

Mayor's Tax Credit Workgroup

Enterprise Zone Tax Credit

December 12, 2024



Brandon M. Scott
Mayor

Today's Agenda

1



Enterprise Zone (EZ) Tax Credit

(75 mins)

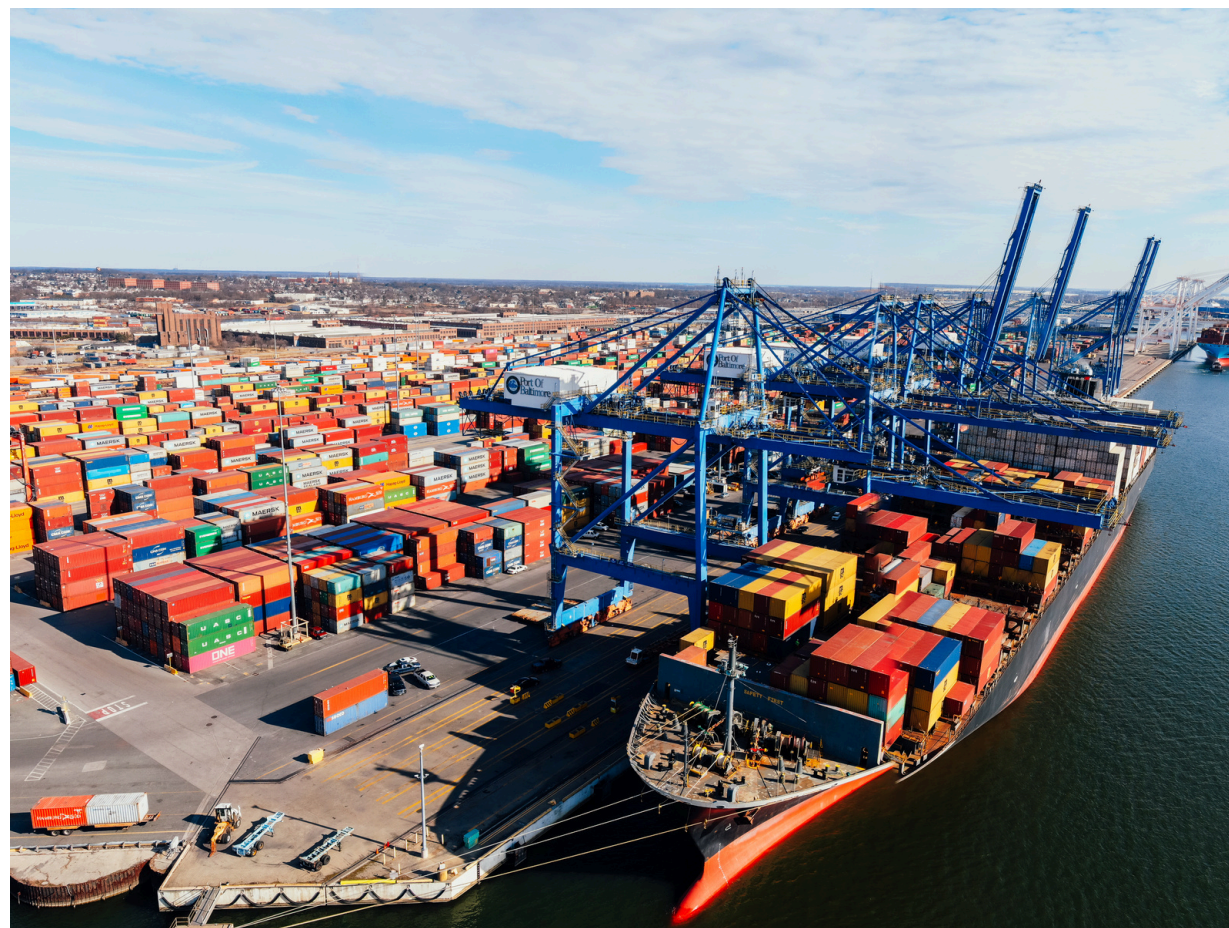
2



Development Tax Credit Policy Options

(45 mins)

Proposal on Tax Credit Economics



Workgroup Schedule

Homeowner Protection Tax Credits

- March 26 1 ✓ Homestead Tax Credit
- April 30 2 ✓ Targeted Homeowners Tax Credit
- June 11 3 ✓ State Homeowners Tax Credit / City Supplemental

Development Tax Credits

- July 30 1 ✓ Intro to Development Tax Credits
- Aug 27 2 ✓ Newly Constructed Tax Credit
- Sept 26 3 ✓ Historic (CHAP) Tax Credit
- Oct 22 4 ✓ High-Performance Market-Rate Rental Housing Tax Credit
- Dec 12 5 Enterprise Zone (EZ) Tax Credit
- Jan TBD 6 Brownfields Tax Credit

Enterprise Zone Tax Credit

Background



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Enterprise Zone Tax Credit

Warehousing

Fiscal 2016

Amazon Fulfillment Center
2010 Broening Highway



Canton Industrial Area

Fiscal 2019

Hart Industries Warehouse
5350 Holabird Ave.



Canton Industrial Area



Enterprise Zone Tax Credit

Self-Storage Facilities

Fiscal 2020

Store-It-All-Baltimore
1018 S. Paca St.



Carroll Camden Industrial Area

Fiscal 2022

Extra Space Storage
707 S. Caton Ave.



Gwynns Falls



Enterprise Zone Tax Credit

Hotels

Fiscal 2018

Sagamore Pendry

2 East Read St.



Fells Point

Fiscal 2019

Staybridge Suites

17 Commerce St.



Downtown



Enterprise Zone Tax Credit

Grocery Stores

Fiscal 2021

Whole Foods
711 S. Central Ave.



Harbor East

Fiscal 2022

Sprouts Market
3800 Boston St.



Canton



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Enterprise Zone Tax Credit

Retail

Fiscal 2017

PNC Bank / Dollar Tree

5960 Belair Rd.

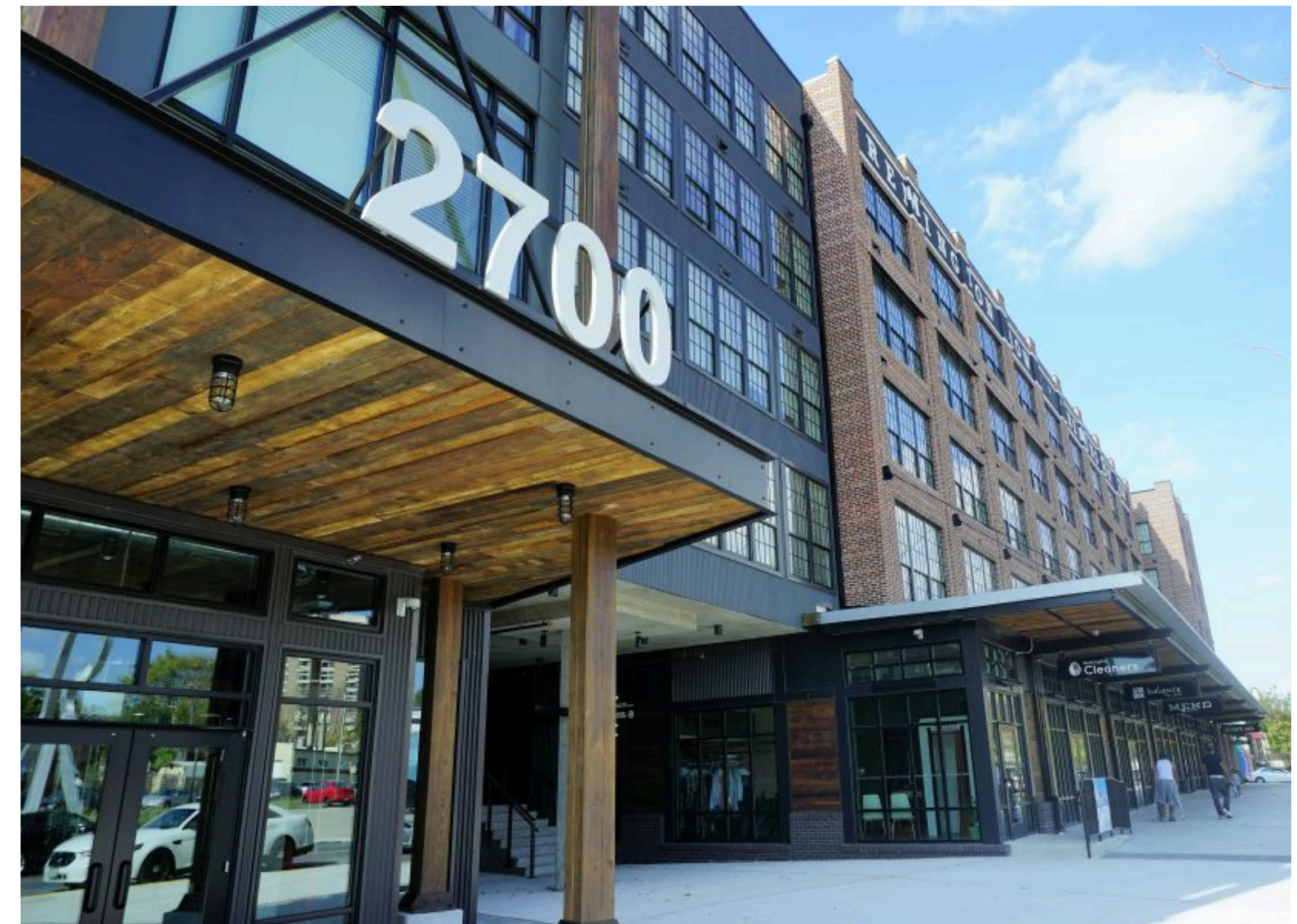


Northeast Baltimore

Fiscal 2022

Remington Row

2700 Remington Ave.



Remington



Enterprise Zone Tax Credit - Basics

1 Purpose

- To “focus local and State resources on the encouragement of economic growth in economically distressed areas and employment of the chronically unemployed in the State.”

2 Class of Property

- Property must not be used for residential purposes.
- Must be used in trade or business by a business entity.
- Must be located in an Enterprise Zone.



Hotel Ulysses - Mount Vernon



Lion Brothers Building - University of Maryland BioPark



Enterprise Zone Designation

1 County Application

- Any county may apply to obtain a designation of an area within the county.
- Application must meet all stated requirements and be signed by the chief elected officer of the political subdivision.
- Applications are reviewed within 60 days by the State Department of Business and Economic Development (DBED).
- Approval by DBED Secretary serves as State approval.

2 Term

- Enterprise Zone program incentives and initiatives shall be available for a period of 10 years following the designation.
- Business owner that qualifies for the credit may apply within 5 years after the EZ has expired.

3 Demographic Data

- Enterprise Zone boundaries must satisfy State requirements on the makeup of the population **in or in proximity to the Enterprise Zone**, for factors such as unemployment, poverty, and population decline.



Enterprise Zones vs. Focus Areas

Enterprise Zone

- Must satisfy **one** of the following criteria, for EZ or the proximity:
 - Rate of unemployment must be 150% of the average in either Maryland or U.S. for the most recent 18-month period.
 - Proportion of poverty level incomes is at least 1.25 times the national proportion.
 - At least 70% of families have incomes that are less than 80% AMI for the political subdivision.
 - Population in the area has declined by 10% since last census.

Eastern Animal Hospital - Bayview



Dutch Courage Gin Bar - Old Goucher

Focus Area

- Must satisfy **three** of the following criteria, for EZ or the proximity:
 - Rate of unemployment must be 150% of the average in either Maryland or U.S. for the most recent 18-month period.
 - Incidence of poverty must be 150% of the national average.
 - Crime rate is at least 150% of the political subdivision.
 - Incidence of sub-standard housing is 200% of U.S. standards.
 - Commercial property vacancy rate of 20% or more.



Enterprise Zone - Property Tax Benefits

1 Real Property Tax

- Enterprise Zone
 - 80% (Yr. 1-5), 70% (Yr 6), 60% (Yr 7), 50% (Yr 8), 40% (Yr 9), 30% (Yr 10)
- Focus Area
 - 80% for all ten years

2 Personal Property Tax

- Focus Area only
 - 80% for all ten years

3 COVID Provision

- Extends term of tax credit from 10 to 13 years for any newly constructed property providing both office and retail space that became eligible on or after January 1, 2019, but before January 1, 2022.
- Enterprise Zone
 - 80% (Yr. 1-8), 70% (Yr 9), 60% (Yr 10), 50% (Yr 11), 40% (Yr 12), 30% (Yr 13)
- Focus Area
 - 80% for all thirteen years

**** The State of Maryland reimburses local jurisdictions for 50% of the tax credit cost. ****



Enterprise Zone - Income Tax Benefits

1 Business Benefit

- Business can claim a one-time \$1,000 (EZ) or \$1,500 (Focus Area) income tax credit for eligible employees on their State income tax return.

2 Employee Requirements

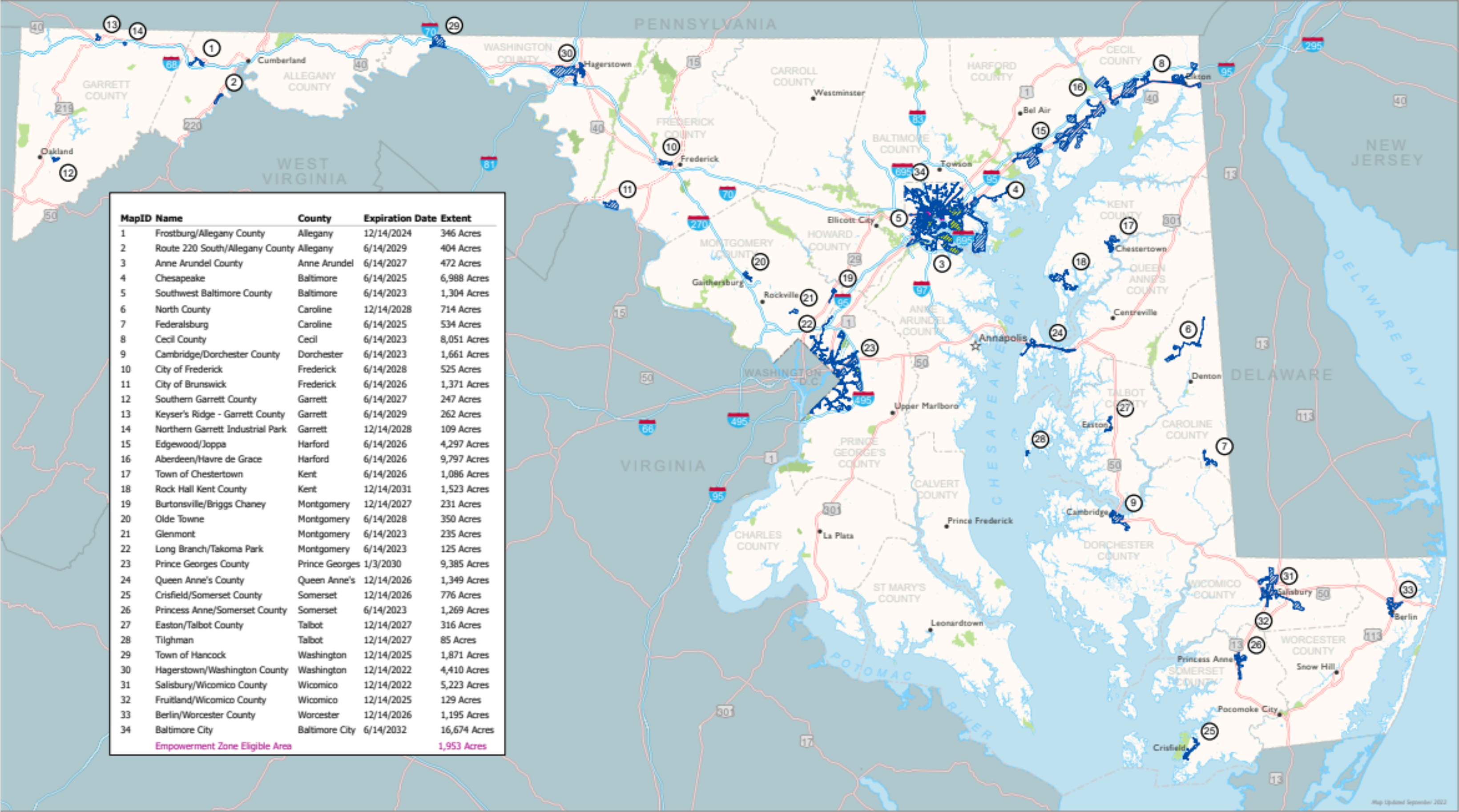
- Must have been hired after the business was located in the Enterprise Zone.
- Must have been employed for at least 35 hours per week for six months (or 12 months in a Focus Area).
- Must spend at least 50% of work time in the EZ.
- Must have been hired to fill a new position.
- Must earn at least 150% of the federal minimum wage.

3 Additional Benefits

- Business tax credit is expanded from one to three years and at higher rates (up to \$4,500) for hiring an “economically disadvantaged employee,” defined as an individual who was unemployed for at least 30 consecutive days and was qualified to participate in training activities under the Workforce Innovation and Opportunity Act (WIOA).



State-Wide Enterprise Zone Map



Enterprise Zone Tax Credit: State-wide Data

Jurisdiction	Designated Areas	Size		Tax Credit Cost		Certified Firms	
		Acreage	% Total	Dollar Value	% Total	Number	% Total
Allegany	Rt. 220, Frostburg	726	0.9%	108,606	0.2%	10	1.7%
Anne Arundel	Brooklyn Park	472	0.6%	0	0.0%	0	0.0%
Baltimore City	Baltimore City	16,674	21.7%	19,251,754	39.1%	193	32.4%
Baltimore City (Focus)	Jones Falls, Oldtown, Carroll-Camden, Central West, Holabird-Orangeville, South	unavailable	0.0%	10,621,468	21.6%	28	4.7%
Baltimore	Chesapeake, SW County, Woodlawn	2,476	3.2%	4,974,450	10.1%	24	4.0%
Caroline	Federalsburg, North County	1,244	1.6%	0	0.0%	2	0.3%
Cecil	Cecil County	8,126	10.6%	4,071,926	8.3%	15	2.5%
Dorchester	Cambridge	1,810	2.4%	0	0.0%	1	0.2%
Frederick	Brunswick, Frederick	1,896	2.5%	50,474	0.1%	4	0.7%
Garrett	North, South, Keyser's Ridge	618	0.8%	78,455	0.2%	5	0.8%
Harford	Aberdeen / Havre de Grace	9,797	12.7%	3,679,773	7.5%	49	8.2%
Kent	Chestertown, Rock Hall, Betteron / Worton	4,665	6.1%	282,868	0.6%	7	1.2%
Montgomery	Olde Towne, Burtonsville	581	0.8%	531,127	1.1%	11	1.8%
Prince Georges	Prince Georges County	9,385	12.2%	2,897,701	5.9%	76	12.8%
Prince Georges (Focus)	Prince Georges County	unavailable	0.0%	315,696	0.6%	18	3.0%
Queen Anne's	Queen Anne's County	1,349	1.8%	115,934	0.2%	44	7.4%
Somerset	Princess Anne, Crisfield	2,276	3.0%	17,208	0.0%	9	1.5%
Talbot	Tilghman, Eastern County	401	0.5%	3,820	0.0%	21	3.5%
Washington	Hagerstown, Hancock	6,817	8.9%	1,824,619	3.7%	29	4.9%
Wicomico	Salisbury	5,325	6.9%	391,732	0.8%	43	7.2%
Worcester	Berlin, Pocomoke, Snow Hill	2,351	3.1%	21,496	0.0%	6	1.0%
Statewide		76,989		49,239,107		595	

Of the State-wide total,
Baltimore City Enterprise Zones
make up:

21.7% of the size.

60.7% of the cost.

37.1% of the certified firms.



Enterprise Zone Tax Credit

Baltimore's Program



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Enterprise Zone Map

Baltimore City

- **Enterprise Zone:**

- Key business corridors including Belair Rd, Harford Rd, York Rd, Falls Rd, Reisterstown Rd, Liberty Ave, Edmondson Ave, Eastern Ave

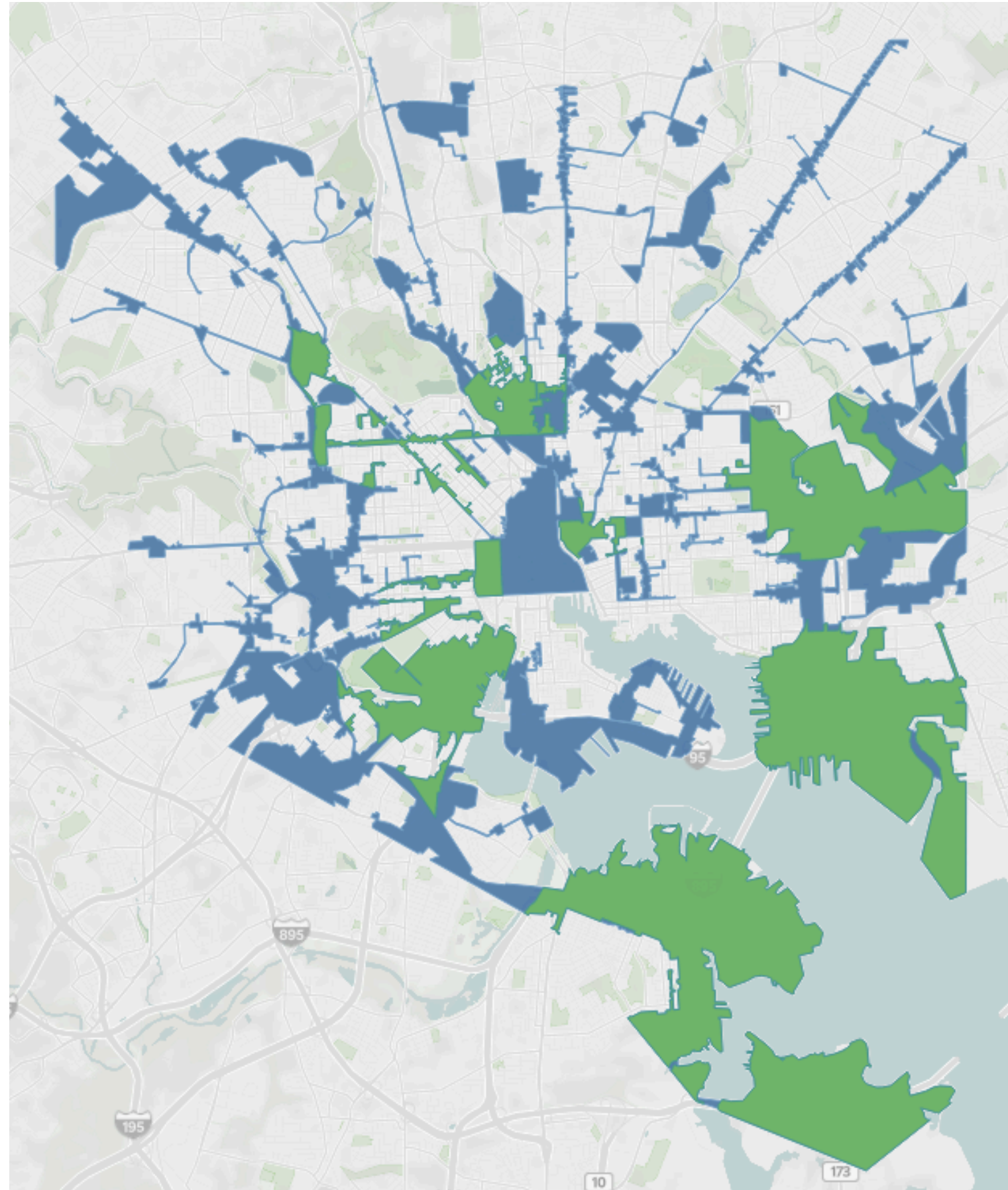
- **Focus Areas**

- Holabird-Orangeville
- South Industrial
- Carroll Camden Industrial
- Central West
- Jones Falls Area
- Oldtown

City's EZ and Focus Areas expire in June 2032



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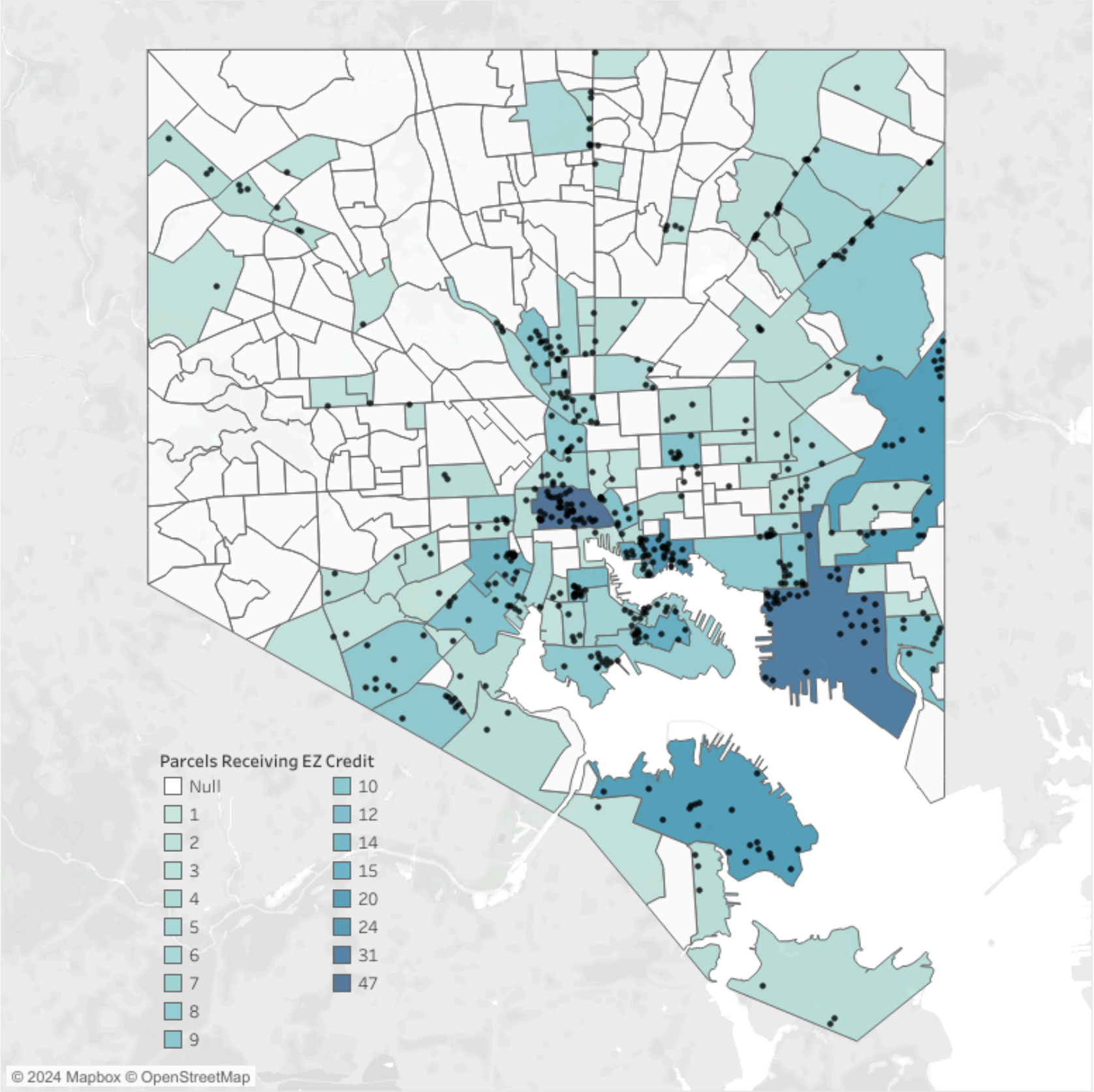


Enterprise Zone
blue

Focus Area
green

Distribution of Enterprise Zone Tax Credit

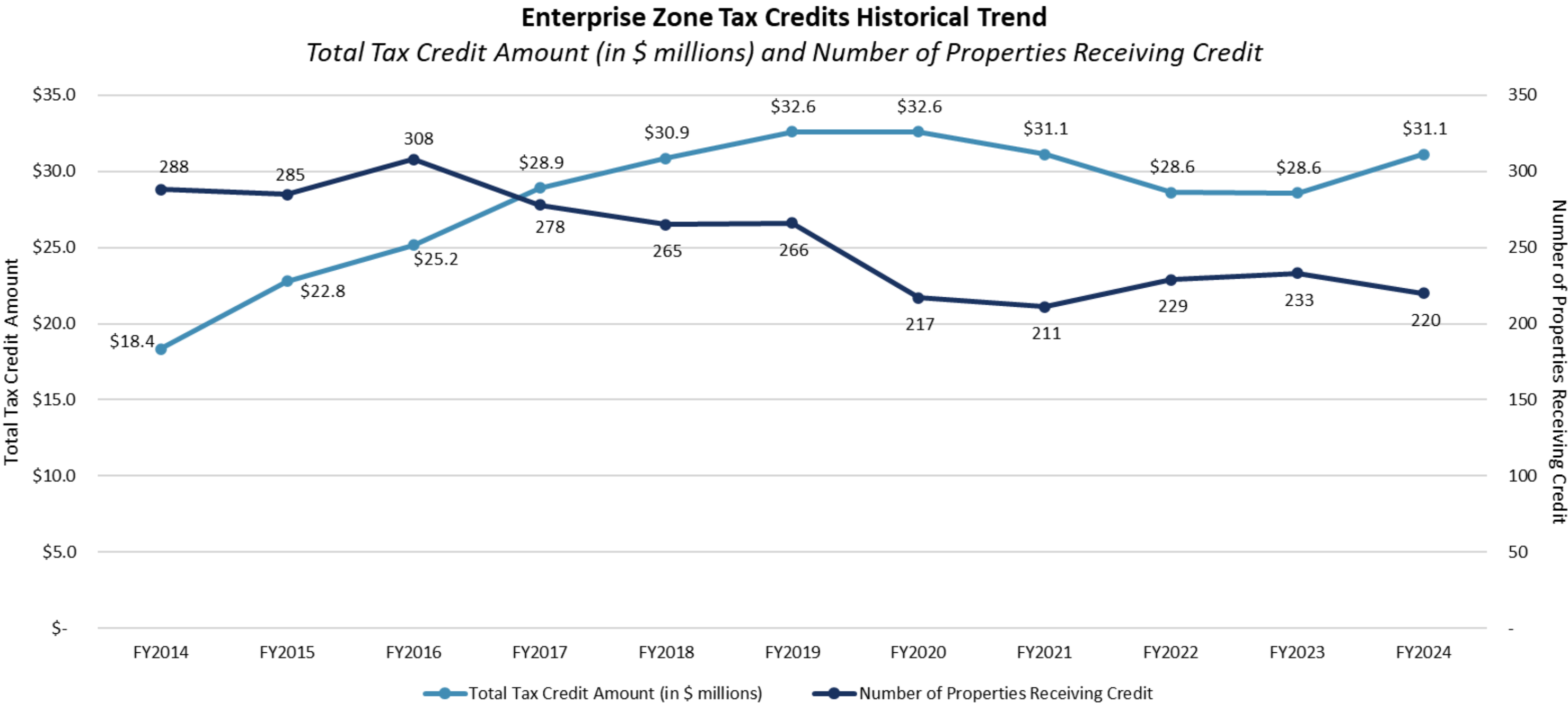
Properties by Neighborhood (2014 to 2024)



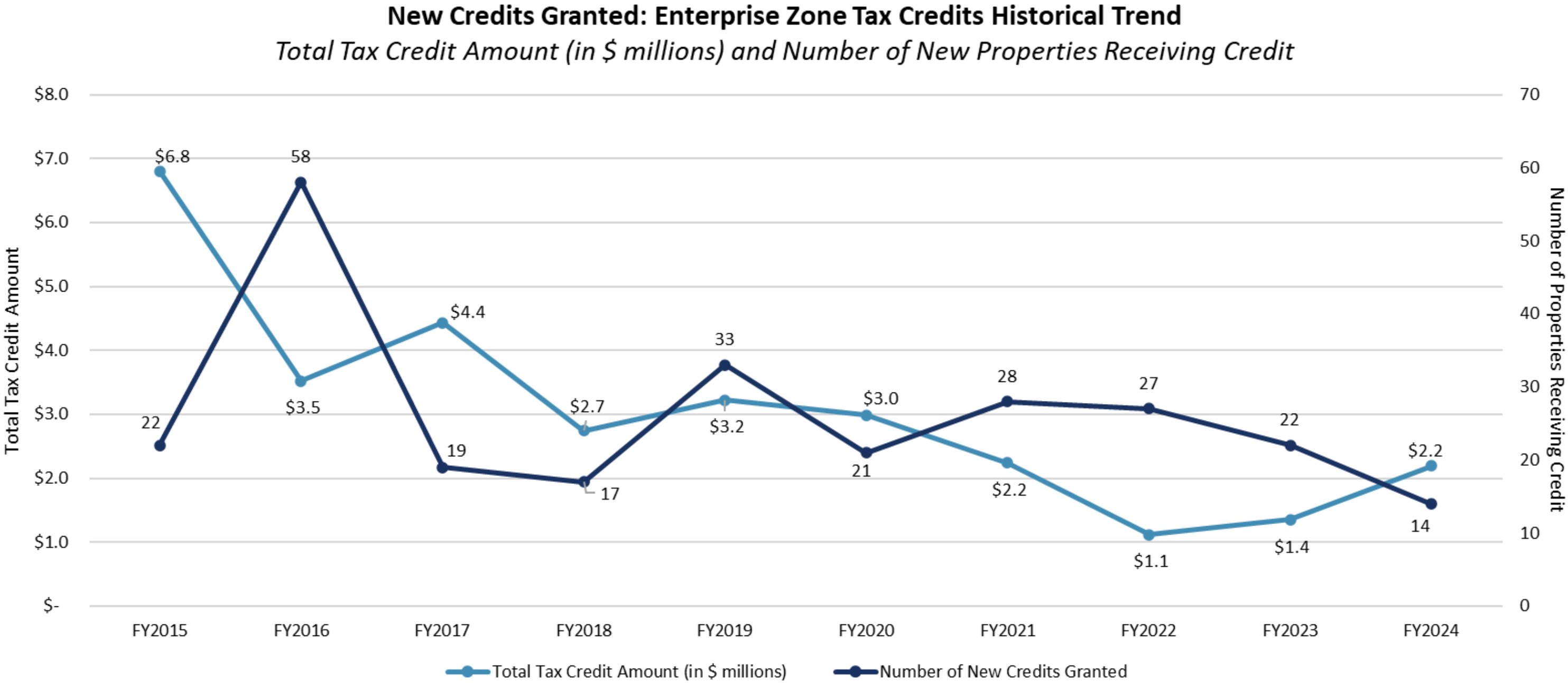
Top Ten Neighborhoods

Neighborhood	Properties Receiving
Downtown	47
Canton Industrial Area	31
Fells Point	24
Fairfield Area	20
Pulaski Industrial Area	20
Harbor East	15
Locust Point	15
Washington Village/Pigtown	14
Federal Hill	12
Brewers Hill	10

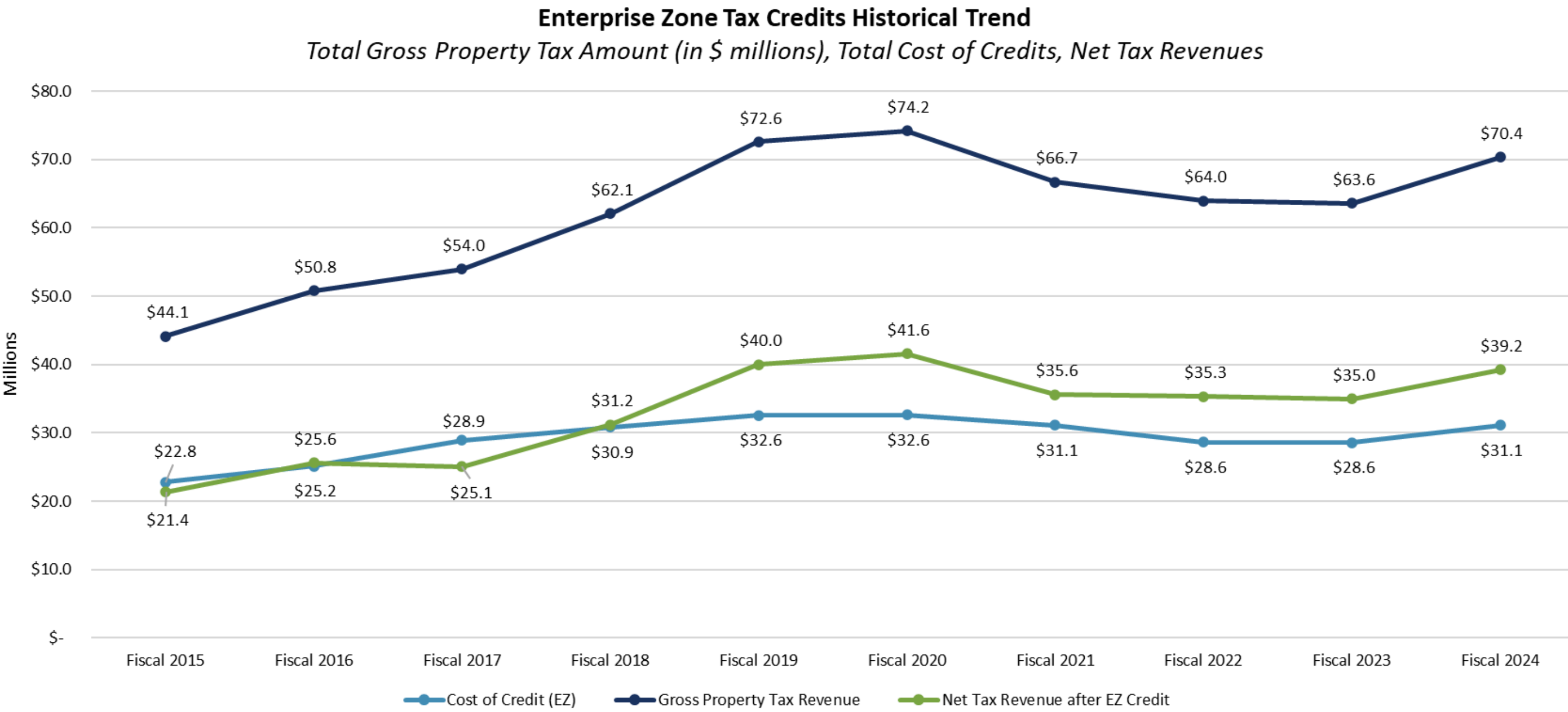
Historical Trend: Enterprise Zone Tax Credit



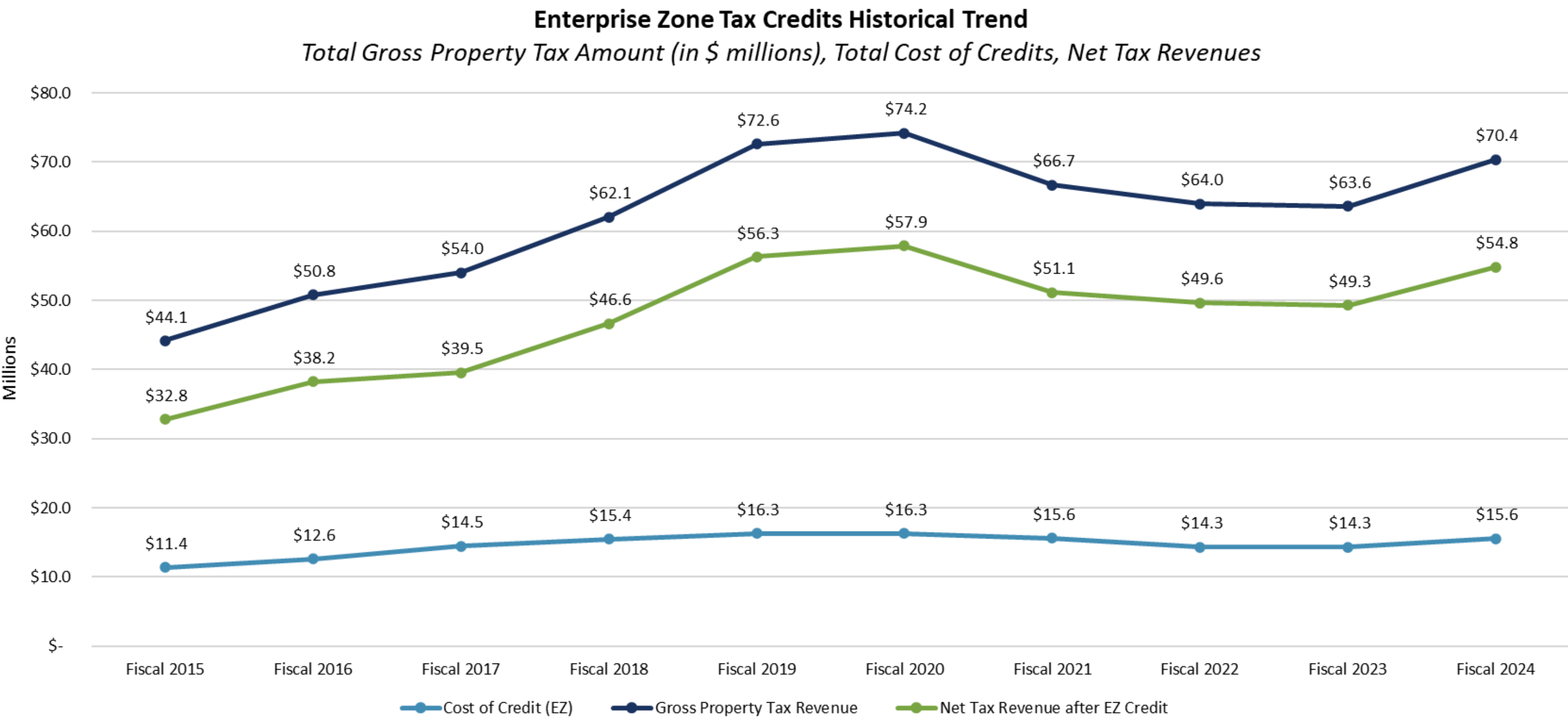
Historical Trend: Enterprise Zone Tax Credit



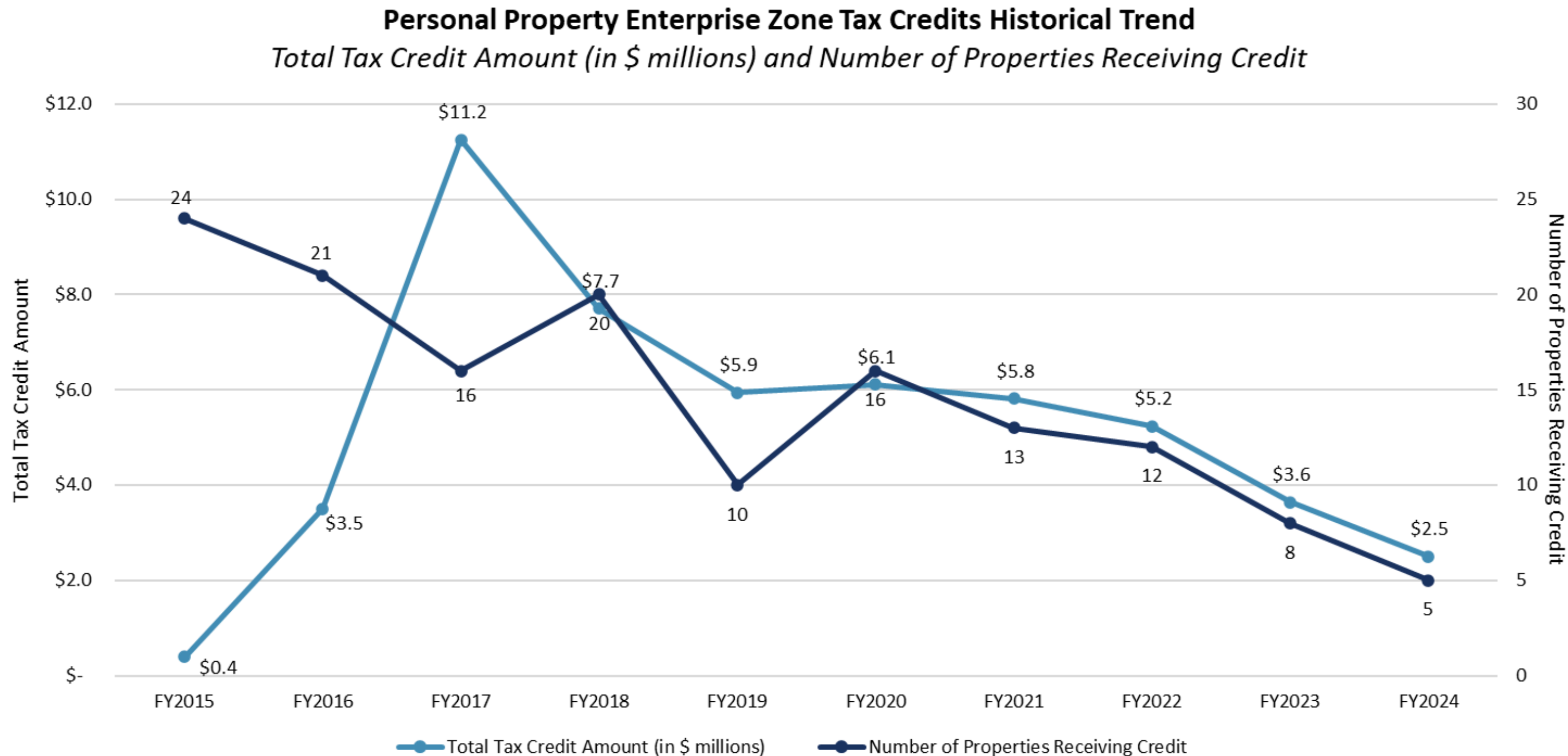
Historical Trend: Enterprise Zone Tax Credit *(w/out reimbursement)*



Historical Trend: Enterprise Zone Tax Credit *(with reimbursement)*



Historical Trend: Enterprise Zone Tax Credit *Personal Property*



Enterprise Zone Tax Credit: Example

Canton Industrial Area

5300 Holabird Avenue

Port 95 Industrial Park Warehouse



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Assessed Value	21,878,767	23,052,700	35,231,330	47,409,960	59,588,600	59,673,400	59,758,200	59,843,000	60,441,430	61,039,860	61,638,290
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Property Taxes	491,835	518,225	792,000	1,065,776	1,339,552	1,341,458	1,343,364	1,345,271	1,358,723	1,372,176	1,385,629
Credit Percentage	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	0%
Pre-Improvement Assessment	2,091,430	2,091,430	2,091,430	2,091,430	2,091,430	2,091,430	2,091,430	2,091,430	2,091,430	2,091,430	N/A
Taxes at Base Year	47,015	47,015	47,015	47,015	47,015	47,015	47,015	47,015	47,015	47,015	N/A
Credit Amount	(355,855)	(376,967)	(595,988)	(815,008)	(1,034,029)	(1,035,554)	(1,037,079)	(1,038,604)	(1,049,366)	(1,060,129)	0
Net Taxes Owed	135,979	141,257	196,012	250,767	305,523	305,904	306,285	306,666	309,357	312,047	1,385,629



Policy Options: *Tax Credit Economics*



Development Tax Credits: Policy Options

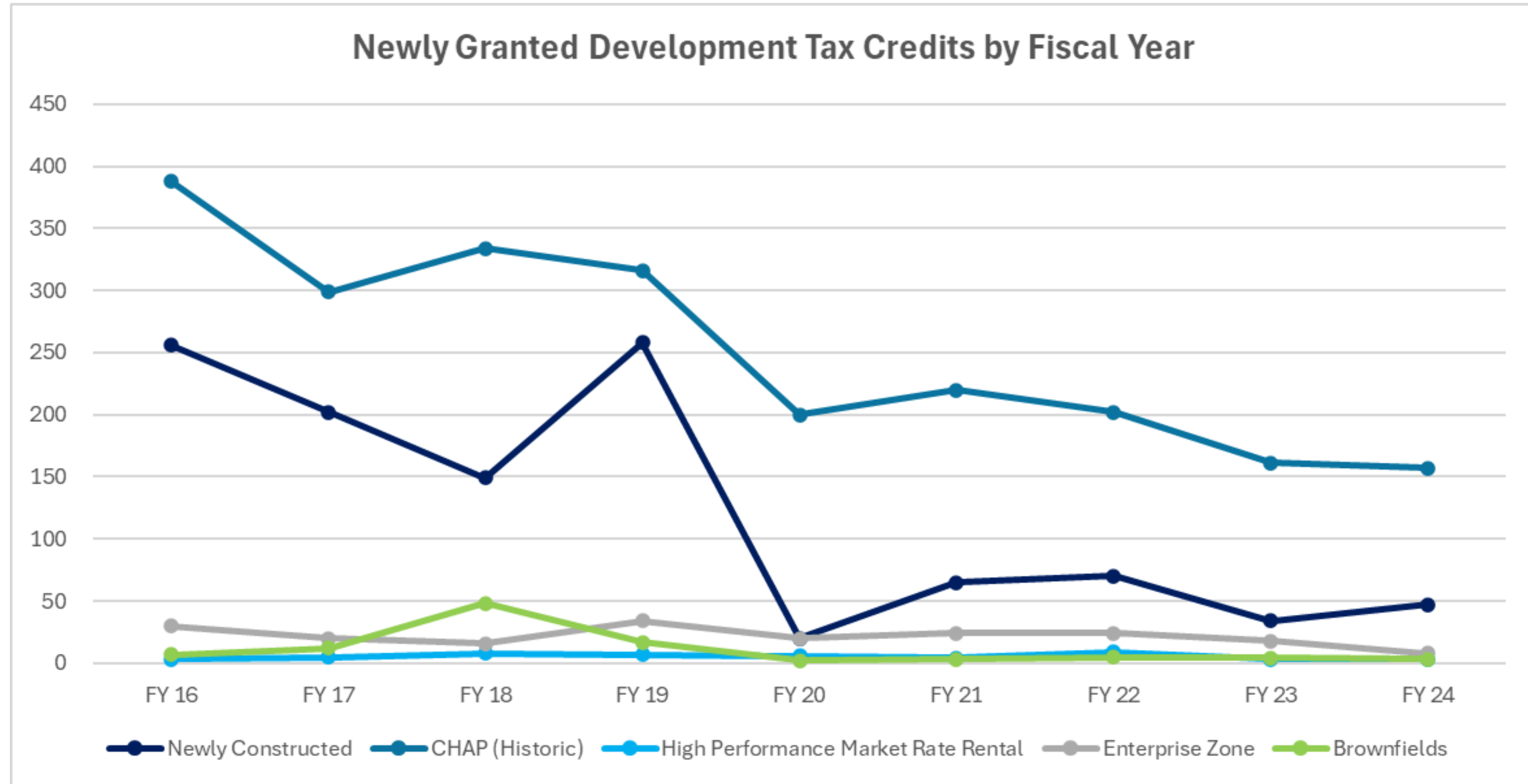
Tax Credit Economics

- **Testing:** Should the City run “but for” tests on certain projects to ensure that the subsidy is needed for the project without providing excess returns?
- **Length and Amount:** Should we have a consistent length and amount across all tax credits, or should there be different terms based on the differing needs of each sub-market?
- **Fixed vs. Declining:** Should tax credits have a fixed percentage for all years or a declining amount each year?
- **Geography:** Should we draw boundaries to distinguish between neighborhoods with different needs?



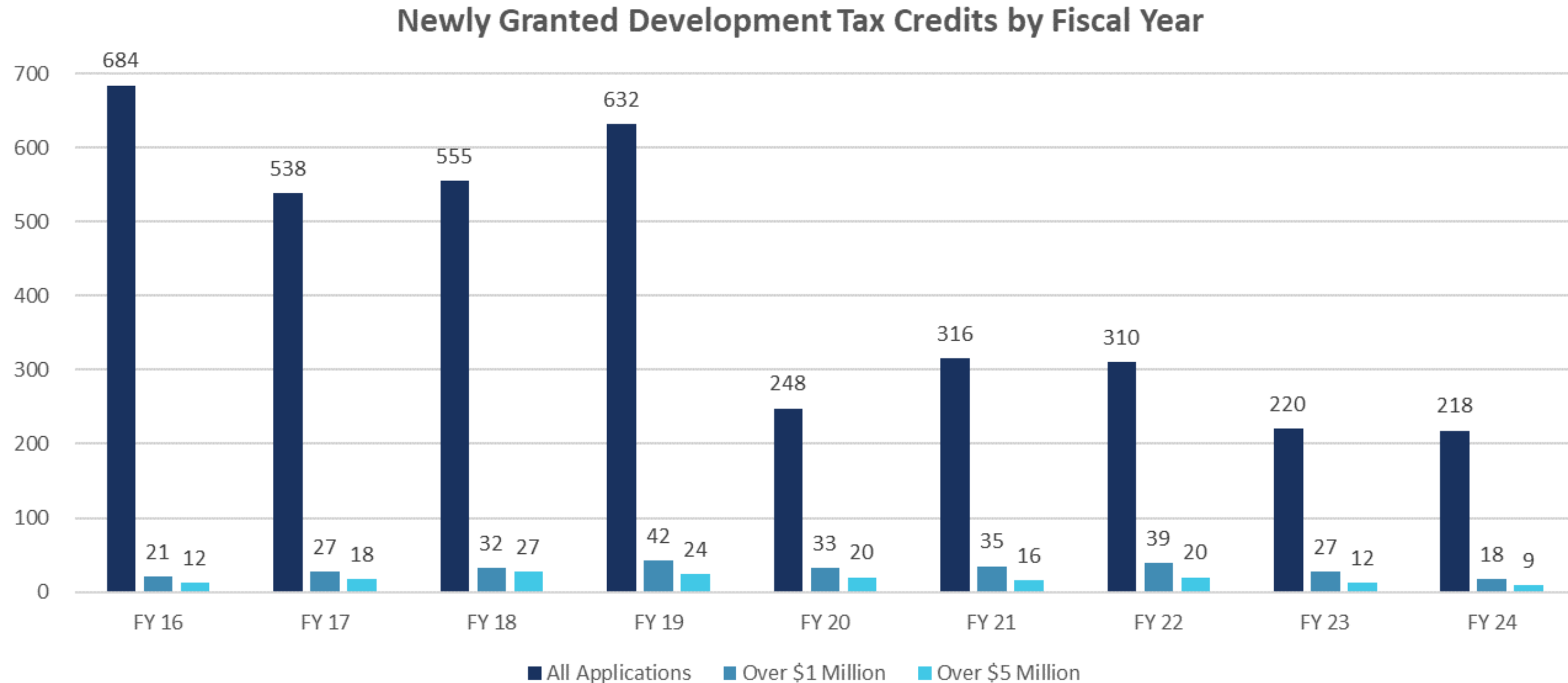
Development Tax Credits: Volume by Program

How Many Tax Credits Do We Grant Annually?



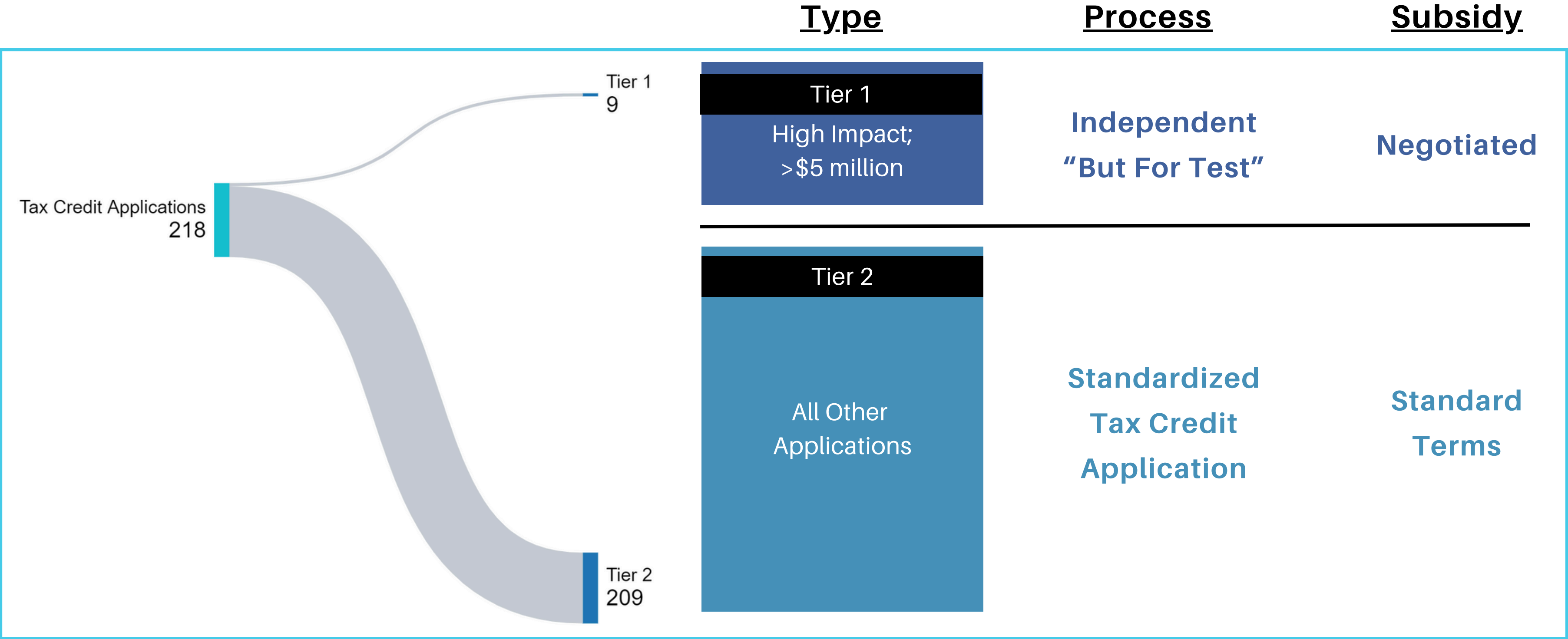
Development Tax Credits: Volume by Project Size

How Many Projects Have Exceeded a Project Cost of \$1M or \$5M?



Proposal: Two Tiers of Tax Credit Applications

Using Fiscal 2024 Data as an Example



Proposal: Tier One - High Impact Projects

Why Do a “But For” Test?

- Builds trust and credibility into the process for all parties including developers, agencies, elected officials.
- Provides more transparency to see how much public subsidy is needed to make the project feasible.



The Jordan - Bolton Hill

How Would the “But For” Test Work?

- Utilize a private independent firm with public finance expertise to perform the analysis (MuniCap).
- Analysis would include:
 - NPV calculation both with and without tax credit.
 - Reasonability of developer fees and return on equity requirements.
 - Benchmarking of comparable properties for rent, sale price, and operating expenses.



“But For” Test: Recent Downtown Project Example

NPV Analysis

Schedule I: Unlevered Internal Rate of Return and Net Present Value Analysis

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Year 0	Year 1	Year 2	(Stabilization) Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Development Cost ¹	(\$18,992,675)										
Gross Income											
Residential - Scheduled Rental Income (SRI)		\$2,205,000	\$2,205,000	\$2,249,100	\$2,294,082	\$2,339,964	\$2,386,763	\$2,434,498	\$2,483,188	\$2,532,852	\$2,583,509
Commercial - Scheduled Rental Income (SRI)		\$87,146	\$100,217	\$152,330	\$155,377	\$158,485	\$161,654	\$164,887	\$168,185	\$171,549	\$174,980
Scheduled Rental Income (SRI)		\$2,292,146	\$2,305,217	\$2,401,430	\$2,449,459	\$2,498,448	\$2,548,417	\$2,599,386	\$2,651,373	\$2,704,401	\$2,758,489
Vacancy & Collection Loss ¹											
Residential Vacancy		\$882,000	\$661,500	\$179,928	\$183,527	\$187,197	\$190,941	\$194,760	\$198,655	\$202,628	\$206,681
Residential Collection Loss		\$22,050	\$22,050	\$22,491	\$22,941	\$23,400	\$23,868	\$24,345	\$24,832	\$25,329	\$25,835
Commercial Vacancy		\$4,357	\$5,011	\$7,617	\$7,769	\$7,924	\$8,083	\$8,244	\$8,409	\$8,577	\$8,749
Commercial Collection Loss		\$871	\$1,002	\$1,523	\$1,554	\$1,585	\$1,617	\$1,649	\$1,682	\$1,715	\$1,750
Vacancy & Collection Loss		\$909,279	\$689,563	\$211,559	\$215,790	\$220,106	\$224,508	\$228,998	\$233,578	\$238,250	\$243,015
Effective Gross Income ¹		\$1,382,867	\$1,615,654	\$2,189,872	\$2,233,669	\$2,278,342	\$2,323,909	\$2,370,387	\$2,417,795	\$2,466,151	\$2,515,474
Operating Expenses ¹											
Utilities		\$123,739	\$126,214	\$128,738	\$131,313	\$133,939	\$136,618	\$139,351	\$142,138	\$144,980	\$147,880
Repairs and Maintenance		\$111,323	\$113,549	\$115,820	\$118,137	\$120,499	\$122,909	\$125,368	\$127,875	\$130,432	\$133,041
Payroll		\$120,695	\$123,108	\$125,571	\$128,082	\$130,644	\$133,257	\$135,922	\$138,640	\$141,413	\$144,241
Reserves for Replacements (added \$0.25 psf) ²		\$20,506	\$20,916	\$21,334	\$21,761	\$22,196	\$22,640	\$23,093	\$23,554	\$24,026	\$24,506
Administrative		\$144,726	\$147,620	\$150,573	\$153,584	\$156,656	\$159,789	\$162,985	\$166,244	\$169,569	\$172,961
Professional Fees		\$8,843	\$9,020	\$9,201	\$9,385	\$9,572	\$9,764	\$9,959	\$10,158	\$10,361	\$10,569
Operating Expenses pre-taxes		\$529,831	\$540,428	\$551,237	\$562,261	\$573,506	\$584,977	\$596,676	\$608,610	\$620,782	\$633,198
Fees and Taxes ¹											
City Real Property Taxes		\$196,154	\$196,154	\$230,359	\$264,565	\$298,770	\$303,749	\$308,729	\$313,708	\$318,937	\$324,165
CHAP Tax Credit ³		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Downtown Mgmt. District (0.2239)		\$19,537	\$19,537	\$22,944	\$26,351	\$29,757	\$30,253	\$30,749	\$31,245	\$31,766	\$32,287
State Real Property Taxes (0.12)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total City Expenses		\$215,691	\$215,691	\$253,303	\$290,915	\$328,527	\$334,003	\$339,478	\$344,954	\$350,703	\$356,452
Total Expenses		\$745,522	\$756,119	\$804,540	\$853,176	\$902,034	\$918,979	\$936,154	\$953,563	\$971,485	\$989,649
Net Operating Income		\$637,344	\$859,535	\$1,385,332	\$1,380,493	\$1,376,309	\$1,404,930	\$1,434,233	\$1,464,232	\$1,494,667	\$1,525,825
Sale Proceeds At Stabilization ⁴											\$22,773,502
Unlevered Cash Flow (No Tax Credit)	(\$18,992,675)	\$637,344	\$859,535	\$1,385,332	\$1,380,493	\$1,376,309	\$1,404,930	\$1,434,233	\$1,464,232	\$1,494,667	\$24,299,327
Net Present Value (No Tax Credit) ⁵	(\$221,133)										
Unlevered IRR (No Tax Credit)	7.93%										
Value of Chap Tax Credit ⁶				\$34,205	\$68,410	\$102,616	\$107,595	\$107,595	\$107,595	\$107,595	\$299,466
Unlevered Cash Flow (Tax Credit)	(\$18,992,675)	\$637,344	\$859,535	\$1,419,537	\$1,448,903	\$1,478,924	\$1,512,525	\$1,541,828	\$1,571,827	\$1,602,262	\$24,598,793
Net Present Value (Tax Credit) ⁵	\$307,391										
Unlevered IRR (Tax Credit) ⁷	8.30%										

¹ Provided by Developer.

² Estimated by MuniCap.

³ Accounted for below.

⁴ Represents net operating income in year 10 divided by CoStar market cap rate of 6.70% reported as of 2024 Q3 quarter to date. See Schedule V.

⁵ Represents net present value of cash flows assuming a PWC discount rate of 15.00% reported as of 2024 Q2 until stabilization and a PWC discount rate of 8.00% reported as of 2024 Q2 for years 3-10. See Schedule V.

⁶ Represents value of Chap Tax Credit estimated by developer, with years 9 and 10 discounted by PWC discount rate of 8.00% reported as of 2024 Q2. See Schedule V.

⁷ National development land market discount rate as of 2024 Q2 ranges from 14.00%-30.00%. Estimated unlevered internal rate of return demonstrates that the project warrants a tax credit and that the full amount of the tax credit is appropriate.

MuniCap gathers financial information from the developer.

MuniCap runs an NPV analysis both with and without the tax credit.



"But For" Test: Recent Downtown Project Example (cont.)

Benchmarking for Rent and Operating Expenses



Table 1: Comparable Properties - Studio

Property	Unit Type	Developer's Appraisal (January 2024) ¹				CoStar (September 2024 Data) ²			
		Unit Count	Square Feet	Rent Per Unit	Rent Per SF	Unit Count	Square Feet	Rent Per Unit	Rent Per SF
Subject property	Studio	97	484	\$1,210	\$2.50	-	-	-	-
Arrive Inner Harbor (1)	Studio	-	542	\$1,298	\$2.39	51	495	\$1,396	\$2.82
2 Hopkins (2)	Studio	-	516	\$1,428	\$2.77	44	518	\$1,661	\$3.21
Luminary at One Light (3)	Studio	-	412	\$1,670	\$4.05	28	422	\$1,570	\$3.72
222 Saratoga (4)	Studio	-	544	\$1,155	\$2.12	6	653	\$1,359	\$2.08
Average comps ³				\$1,388	\$2.83			\$1,497	\$2.96

Operating Expenses (Annual)	Subject Property		101 N Wolfe St	1211 South Eaton St	101 West Cross St	300 West Lombard St
	Pro-Forma	Appraisal				
Utilities	\$121,313	\$150,960	\$449,920	\$467,460	\$362,687	\$266,968
Repairs and Maintenance	\$109,140	\$56,100	\$233,776	\$588,406	\$398,866	\$214,149
Payroll	\$118,328	\$259,731	\$1,456,768	\$989,457	\$1,153,542	\$1,123,564
Administrative	\$141,888	\$148,888	\$496,736	\$465,605	\$402,155	\$584,766
Legal/Accounting	\$8,670	\$0	\$104,880	\$70,861	\$97,175	\$179,010
Total	\$499,339	\$615,679	\$2,742,080	\$2,581,789	\$2,414,425	\$2,368,457



This analysis ensures the project is not "under" counting revenue or "over" counting expenses in order to accentuate the need for a subsidy.



"But For" Test: Recent Downtown Project Example (cont.)

Return on Cost Analysis

"Positive" cash flows include net operating income and cash from sale transaction.

"Negative" cash flows include project costs such as acquisition, building, and financing.

Project does not pay out, assuming a required 15% return on equity requirement.

Conclusion: project needs a public subsidy to be financially feasible.

Schedule II-A: Return on Cost Analysis - Developer Target Return

	<u>Project</u>
Estimated Project Cost:	
Acquisition and Associated Closing Costs ¹	\$10,773,305
Building Improvement Costs ¹	\$4,363,089
Fees, Reserves, and Soft Costs ¹	\$2,263,281
Financing Costs ¹	\$1,593,000
Financing Interest Through Stabilization	
Loan Interest During Lease-Up ²	\$3,983,535
Net Operating Income During Lease-up ³	(\$2,882,212)
Net Cost of Interest	\$1,101,323
Required Return On Equity (15%) ⁴	\$1,532,771
Sub-total	\$21,626,769
Less: NPV of Tax Credit ⁵	(\$637,888)
Sub-total	\$20,988,881
Developer's Profit (0%) ⁶	\$0
Total Estimated Development Costs	\$20,988,881
Estimated Transaction Price and Market Value:	
Net Operating Income At Stabilization ⁷	\$1,385,332
Projected Market Yield ⁸	6.70%
Estimated Transaction Price and Market Value	\$20,676,597
Estimated Profit (Shortfall)⁹	(\$312,284)



Multi-Family: Process for Affordable Housing vs. Market Rate

	<u>Affordable</u>	<u>Market-Rate</u>
1 Subsidy Vehicle	Payment in Lieu of Taxes (PILOT)	High-Performance Market Rate Tax Credit
2 Approval	Board of Estimates	By Right
3 Review Process	Committee incl. Mayors Office, CP Office, Law, Real Estate, HCD, Finance	Fiscal Integrity Office (Finance) for compliance w/ rules only
4 Developer Submission and Financial Review	Project Pro-Forma, rent rolls, debt service coverage, with and w/out PILOT analysis	None
5 Annual Volume	average of 5-10 projects	average of 3-5 projects
6 Annual Subsidy Amount	range from \$25k to \$200k, average of \$50k	range from \$150k to \$2.5 million, average of \$500k



Brandon M. Scott
Mayor

The subsidy for one market-rate project is on average 10x that of an affordable project, yet we spend much more time scrutinizing affordable projects.

414 Light Street (Revisited)

Current Tax Credit Terms

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>10-Yr Total</u>
Credit Percentage	80%	80%	80%	80%	80%	70%	60%	50%	40%	30%	
Net Taxes Owed	735,765	756,486	777,485	261,468	261,468	576,242	1,130,104	1,683,967	2,237,829	2,657,511	11,078,324

Alternative

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>10-Yr Total</u>
Credit Percentage	70%	70%	70%	70%	70%	60%	50%	40%	30%	20%	
Net Taxes Owed	1,029,680	1,060,760	1,092,259	576,242	576,242	891,016	1,444,878	1,998,741	2,552,603	2,972,285	14,194,707

Difference

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>10-Yr Total</u>
Credit Percentage	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%	
Net Taxes Owed	293,915	304,275	314,774	314,774	314,774	314,774	314,774	314,774	314,774	314,774	3,116,383

Even a subtle change in the tax credit percentages (10% less per year) results in \$3.1 million of additional tax revenue over 10 years.



Tax Credit Workgroup

Wrap-Up



Brandon M. Scott
Mayor