

FROM	NAME & TITLE	Robert Cename, Chief <i>BaltAC</i>	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 21-0169 – High-Performance Newly Constructed Tax Credit - Application Extension		

DATE:

TO

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

November 8, 2021

**Position: Support**

The Department of Finance is herein reporting on City Council Bill 21-0169, High-Performance Newly Constructed Tax Credit (HPNCTC) - Application Extension, the purpose of which is to extend applications for this credit by two years, from June 2022 to June 2024.

**Background**

The HPNCTC, adopted in Fiscal 2020 with the passage of City Council Bill 19-0414, was created in response to the sunset of the former Newly Constructed Tax Credit (NCTC) on June 30, 2019. Both credits are similarly structured as a five-year program where eligible properties receive a 50% real property tax credit in the first year, declining by 10% each year thereafter. An additional requirement for the HPNCTC that was not present in the NCTC is that eligible properties must meet the “Newly Constructed” and “High-Performance” definitions of Article 28, Subtitle 10-18.1 of the City Code. When adopted, this credit was set to sunset on June 30, 2021. Ordinance 21-027, enacted in June 2021, granted a one-year application period extension until June 30, 2022. A total of 141 projects have received the HPNCTC since its creation.

**Fiscal Impact**

It is anticipated that extending the sunset of this tax credit program to June 2024 will result in both an increase in the number of recipients and total tax credit cost for six more years. Based on Fiscal 2021 and Fiscal 2022 data, the proposed extension will result in the additional participation of 47 recipients per year for Fiscal 2023 and Fiscal 2024. The estimated average assessment value of the properties participating in this program is \$390,000, with an estimated first year credit cost per dwelling of \$4,300, or an additional cost of \$1.3 million in HPNCTC cost between Fiscal 2023 and Fiscal 2024. This estimated cost does not include the cost of existing participants in this program.

**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 a reduction in tax credit costs to the City.

**Conclusion**

While the extension of the deadline will lead to an increase in this credit cost for two more years, 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 21-0169.**

cc: Henry Raymond  
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