

FROM	NAME & TITLE	Faith P. Leach, Chief Administrative Officer	CITY of BALTIMORE MEMO
	AGENCY NAME & ADDRESS	Office of the Mayor 100 N. Holliday Street, Room Baltimore, MD 21202	
	SUBJECT	City Council Bill 23-0414 - Property Tax Credit Reform - Work Group	

DATE: September 21, 2023

TO The Honorable President and Members of the Baltimore City Council c/o
Natawna Austin, Executive Secretary

The Office of the City Administrator has completed its review of City Council Bill 23-0414 — introduced by the Honorable Nick J. Mosby and Councilmembers John Bullock, Kristerfer Burnett, Zeke Cohen, Mark Conway, Eric Costello, Sharon Green Middleton, Phylicia Porter, Odette Ramos, Robert Stokes Sr., and James Torrence — to study and make recommendations for reforms to the City’s property tax credit system.

While tax credits are designed to stimulate development and incentivize investment within Baltimore City due to the competitive disproportion among neighboring jurisdictions, the Administration acknowledges that we need to take a holistic approach to assessing the current tax structure and leveling the current imbalance in a comprehensive and strategic manner that is equitable and mutually beneficial for the City of Baltimore, as well as current and potential investors.

This bill seeks to establish an interdepartmental work group, including representation from external stakeholders, to study and make recommendations for reforms to the City’s property tax credit system. The Administration appreciates the intent behind establishing said workgroup and has already taken steps to further this mission.

In fact, in August 2022, the Bureau of the Budget and Management Research (BBMR) released, [*A Comprehensive Review of the City’s Current Tax Credit Programs*](#), which compiled and analyzed years of research on the topic, summarized the existing tax credit programs, and provided recommendations on ways to get better value out of these tax incentives to identify areas for efficiency. Through their research, BBMR found general flaws that emerged across the current tax credit program portfolio related to equity, developer benefit, by-right credits, and terms and sunset dates.

Most recently, we convened a two-day brainstorming session in furtherance of a comprehensive 10-year financial plan for the City of Baltimore, September 14-15, 2023. The one-time convening focused on Baltimore City’s \$4.36 billion coffers to establish a foundation for Mayor Scott’s comprehensive 10-year financial plan tailored to retain and grow Baltimore’s population, boost economic development, and ensure a thriving future. Comptroller Bill Henry, councilmembers Danielle McCray, Phylicia Porter, Eric Costello, and Odette Ramos participated in the brainstorming session, as well as representatives from the Council President’s office, state delegation, and state comptroller’s office.

With a proposed publication date of Spring 2024, the Scott Administration has identified four core financial challenges currently facing the City— structural budget balance, service delivery, infrastructure investment, and tax competitiveness— to anchor the plan and shore up the City’s financial footing. During the session, the group discussed strategies to reduce the property tax rate, while avoiding chronic budget deficits and service cuts that harm the City’s most vulnerable residents, eliminating operational inefficiencies, and delivering premier city services.

Given the fact that we have already taken steps to advance this mission and have gleaned substantial information through our recent convening in addition to the expertise housed within BBMR, we propose that a Tax Credit Workgroup be established in furtherance of the City’s 10-year financial plan to ensure a clear understanding of the budget parameters and overarching goals to balance the structural budget and address tax competitiveness.

For the aforementioned reasons, the Chief Administrative Office supports City Council Bill 23-0414 with amendments. Specifically, we propose that the workgroup be led and staffed by BBMR with Council oversight through an agreed-upon cadence of regularly scheduled hearings to provide updates as we do not want to frustrate the momentum of the process with two workgroups with duplicative missions and overlapping goals.