Stephanie Rawlings-Blake
Mayor

PLANNING COMMISSION

Wilbur E. "Bill" Cunningham, Chairman

STAFF REPORT

Thomas J. Stosur
Director

May 1, 2014

REQUEST: City Council Bill #14-0359/Tax Credits – Citywide High-Performance Market-Rate Rental Housing

For the purpose of providing a Citywide property tax credit for certain newly constructed or converted high-performance market-rate rental housing projects; imposing certain limitations, conditions, and qualifications; providing for the administration of the credit; defining certain terms; setting a date for termination of the program; and generally relating to property tax credits.

RECOMMENDATION: Approval

STAFF: Alexandra Hoffman

PETITIONER(S): Administration

OWNER(S): N/A

BACKGROUND

This bill will create a new citywide 10-year tax credit program for the construction of new high-performance market-rate rental housing projects of 20 units or more that are either new construction or an adaptive reuse of formerly non-residential properties. This program is designed to complement existing Historic Restorations and Rehabilitations Tax Credit and the Brownfields Tax Credit programs by incentivizing the development of market-rate rental housing that would not otherwise qualify for tax credits.

It will build on the success of the existing 15-year tax credit program for the construction of new high-performance market-rate rental housing projects of 50 units which targets certain areas selected due to proper zoning for multi-family housing, existing plans, and community support for additional development that could serve as a catalyst for improving the area (CCB #13-0176, recommended favorably by the Planning Commission on February 7, 2013 and adopted on April 11, 2013). Since the existing program's adoption in April, 2013, one application for 70 dwelling units has been received by the Department of Finance, with additional applications anticipated for approximately 707 dwelling units under construction and another 1,357 planned.

SUMMARY

The program's goal is to help grow Baltimore's residential population in an environmentally sensitive manner by encouraging the construction of new high-performance market-rate rental housing citywide.

High Performance refers to a high performance building, as defined in State Tax-Property Article §9-242, that achieves a LEED Silver rating or higher, or a comparable rating under another appropriate rating system.

A qualifying Market-Rate Rental Housing Project under this proposal is one that contains 20 or more rental units, where none of the units (unless subject to Baltimore's inclusionary housing ordinance) are subject to rent or income limits.

In order to qualify the project must also be constructed on undeveloped land or convert an existing non-residential structure to residential use, where the cost of construction exceeds $60,000 per rental unit and the first occupancy permit is issued after January 1, 2014 and on or before June 30, 2019.

The amount of the credit is a percentage of the property tax liability for the amount of increment (the difference between the assessed value of the project and the property tax liability based on the previous assessment of the property had the improvement not been made). The percentage of tax credit will be applied over 10 years according to the following schedule:

Tax Credit Schedule	
Year (s)	*Percentage*
1-5	80%
6	70%
7	60%
8	50%
9	40%
10	30%
11+	0%

The tax credit schedule mirrors the existing Historic Restorations and Rehabilitations Tax Credit and Maryland Enterprise Zone programs in both duration and credit amount but is only able to be combined with the Maryland Enterprise Zone credits. In no event, however, can the tax credit granted, either alone or when combined with Maryland Enterprise Zone credits, exceed the amount of the property tax imposed on the property.

In order to provide continued incentive for participation in the existing Historic Restorations and Rehabilitations Tax Credit, projects that are eligible for the existing Historic Restorations and Rehabilitations Tax Credit, including properties with both local and national historic designation, are ineligible for this tax credit. Additionally, projects that involve modifications to nationally designated historic properties that the City's Commission for Historical and Architectural

Preservation determines are incompatible with local historic preservation standards are ineligible for this tax credit.

CONFORMITY TO PLANS

The proposed action is consistent with the following Goals, Objectives, and Strategies of Baltimore City's Comprehensive Master Plan: LIVE, Goal 1, Objective 1: Expand Housing Choices for all residents, and Objective 2: Strategically redevelop vacant properties throughout the City, and Objective 5: Increase the City's Population by 10,000 households; and LIVE Goal 2: Elevate the Design and Quality of the City's Built Environment, Objective 1: Improve Design Quality of the Built Environment, and Objective 3: Promote Transit Oriented Development and mixed-use development to reinforce neighborhood centers and Main Streets.

ANALYSIS

This project will help the City meet the Mayor's goal to grow Baltimore by 10,000 households by 2020 and help spur development to meet an increasing demand for rental units citywide.

The proposed tax credit has been vetted by the Baltimore City Finance Department. The Finance Department will be developing specific rules and regulations for implementing the program upon its passage, and will be administering the program once it goes into effect.

COMMUNITY NOTIFICATION

In advance of this hearing, staff notified all the associations included in the Community Association Directory maintained by the Department of Planning by email of the requested action.

Thomas J. Stosur
Director