



Legislation Text

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INTRODUCTORY*

CITY OF BALTIMORE
COUNCIL BILL R
(Resolution)

Introduced by: Councilmember Young

A RESOLUTION ENTITLED

A COUNCIL RESOLUTION concerning
Informational Hearing - TIFs and PILOTs

FOR the purpose of requesting the Director of Finance to brief the Council on the current use and necessity of TIFs and PILOTs in Baltimore City, the impact they have on jobs and housing, and the importance of the role they play in regard to the property tax rate in Baltimore City.

Recitals

TIFs and PILOTs are programs that are generally used to encourage the redevelopment of ailing neighborhoods and commercial zones. TIFs require developers to pay all existing property taxes on the projects they propose. Any new tax revenue generated after construction is then directed back to a City Trustee who earmarks the funds for public services. Under State law, TIFs can only be granted for infrastructure improvements and parking garages.

TIF bonds must be approved by an ordinance of the Baltimore City Council. In conjunction with the ordinance, the City will request the Supervisor of Assessments in the Maryland State Department of Assessment and Taxation to certify the original assessable property tax base of the TIF district. The final bond documents are subject to final approval by the Board of Estimates. TIF bonds may be tax-exempt or taxable private activity bonds, depending on whether a project meets the "private security and "private use" test under IRS regulations.

In Maryland, there are 2 types of PILOT programs. The first, is restricted to large projects in urban renewal zones. This program also requires a threshold amount of equity participation by the developer. The PILOTs require the developer to pay the existing real estate taxes on the property, plus 5% of any new real estate taxes generated for the length of the term. The second type, which are older and seldom used, generally requires developer to pay just \$1 a year in property taxes for up to 25 years.

During these demanding economic times, it is difficult to say whether development programs such as TIFs and PILOTs are a help or a hindrance to the local economy or the citizens of Baltimore. While these programs are effective in communities as a way to target the use of funds for a specific goal, there is still the issue that these programs reduce the City's potential tax earnings. If the City continues to provide these tax programs to developers, lowering the property tax rate for Baltimore City citizens will continue to become more difficult as time passes. On the other hand, without the TIF and PILOT programs, typically rundown or underdeveloped districts

may never have the opportunity to be redeveloped and returned to their former glory.

It is now more important than ever to have these questions answered. Baltimore City citizens are suffering from the same economic woes as the rest of the country, but also have a higher than average property tax rate to factor into their budgets. If the issuance of these tax programs are something that the City can do without, and if their absence will allow the citizens of Baltimore City to receive some relief in these worrisome economic times, then the tax payers in Baltimore City, as well as the City Council, need to be informed about the options in regard to TIFs and PILOTs. Hopefully, this information can aid the City Council in helping to reduce the burden that the property tax rate currently imposes on the taxpayers of Baltimore City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE, That this Body requests the Director of Finance to brief the Council on the current use and necessity of TIFS and PILOTS in Baltimore City, the impact they have on jobs and housing, and the importance of the role they play in regard to the property tax rate in Baltimore City.

AND BE IT FURTHER RESOLVED, That a copy of this Resolution be sent to the Mayor, the Director of Finance, and the Mayor's Legislative Liaison to the Council.

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