



Brandon M. Scott
Mayor

COMMISSION FOR HISTORICAL & ARCHITECTURAL PRESERVATION

Harry Spikes, Chairman

STAFF REPORT



Chris Ryer
Director

December 13, 2022

REQUEST: Review and Response to City Council 22-0299: Tax Credits – Historic Properties – Application Extension

RECOMMENDATION: Submit a report recommending approval to the City Council.

STAFF: Stacy Montgomery

PETITIONER(S): Councilmembers Bullock, Costello, Torrence, Stokes, Burnett, Cohen, Conway, Schleifer, Glover, and Middleton

OVERVIEW

Baltimore City's Historic Tax Credit Program was established by ordinance in 1996. The credit has fostered the rehabilitation of historic structures, both residential and commercial, throughout Baltimore City. Over \$1.2 billion has been invested in the City's historic properties through the Historic Tax Credit since 1997. To date, over 5,500 applications have been approved and more than 4,000 projects have been completed. The substantial investment in historic buildings supports the economy of Baltimore and enhances the appearance of our neighborhoods. The 10-year credit is granted on the increased property value, directly resulting from qualifying rehabilitation work. All work must be pre-approved and meet CHAP's Design Guidelines.

The Historic Tax Credit is available to contributing 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.

In 2020, PlaceEconomics, a consulting firm specializing in the economics of historic preservation, published [*An Analysis of the Baltimore Historic Preservation Tax Credit*](#). The report provided a great deal of useful data about the program, and presented the following key findings:

1. **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.
2. In the next eight years, the City can expect \$42 million in additional tax revenues from properties with expiring CHAP credits.
3. Because of the private investment and increasing property values, **the taxes foregone over ten years are recouped in just over seven years.**

4. 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.**
5. **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.
6. **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.
7. 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.**
8. **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.
9. During the Great Recession, investment in CHAP projects was counter-cyclical, increasing in activity when the rest of the construction activity in Baltimore declined.

BACKGROUND

- CHAP was instrumental in the creation of the City’s Historic Tax Credit in 1996 and all subsequent renewals.
- CHAP staff conducts design review for tax credit projects and administers the program in conjunction with the City’s Department of Finance (which creates the Rules & Regulations for the credit and calculates and applies the credit to the tax bill).
- In 2020 and 2021, the credit was given one-year extensions in anticipation of a larger review of all tax credits issued by the City. The current deadline for applications is February 28, 2023.
- On November 7, 2022, a bill to extend the application deadline for new tax credit applications to February 28, 2028.
- The bill has been referred to CHAP for comment.

PROPOSAL

Bill 22-0299 Tax Credits – Historic Properties- Application Extension has been introduced for the purpose of extending the period within which applications may be accepted for an historic improvement tax credit; and providing for a special effective date. The proposed legislation would extend the deadline for submission of new applications for the Historic Tax Credit five years, from February 28, 2023 to February 28, 2028.


ANALYSIS

The proposed legislation would extend the deadline to accept new applications to February 28, 2028, providing a five-year extension of the deadline for the submission of new applications.

The Historic (CHAP) Tax Credit has been an important neighborhood revitalization tool and is the most beneficial for rehabbing vacant buildings. As such, groups like Black Women Build,

ReBuild Metro, Parity Homes, and Druid Heights CDC have used the credit to rehab vacant properties in east and west Baltimore. The tax credit offsets the increase in property taxes that occurs when a property is substantially renovated. For homeowners, this means a lower monthly mortgage payment. The CHAP review that occurs for every tax credit project ensures that rehabs are permitted and done with materials that meet the CHAP Design Guidelines. The higher quality of rehabs that result from Historic Tax Credit projects help increase property values and protect neighborhood character. The proposed five year application extension will also create a more predictable situation for developers using the credit.

Staff recommends submitting a report recommending approval of the bill.

A handwritten signature in black ink, appearing to read "E. S. MLG".

Eric Holcomb
Director