


FROM	NAME & TITLE	Robert Cename, Budget Director <i>R. C. Cename</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 21-0168 – Tax Credits – Historic Properties – Application Extension		

DATE:

TO

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

November 5, 2021

Position: Support

The Department of Finance is herein reporting on City Council Bill 21-0168, Tax Credits – Historic Properties – Application Extension, the purpose of which is to extend the application deadline for the Historic Tax Credit program by one year, from February 2022 to February 2023.

Background

The Historic Properties Tax Credit Program was established in 1996 to foster the rehabilitation of residential and commercial buildings in historic districts. The 10-year credit is granted for “significant improvements” exceeding 25% of a property’s full cash value. The credit is up to 100% of the increased tax liability due to the historic renovation of projects with construction costs less than or equal to \$5 million. The application deadline for this credit was extended in November 2020 for one year, from February 2021 to February 2022, to allow the Commission for Historical and Architectural Preservation (CHAP) to review how the program is being administered and whether this meets the intent of the program without locking the City into a long-term commitment to the credit.

Fiscal Impact Analysis

It is estimated that postponing the sunset application period to February 2023 will result in both an increase in the number of recipients and total tax credit cost for 10 more years. Based on Fiscal 2021 and 2022 data, the extension will result in approximately 210 new properties receiving this credit on 100% of the taxes owed on the increased assessment from completed renovations.

The estimated average credit cost for new applications is \$4,300, which will represent an additional cost of \$9 million between Fiscal 2024 and Fiscal 2033. This estimated cost does not include the cost of existing participants of this program. The Fiscal 2021 Historic tax credit cost was \$11.1 million and currently ranks as the fourth largest incentive program in the City after the Enterprise Zone, Brownfield, and High-Performance Market Rate Rental tax credits.

Other Considerations

Mayor Scott recently announced the creation of a Tax Credit Review Committee tasked with the evaluation of all existing property tax credits. It is expected that this Committee will review these programs and provide recommendations to ensure that these incentive programs provide sustainable and equitable growth to the City’s tax base and ultimately the reduction in tax credit costs to the City. The extension of this tax credit will allow projects to continue as the Committee finalizes recommendations.

Conclusion

While the extension of the deadline will lead to an increase in the long-term cost of the credit, the Department of Finance supports the intent of the legislation to allow the Mayor's Tax Credit Review Committee to provide recommendations for more efficient and equitable use of City resources for existing and new incentive programs.

For the reasons stated above, the Department of Finance supports City Council Bill 21-0168.

cc: Henry Raymond
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