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	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall		
	SUBJECT	City Council Bill 22-0228 – Midtown Community Benefits District – Amendment		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

August 8, 2022

Position: Support with amendments

The Department of Finance is herein reporting on City Council Bill 22-0228, Midtown Community Benefits District – Amendment, the purpose of which is to amend the Authority’s by-laws to alter the District’s boundaries, amend the composition of the Board of Directors, revise enforcement of taxing, and adjust the allowable rate of the Supplemental Tax.

Background

The Midtown Community Benefits District was established in 1996 and is managed by the Midtown Management Authority and its Board of Directors. The Board of Directors prepares the yearly operating budget and manages funds received from property tax surcharges to provide additional services to the District. This surcharge was approved by the District’s property owners by vote. These services include street cleaning, alley maintenance, public space maintenance, tree planting, and safety patrols.

Currently, the District Supplemental Tax is applied to the net taxable value, including property tax credits. Other Community Benefits Districts supplemental taxes are applied differently. This legislation seeks to amend enforcement of the Supplemental Tax by excluding credits from the list of provisions applicable to assessments. Downtown Partnership and Waterfront Partnership do not include credits in the assessable tax base, while Charles Village excludes High Performance tax credits from the assessable tax base.

The legislation also changes the District Board membership to include up to three voting members from specified organizations that make voluntary contributions to the District and expand the number of members that are determined to enhance the Authority’s success from four to six.

Finally, the legislation increases the permissible range of adjustment for the Supplemental Tax rate to increase revenue to 10 percent greater than the previous year’s revenue. The amendment also specifies that this rate can be greater than 10 percent if approved by 80 percent or more of voting board members.

Fiscal Impact

The Department of Finance anticipates minimal fiscal impact for the City from this legislation; however, there will be a fiscal impact for certain property owners.

The legislation excludes property tax credits from the clause detailing enforcement of the Supplemental Tax, which will increase the Supplemental Tax for some District property owners. In effect, removal of applicable tax credits will raise the assessable tax base for impacted District property owners. Under the

current by-laws, each taxable property is subject to a surcharge of \$0.132 per \$100 of assessed value. Under the proposed change, 1,144 properties would potentially pay an increased Supplemental Tax due to the loss of credit applicability. For Fiscal 2023, the proposed change would increase the assessable tax base by \$150,331,243 and increase the District's revenue by \$198,437.

The table below details the breakdown of applicable tax credits and the average credit value per property in the District:

Credit	Properties	Average Credit Value
Homestead Tax Credit	606	\$1,174.56
Homeowner's Tax Credit	38	\$2,661.26
Historic Restoration & Rehabilitation (CHAP)	92	\$8,811.06
Enterprise Zone (EZ)	11	\$50,303.60
Home Improvement	1	\$271.77
High Performance Market Rate Rental Housing (HPMRR)	5	\$110,504.02
Portability	1	\$700.00
Public Safety Officers	1	\$1,593.83

Finance prepared two fiscal scenarios depending on the implementation of this legislation. As written, Finance interprets the legislation to exclude all tax credits from the assessable tax base. However, in conversations with the District, the intention of the legislation may be to exclude only certain tax credits, such as CHAP, HPMRR, EZ, and Home Improvement.

	Current By-Laws	Eliminate All Credits	Eliminate Incentive Credits
FY 23 Taxable Assessment	\$1,333,819,669	\$1,333,819,669	\$1,333,819,669
Incentive Tax Credits	\$85,618,294	\$0	\$0
Entitled Tax Credits	\$64,712,949	\$0	\$64,712,949
Total Tax Credits	\$150,331,243	\$0	\$64,712,949
Net Taxable Assessment	\$1,183,488,426	\$1,333,819,669	\$1,269,106,720
Supplemental Tax Revenue	\$1,562,205	\$1,760,642	\$1,675,221
Equivalent Supplemental Rate	0.132%	0.148%	0.142%

Based on this analysis, by excluding all or certain credits, there is an indirect tax rate increase for properties receiving property tax credits.

For the City, this legislation would require new surcharges for Fiscal 2023 be sent to District property owners, which would have an estimated cost of \$3,500. There is no expected impact on City revenues.

Other Considerations

The Department of Finance proposes amending the legislation to maintain credits in the assessed taxable base. The District stated the intent of the legislation is to exclude incentive type tax credits. Finance defers to the Law Department on the interpretation of this legislation and whether the removal of "credit" has broader applicability than the District's stated intent. However, either scenario presents concerns for Finance. The Surcharge is intended to support supplemental services on top of those already provided by the City to areas within the District. Excluding tax credits from the assessable tax base for properties in the District adds to the tax burden for certain properties and residents that already are taxed more than the City's property tax rate based on the location of the property. Baltimore City has the highest property

tax rate in the state and adding to that burden for certain residents and property owners is concerning for the Department of Finance.

The legislation also changes the District's board composition. Finance defers to the Law Department on the legal sufficiency of §7.6(e)(2), which specifies certain organizations as District board members.

Conclusion

This legislation amends the by-laws of the Midtown Community Benefits District that will have minimal fiscal impact for the City, but will have a more significant fiscal impact for some of the District's residents due to the removal of credit applicability to the Supplemental Tax.

For the reasons stated above, the Department of Finance supports City Council Bill 22-0228 with amendments.

cc: Henry Raymond
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