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**BALTIMORE CITY COUNCIL
WAYS AND MEANS
COMMITTEE**

Mission Statement

The Committee on Ways and Means (WM) is responsible for ensuring taxpayer dollars are expended prudently and equitably. WM will exercise regular oversight of the City's budget, expenditures, loans, and other financial matters. The committee's areas of jurisdiction include: budget & appropriations, taxation, financial services, consumer protection, audits, and the Comptroller's Office.

**The Honorable Eric T. Costello
Chairman**

PUBLIC HEARING

**TUESDAY, JANUARY 31, 2023
10:00 AM**

COUNCIL CHAMBERS

Council Bill #22-0299

Tax Credits – Historic Properties – Application Extension

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BILL SYNOPSIS

Committee: Ways and Means

Bill: 22-0299

Tax Credits – Historic Properties – Application Extension

Sponsor: Councilmember Bullock, et al

Introduced: November 7, 2022

Purpose:

For the purpose of extending the period within which applications may be accepted for the historic improvement tax credit and providing for a special effective date.

Effective: On the date it is enacted.

Agency Reports

Law Department	Favorable
Department of Finance	None as of this writing
Department of Housing and Community Development	None as of this writing
Planning Department	Favorable
Commission for Historic & Architectural Preservation (CHAP)	Favorable
Commission for Historic & Architectural Preservation Staff Report	Favorable
Board of Estimates	To be submitted to BOE

Analysis

Current Law

Baltimore City Code – Article 28. Taxes – Subtitle 10. Credits

§ 10-8. Historic improvements, restorations, and rehabilitations.

(m) **Termination of program.** Applications for a credit under this section may not be accepted after **February 28, 2023**. (n) Criminal penalties. Any person who knowingly makes a false statement on or in connection with an application for a tax credit under this section or in connection with any report or statement supporting a property's continued eligibility for a tax credit granted under this section is guilty of a misdemeanor and, on conviction, is subject to a fine of not more than \$1,000 or to imprisonment for not more than 12 months or to both fine and imprisonment for each offense

Background

This legislation extends the period an application can be submitted to request a historic improvement tax credit. If approved, the new deadline to apply would be **February 28, 2028**; a five (5) year extension .

Per the Law Department, this legislation is consistent with State law.

Additional Information

Fiscal Note: None

Information Source(s): City Code, Bill 22-0299 and all agency reports received as this writing.

Marguerite M. Currin
Analysis by: Marguerite M. Currin
Analysis Date: January 26, 2023

Direct Inquiries to: (443) 984-3485

Council Bill 22-0299

AGENCY REPORTS

See attached

CITY OF BALTIMORE

BRANDON M. SCOTT

Mayor



DEPARTMENT OF LAW
JAMES L. SHEA, CITY SOLICITOR
100 N. HOLLIDAY STREET
SUITE 101, CITY HALL
BALTIMORE, MD 21202

November 16, 2022

The Honorable President and Members
of the Baltimore City Council
Attn: Executive Secretary
Room 409, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

Re: City Council Bill 22-0299 – Tax Credits – Historic Properties – Application
Extension

Dear President and City Council Members:


The Law Department has reviewed City Council Bill 22-0299 for form and legal sufficiency. The bill would change the termination date for the tax credit program to allow applications for the tax credit to be received until February 28, 2028.

The General Assembly has given the City the authority to enact this tax credit. Md. Code, Tax-Prop., § 9-204.1. This includes the authority to adopt the duration of the tax credit. Md. Code, Tax-Prop., § 9-242(e)(1)(ii). The extension of this program is consistent with this state enabling legislation. The Law Department approves this bill for form and legal sufficiency.

Very truly yours,

Hilary Ruley
Chief Solicitor

cc: James L. Shea, City Solicitor
Nina Themelis, Mayor's Office of Government Relations
Elena DiPietro, Chief Solicitor, General Counsel Division
Ashlea Brown, Chief Solicitor
Jeffrey Hochstetler, Chief Solicitor
D'ereka Bolden, Assistant Solicitor
Michelle Toth, Assistant Solicitor

FROM	NAME & TITLE	CHRIS RYER, DIRECTOR	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	DEPARTMENT OF PLANNING 8 TH FLOOR, 417 EAST FAYETTE STREET		
	SUBJECT	CITY COUNCIL BILL #22-0299/ TAX CREDITS – HISTORIC PROPERTIES – APPLICATION EXTENSION		

TO The Honorable President and
Members of the City Council
City Hall, Room 400
100 North Holliday Street

DATE: January 10, 2023


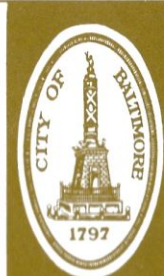
The Department of Planning is in receipt of City Council Bill #22-0299, which will extend the submission window from February 28, 2023 to February 28, 2028.

The Department of Planning recommends **approval** of City Council Bill #22-0299, and defers to the Commission for Historical and Architectural Preservation (CHAP).

If you have any questions, please contact Mr. Eric Tiso, Division Chief, Land Use and Urban Design Division at 410-396-8358.

CR/ewt

cc: Ms. Nina Themelis, Mayor's Office
Mr. Ethan Cohen, Mayor's Office
The Honorable Eric Costello, Council Rep. to Planning Commission
Ms. Nikki Thompson, City Council President's Office
Mr. Colin Tarbert, BDC
Ms. Rebecca Witt, BMZA
Mr. Geoffrey Veale, Zoning Administration
Ms. Stephanie Murdock, DHCD
Ms. Elena DiPietro, Law Dept.
Mr. Francis Burnszynski, PABC
Mr. Liam Davis, DOT
Ms. Natawna Austin, Council Services

FROM	NAME & TITLE	Eric Holcomb, Executive Director CHAP 	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Commission for Historical and Architectural Preservation 417 East Fayette Street, 8 th Floor		
	SUBJECT	COUNCIL BILL 22-0299 – Tax Credits – Historic Properties – Application Extension		

TO

DATE:

The Honorable President and
Members of the City Council
City Hall, Room 400
100 North Holliday Street

December 16, 2022,

The Commission for Historical and Architectural Preservation recommends submitting a report recommending approval for City Council Bill 22-0299 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.

The Commission for Historical and Architectural Preservation (CHAP) finds that the proposed extension will have a positive impact on designated historic properties throughout The City's 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. CHAP has reviewed CC Bill 22-0299 at the December 13, 2022 hearing and unanimously supports a finding of approval of this extension.

If you have any questions, please contact Mr. Eric Holcomb, Executive Director, at 410-371-5667.



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

CITY OF BALTIMORE
COUNCIL BILL 22-0299
(First Reader)

Introduced by: Councilmember Bullock, Costello, Torrence, Stokes, Burnett, Cohen, Conway,
Schleifer, Glover, Middleton

Assigned to: Ways and Means Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Department of Finance, Department of
Housing and Community Development, Planning Department, Board of Estimates, Commission
for Historic and Architectural Preservation

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Tax Credits – Historic Properties – Application Extension**

3 FOR the purpose of extending the period within which applications may be accepted for the
4 historic improvement tax credit and providing for a special effective date.

5 BY repealing and reordaining, with amendments

6 Article 28 - Taxes

7 Section 10-8(m)

8 Baltimore City Code

9 (Edition 2000)

10 **SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE,** That the
11 Laws of Baltimore City read as follows:

12 **Baltimore City Code**

13 **Article 28. Taxes**

14 **Subtitle 10. Credits**

15 **§ 10-8. Historic improvements, restorations, and rehabilitations.**

16 (m) *Termination of program.*

17 Applications for a credit under this section may not be accepted after February 28, [2023]
18 2028.

19 **SECTION 2. AND BE IT FURTHER ORDAINED,** That this Ordinance takes effect on the date it is
20 enacted.

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.