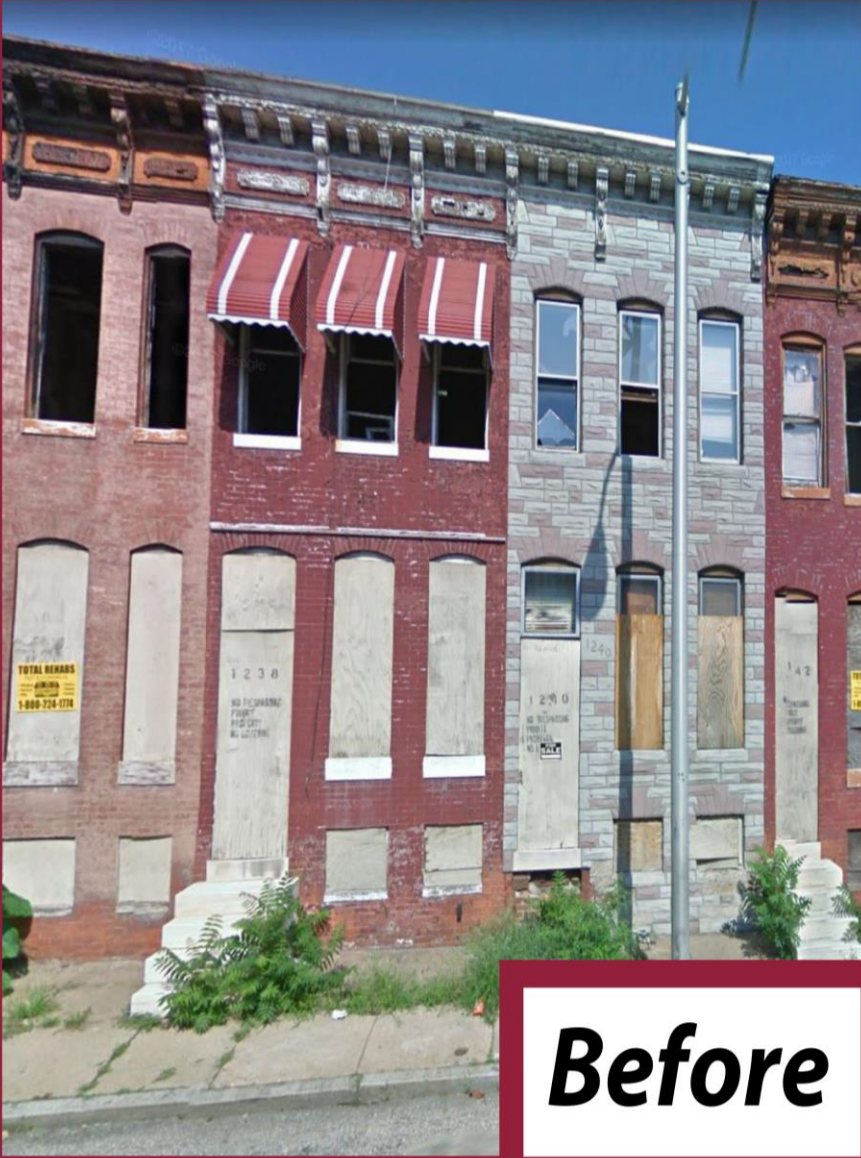


How the Credit Works

- The tax credit is granted for 10 years following the successful completion of a rehabilitation project.
- The tax credit is a dollar value that is subtracted from the property tax bill once the property has been reassessed for the improvements. The credit is issued on the difference between the pre- and post-rehab values of the property.
- CHAP staff conducts a design review for each tax credit project and administers the program in conjunction with the City's Department of Finance.
- Since each project requires an investment of at least 25% of the pre-rehab value, the tax credit is most valuable for properties that require significant work, specifically vacant properties, where there will be a considerable difference between the pre- and post-rehab value.
- The CHAP design review ensures that the historic character of the property is retained and that high-quality materials are used in the rehab project.

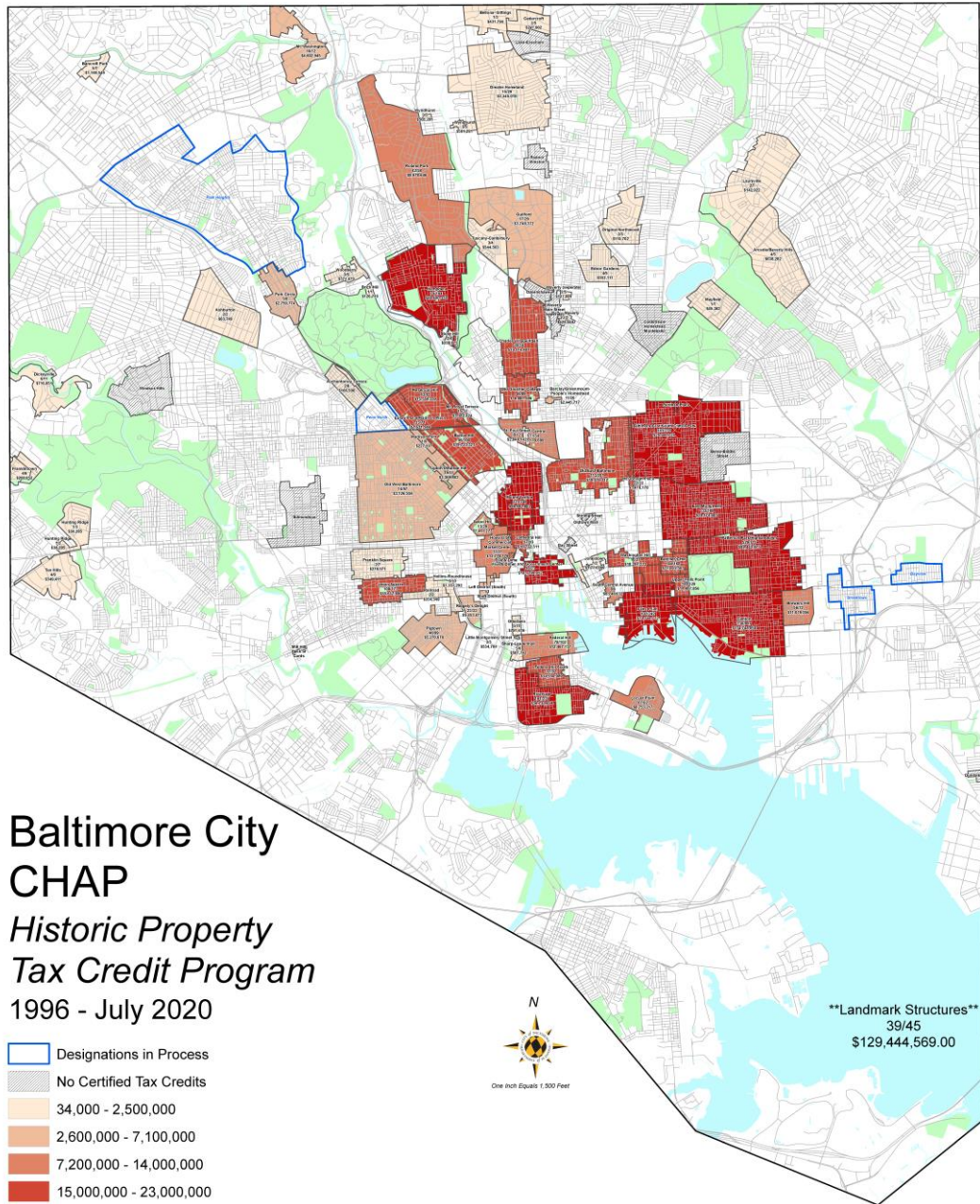


1200 Block of North Gay Street










Before

After



Baltimore City
CHAP
Historic Property
Tax Credit Program
 1996 - July 2020

-  Designations in Process
-  No Certified Tax Credits
-  34,000 - 2,500,000
-  2,600,000 - 7,100,000
-  7,200,000 - 14,000,000
-  15,000,000 - 23,000,000
-  24,000,000 - 135,000,000



****Landmark Structures****
 39/45
 \$129,444,569.00

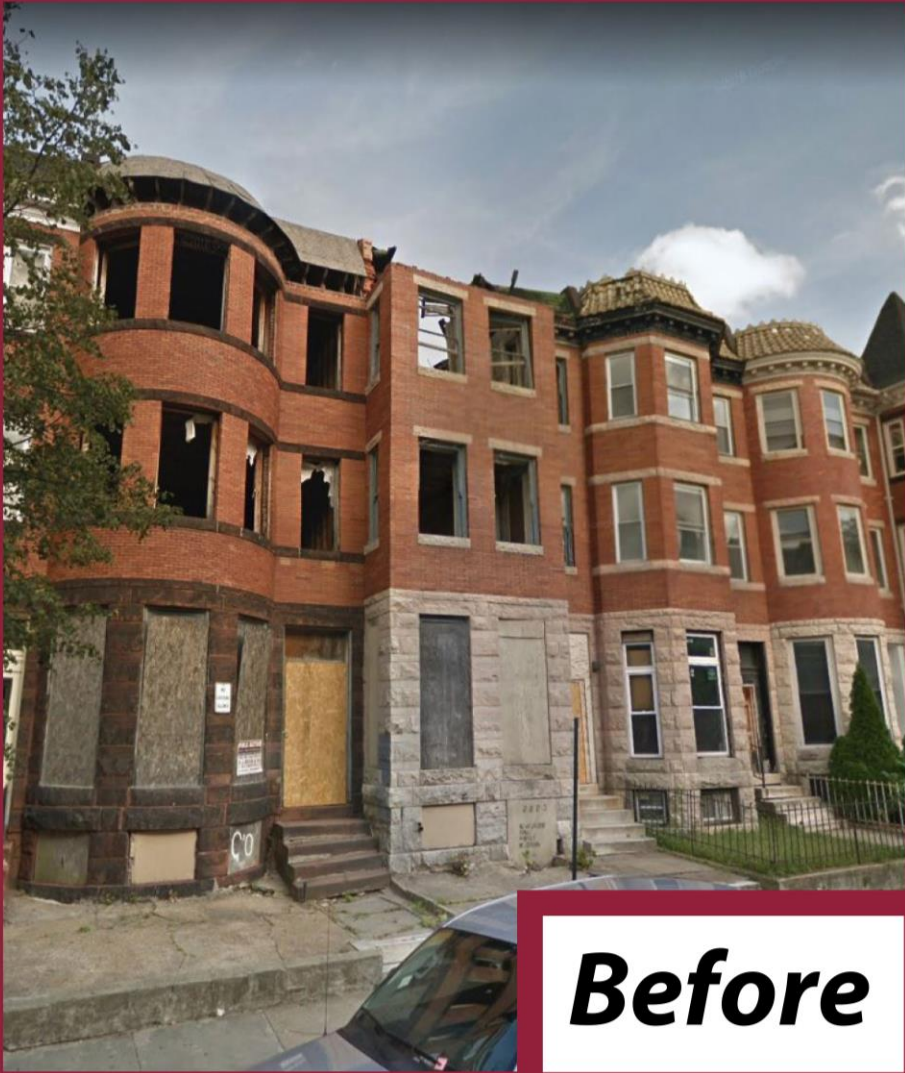
Labels:
 Historic District Name
 # Certified Tax Credits / # Pre-Approved Applications
 Total Investment Value



Bernard C. "Jack" Young
 Mayor
 Chris Ryer
 Director of Planning



2200 Block of Callow Avenue



Before



After

Background

- The last renewal of the legislation was in 2016, with a sunset date of February 28th, 2021.
- In July of 2019, CHAP retained the services of PlaceEconomics to conduct a study of the historic tax credit program.
- In October of 2019, the Historic Tax Credit Advisory Group was formed to guide the renewal process and the consultant study of the tax credit.
- In February of 2020, the group 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 the Department of Finance agreed to pursue a one-year renewal of the existing legislation because of the uncertainties of the long-term impact COVID-19 would have on the City's budget and economy.



2400 Block of East Eager

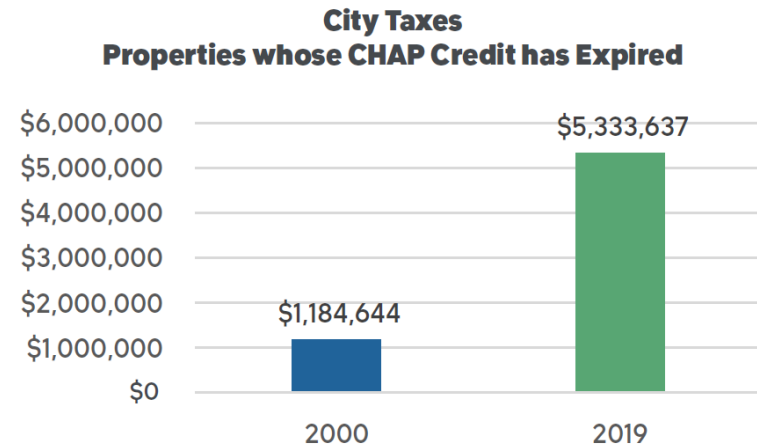
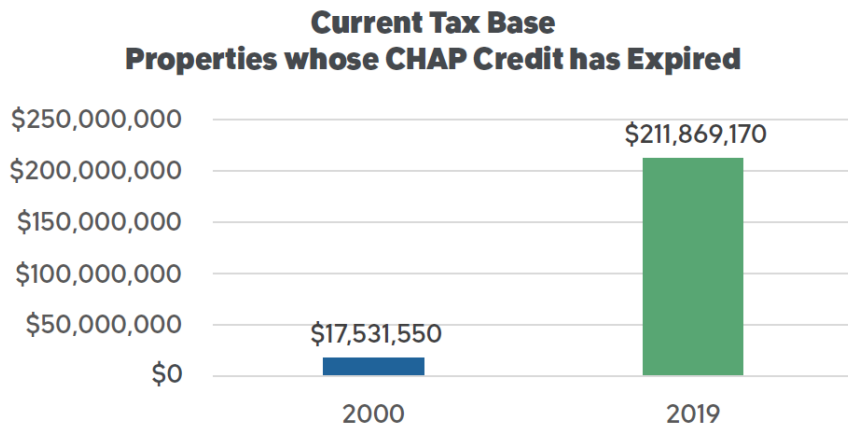


Before

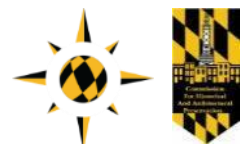
After

The 2020 PlaceEconomics report analyzing the historic tax credit included the following key findings:

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.

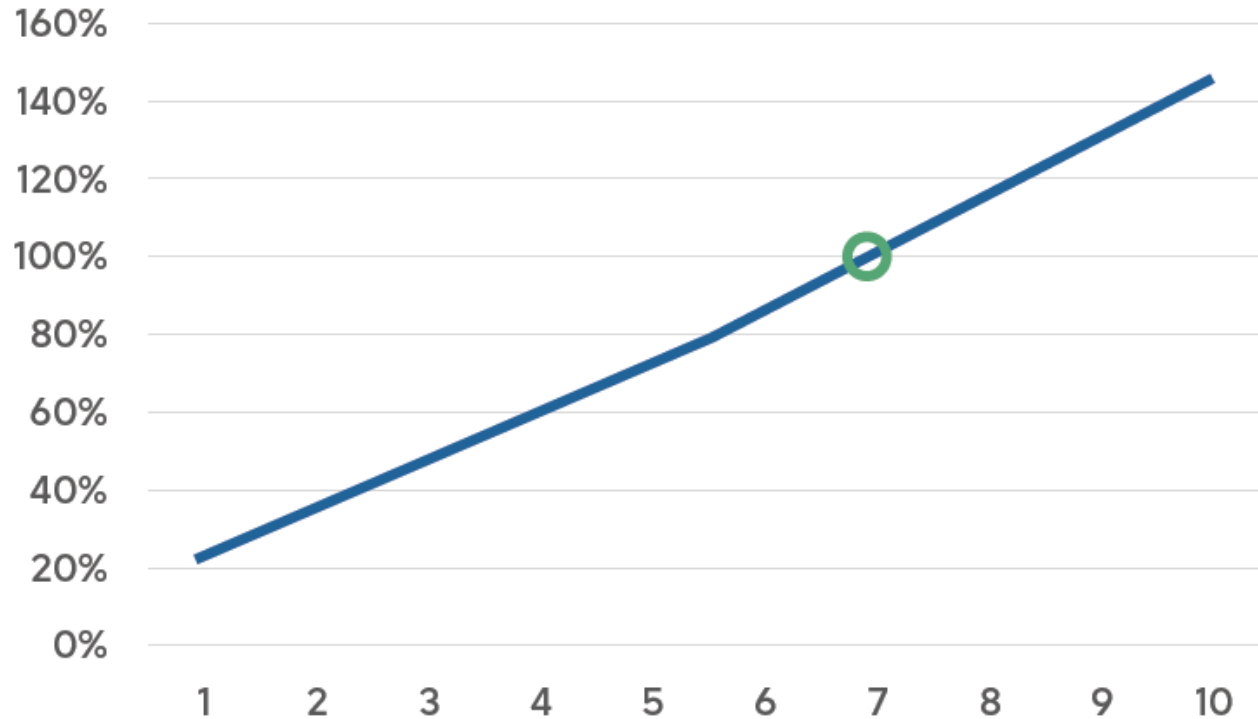


Source: PlaceEconomics: *Analysis of the Baltimore CHAP Credit, 2020*

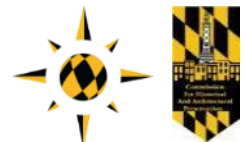


4. Because of the private investment and increasing property values, the taxes foregone over ten years are recouped in just over seven years.

Taxes Recovered, 10 Years after Credit Expires



Source: PlaceEconomics: *Analysis of the Baltimore CHAP Credit, 2020*



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.**

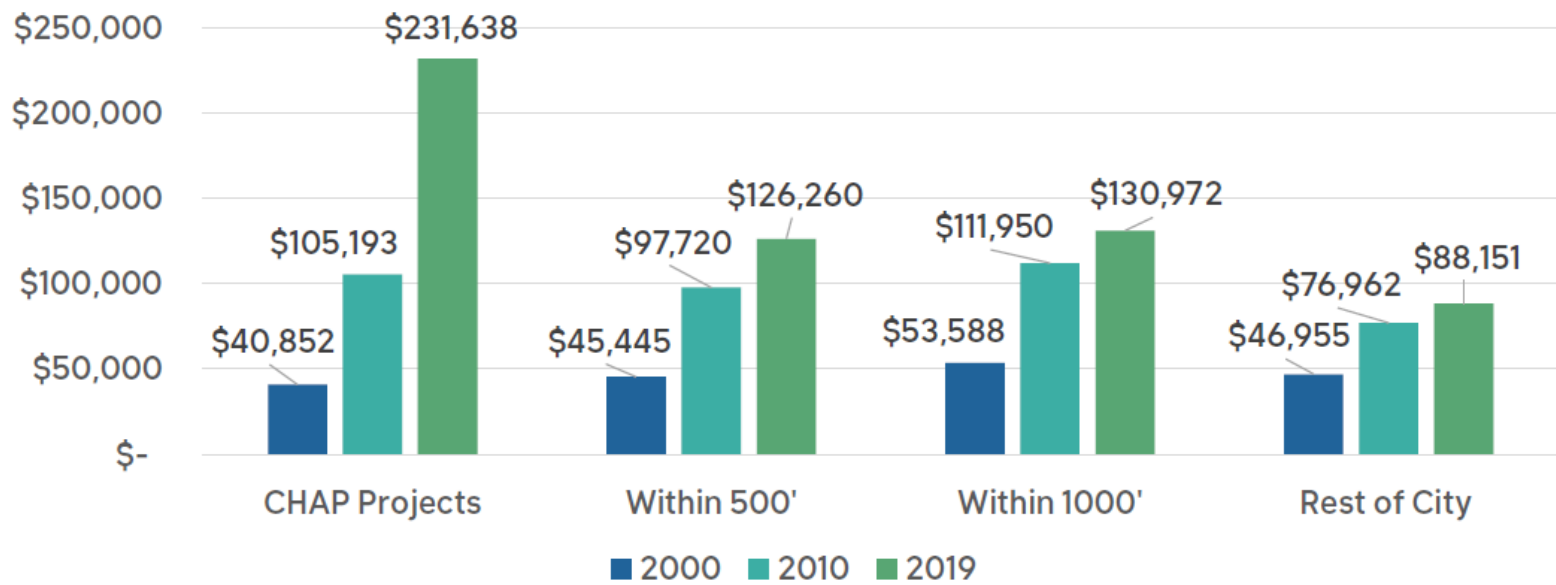


American Brewery - 1701 North Gay Street



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.

Average Value Residential Properties



Source: PlaceEconomics: *Analysis of the Baltimore CHAP Credit*, 2020



300 Block of East Lanvale



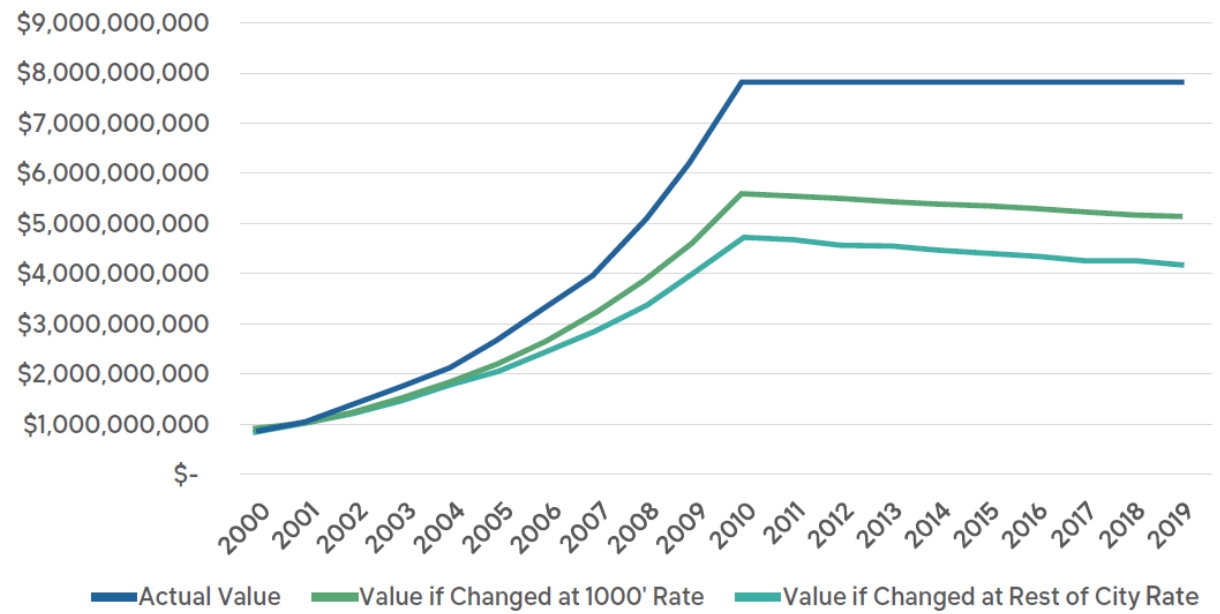
Before



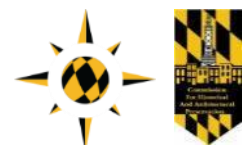
After

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.

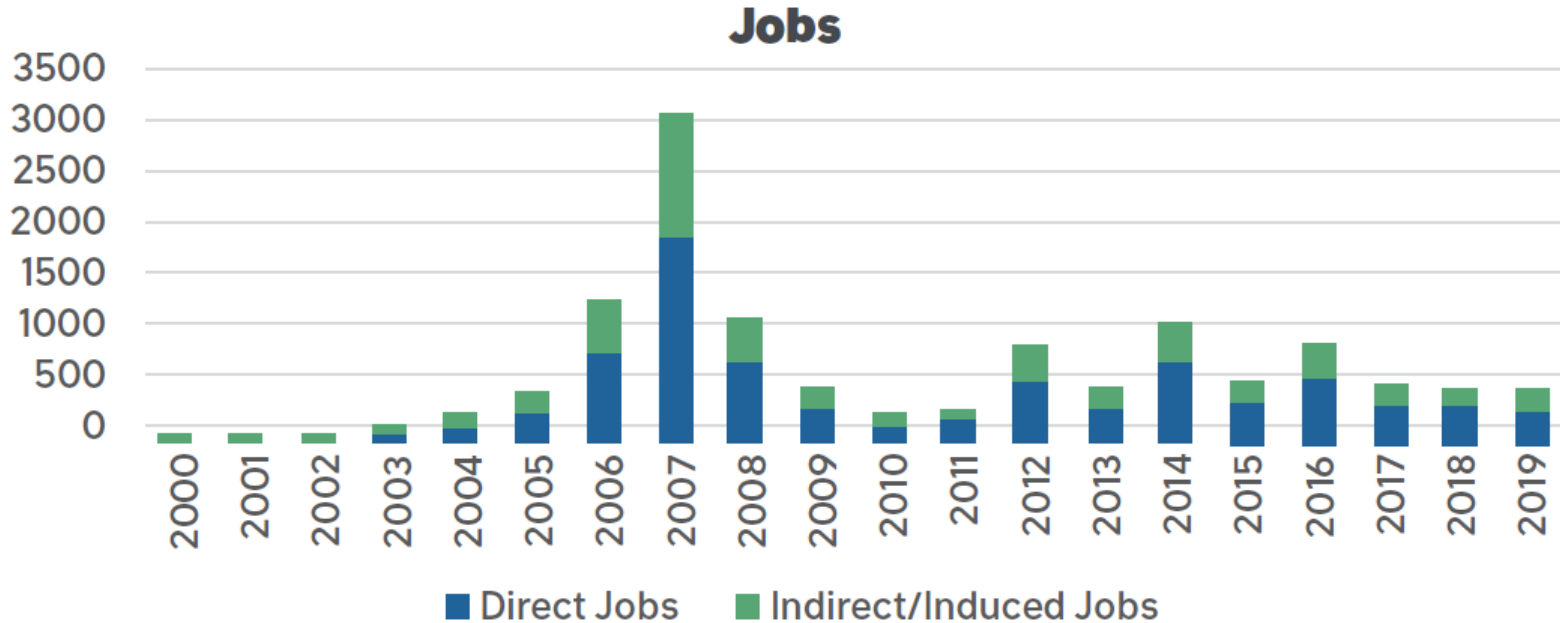
Value of Residential Properties within 500' of CHAP Projects



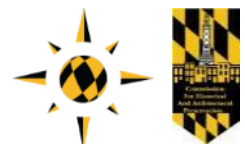
Source: PlaceEconomics: *Analysis of the Baltimore CHAP Credit*, 2020



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.



Source: PlaceEconomics: *Analysis of the Baltimore CHAP Credit*, 2020



Equity and the Historic Tax Credit

The historic tax credit allows community development in the City to be more equitable.

- The value of the credit is greater in neighborhoods with high levels of vacancy.
- This credit is an essential tool for nonprofit community development corporations to provide new quality housing.
- This credit supports first-time homebuyers by reducing monthly debt service.
- This credit builds intergenerational wealth for Baltimore families by increasing the value of legacy homeowners through the “Halo Effect.”



Tax Credit Advisory Group Recommendations

After careful study, the Historic Tax Credit Advisory Group developed recommendations, including:

- Change the program goal to;

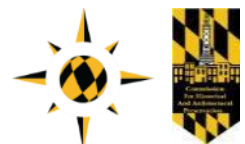
The goal of this program is to help preserve and revitalize Baltimore's neighborhoods by encouraging the rehabilitation of historic structures to promote the equitable and inclusive economic growth and vitality of the City of Baltimore.

- Develop stronger outreach, training, and marketing to increase access to and understanding of the program.
- Study the eligibility requirements and tax credit duration to determine if changes can create a more equitable community development tool.
- Reduce administrative costs to the City.
- Examine how the credit can be more impactful in neighborhoods with detached homes.
- Promote existing, and advocate for additional tools, to prevent displacement and gentrification in neighborhoods where the tax credit is used.



Next Steps

- This renewal is for 12 months only.
- Over the next year CHAP and the Historic Tax Credit Advisory Group plan to craft a bill that implements the advisory group recommendations to enhance the equity and effectiveness of the program.
- CHAP staff along with the Historic Tax Credit Advisory Group has identified two places to explore to reach more Baltimoreans:
 1. Increase the eligibility of the credit to encompass more neighborhoods of Baltimore, and
 2. Increase the value of the credit in Baltimore's more distressed neighborhoods.
- Throughout next year, CHAP looks forward to working with the Mayor and City Council to improve this essential community development tool.



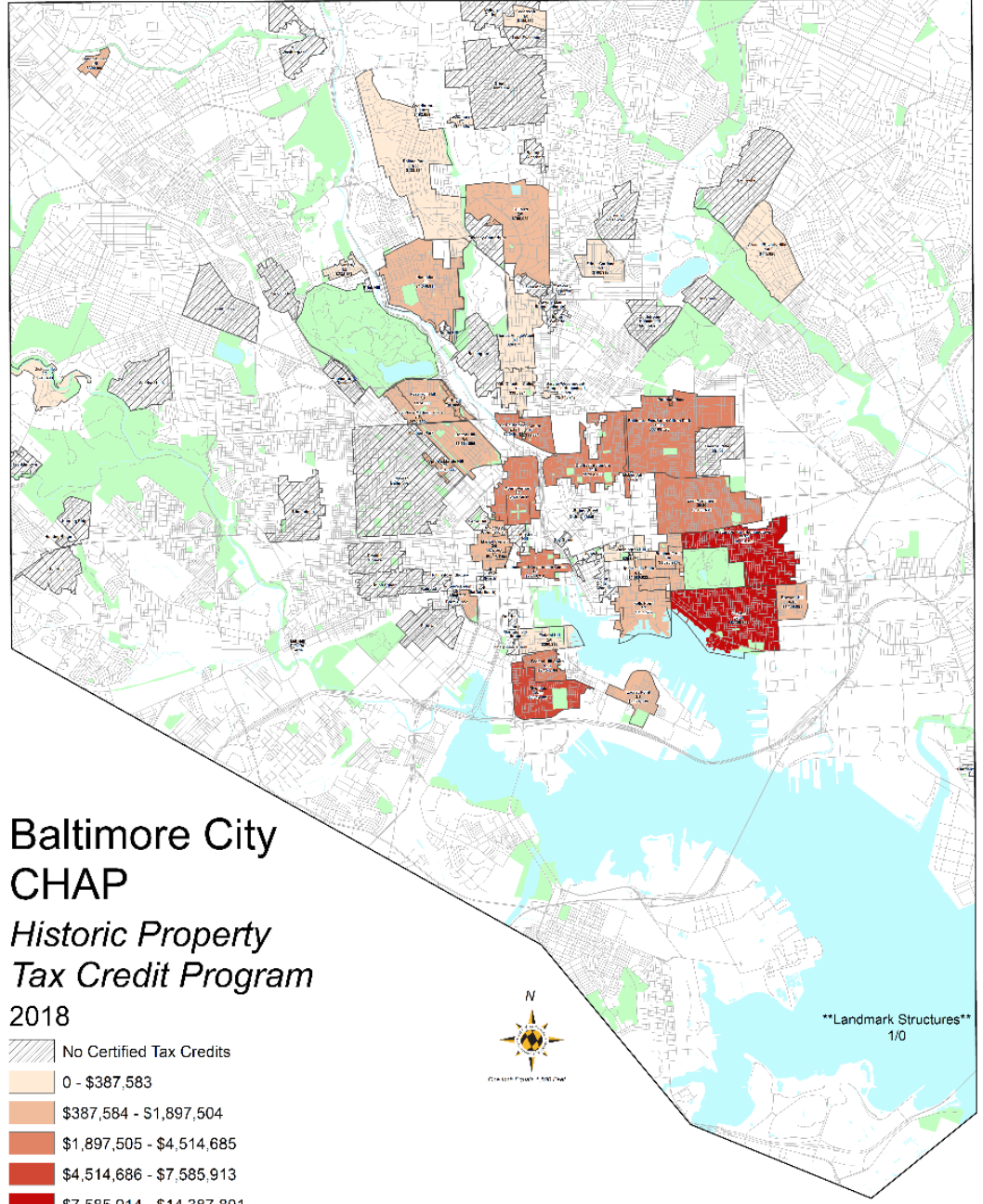
2000 Block of McCulloh Street



Before

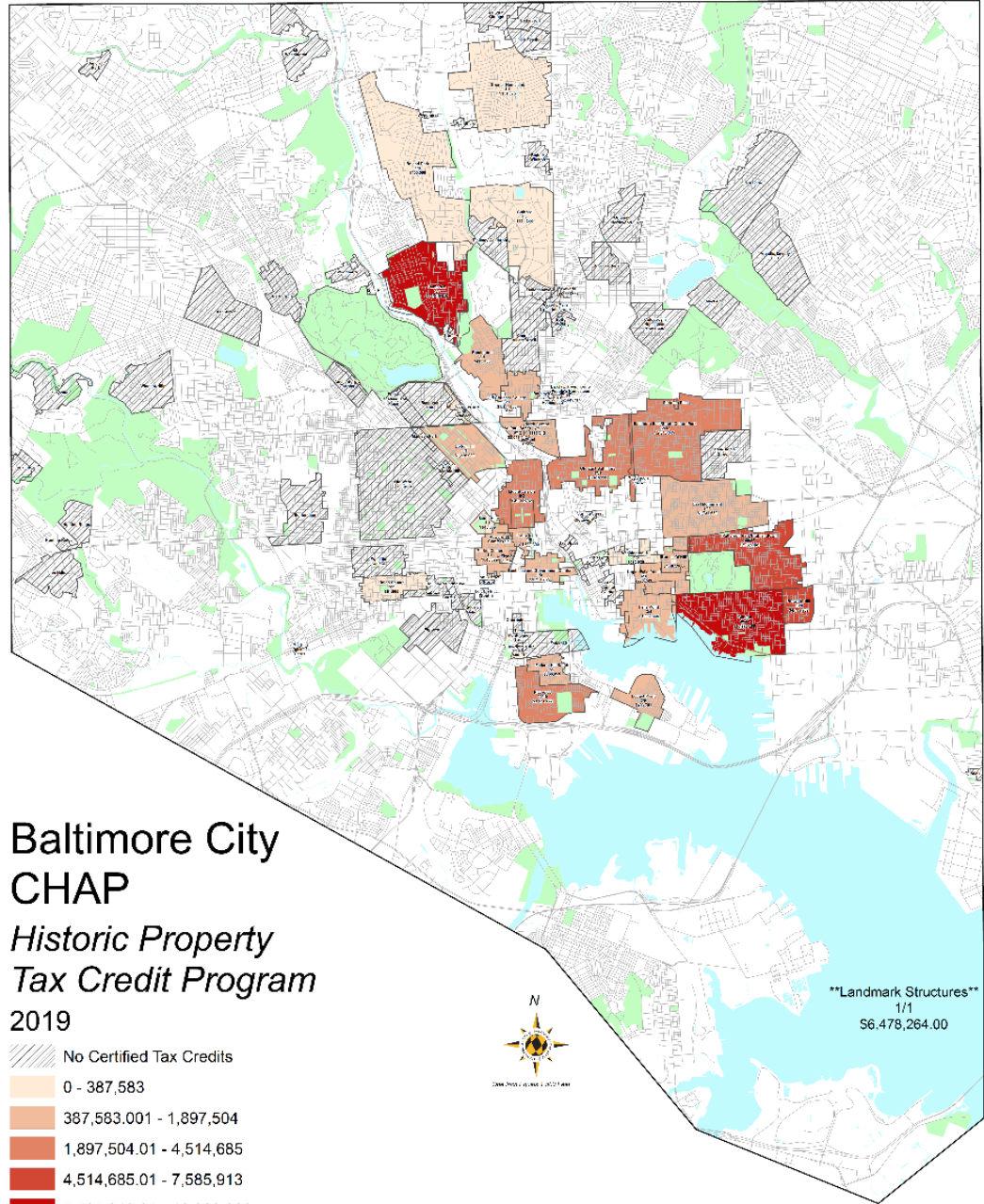


After



Bernard C. "Jack" Young
Mayor
Chris Ryer
Director of Planning





**Baltimore City
CHAP
Historic Property
Tax Credit Program
2019**

- No Certified Tax Credits
- 0 - 387,583
- 387,583.001 - 1,897,504
- 1,897,504.01 - 4,514,685
- 4,514,685.01 - 7,585,913
- 7,585,913.01 - 16,000,000

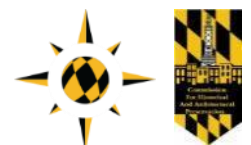
Labels:
 Historic District Name
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 Total Investment Value

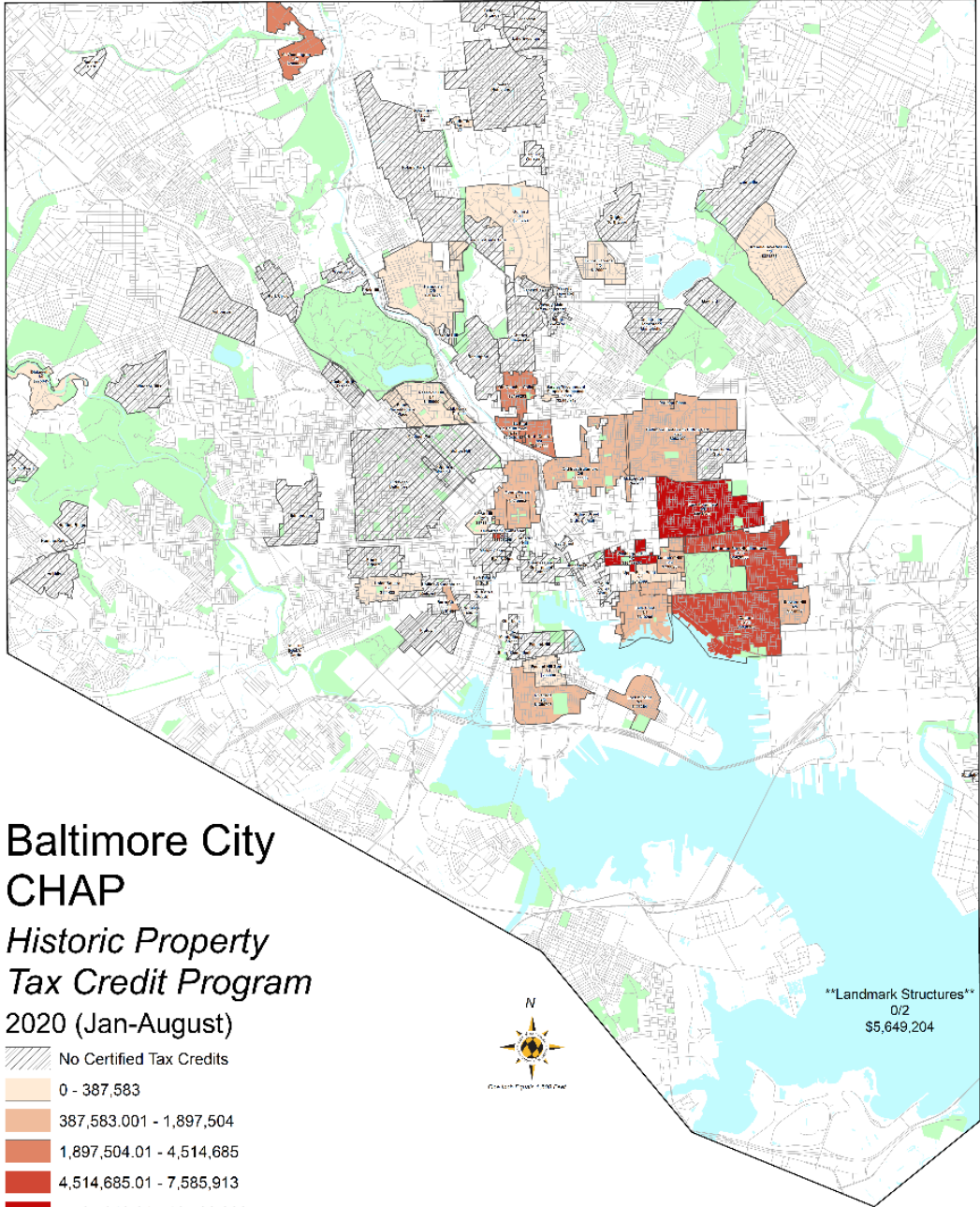


****Landmark Structures****
 1/1
 \$6,478,264.00









Bernard C. "Jack" Young
 Mayor
 Chris Ryer
 Director of Planning





Baltimore City
CHAP
Historic Property
Tax Credit Program
 2020 (Jan-August)

-  No Certified Tax Credits
-  0 - 387,583
-  387,583.001 - 1,897,504
-  1,897,504.01 - 4,514,685
-  4,514,685.01 - 7,585,913
-  7,585,913.01 - 16,500,000

Labels:
 Historic District Name
 # Certified Tax Credits / # Pre-Approved Applications
 Total Investment Value



Landmark Structures
 0/2
 \$5,649,204



Bernard C. "Jack" Young
 Mayor
 Chris Ryer
 Director of Planning

