

Baltimore City Vacants Reduction - Tools



BRANDON M. SCOTT
MAYOR

Presentation to Tax Credit Working Group

February 20, 2025



**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**



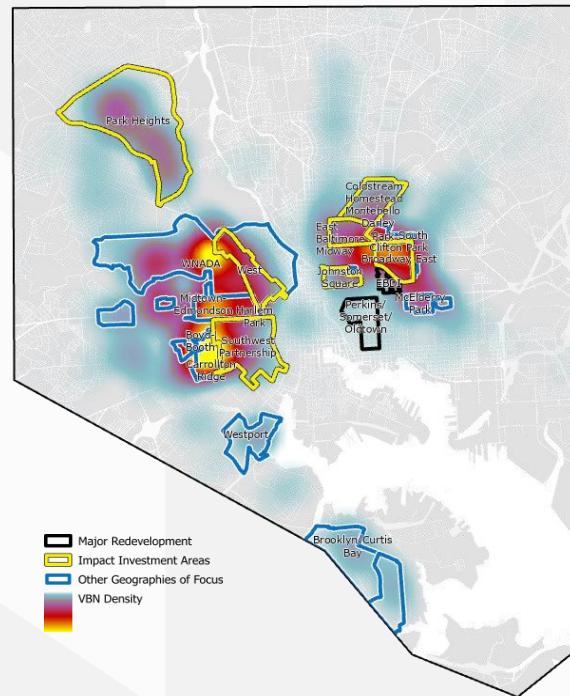
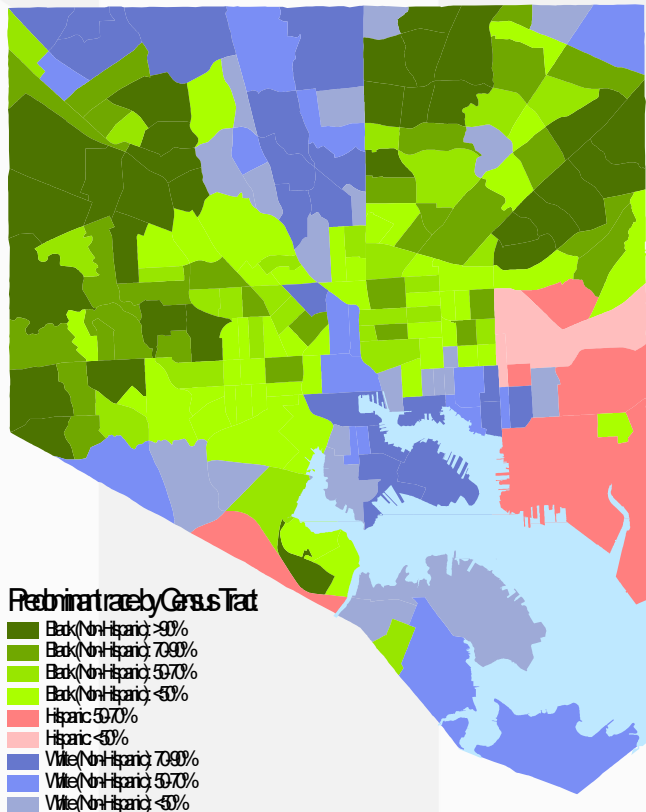
Agenda

- I. Citywide Housing Plan – Housing Needs
- II. Vacants Reduction Strategy
- III. Affordable Housing PILOTS

Citywide Housing Plan

Vacants Reduction Strategy

Baltimore's history of redlining, block busting, population loss, and disinvestment created a stubborn issue — about 16,000 vacant properties.



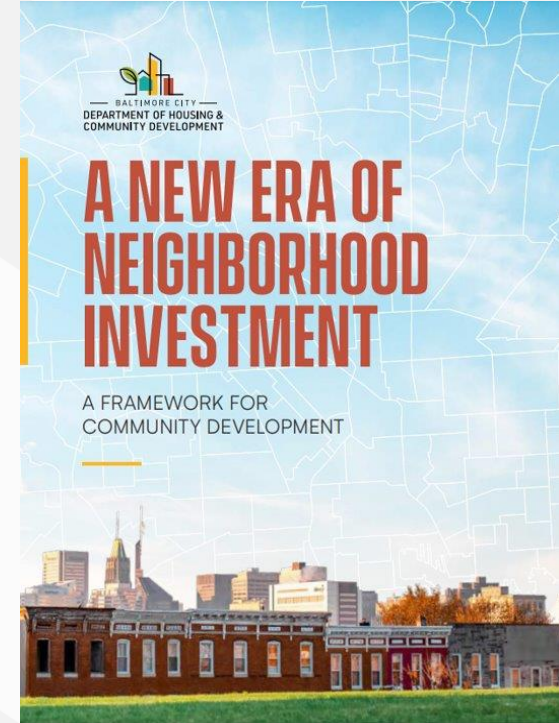
In 2019, the City issued the Framework for Community Development.

Assigned all neighborhoods into 3 types of categories

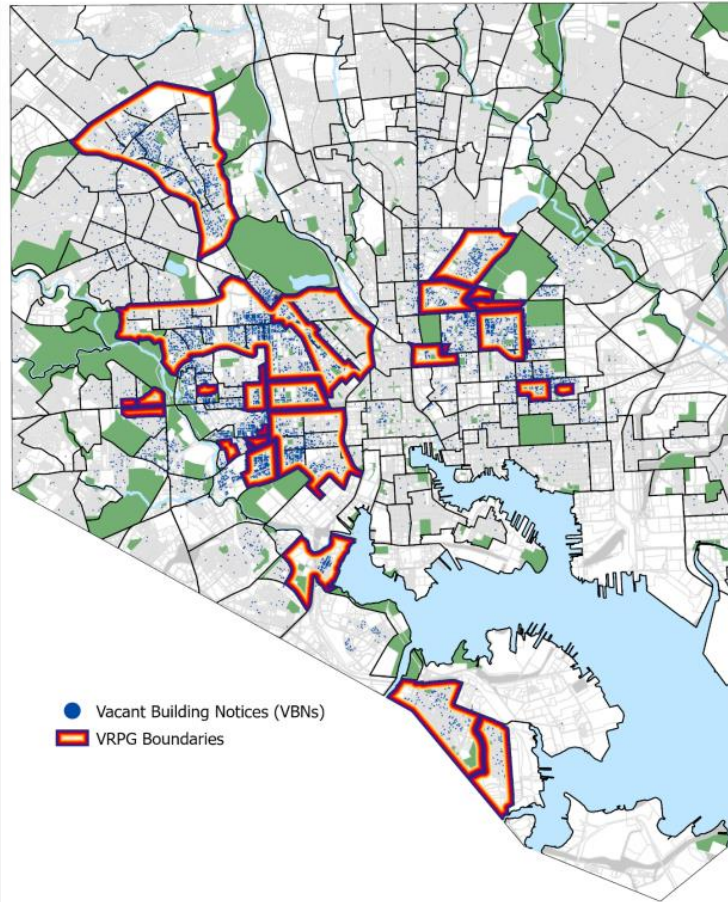
1. Impact Investment Areas (Whole Block Outcome neighborhoods)
2. Middle Markets
3. Asset Building Areas

Established a theory of development: using different City DHCD tools based on the market conditions of the neighborhood

- I.E. receivership in Middle Markets vs Acquisition, Demo, & Rehab in Impact Investment Areas



Vacancy Reduction Priority Geographies

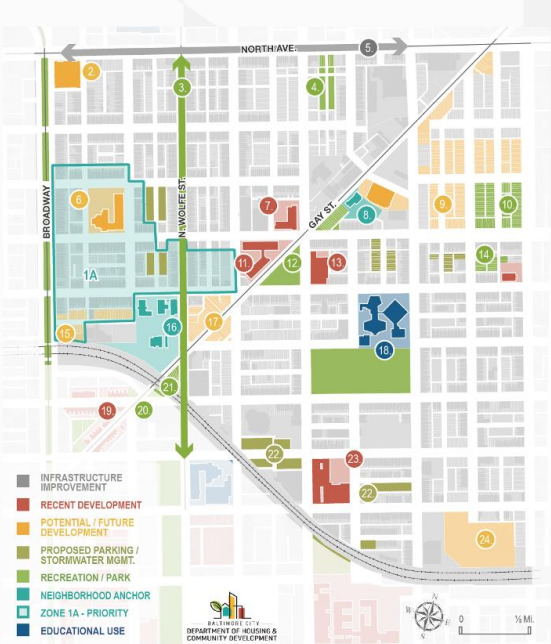


Impact Investment Area (IIA) Name	Neighborhoods in IIA
Broadway East IIA	Broadway East (partial)
	Biddle Street (partial; another part of neighborhood is in an "other" area)
	Middle East (partial)
Coldstream Homestead Montebello IIA	Coldstream Homestead Montebello (full)
East Baltimore Midway IIA	East Baltimore Midway (full)
Johnston Square IIA	Johnston Square (full)
Park Heights IIA	Arlington (full)
	Central Park Heights (full)
	Cylburn (full)
	Greenspring (full)
	Langston Hughes (full)
	Levindale (full)
	Lucille Park (full)
	Park Circle (full)
	Parklane (full)
	Pimlico Good Neighbors (full)
	Towanda-Grantley (full)
	Woodmere (full)
Southwest Partnership IIA	Barre Circle (full)
	Carrollton Ridge (partial; bulk of neighborhood is an "other" area)
	Franklin Square (full)

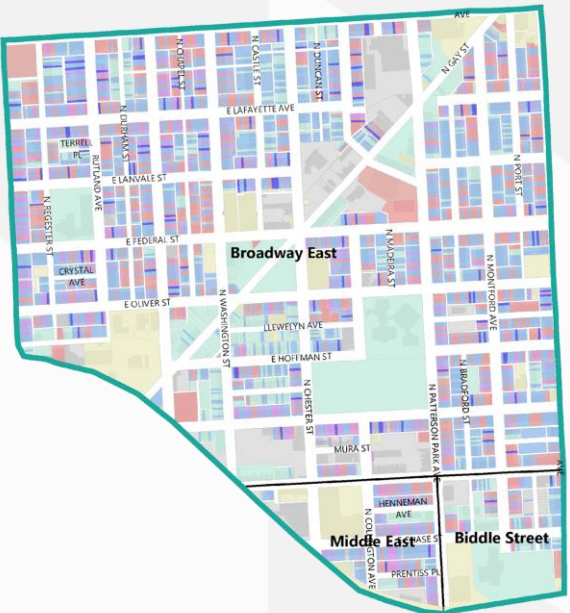
	Hollins Market (full)
	Mount Clare (partial; small sliver of neighborhood is an "other" area)
	Poppleton (full)
	Union Square (full)
	Washington Village/Pigtown (full)
West IIA	Druid Heights (full; also in WNADA)
	Penn North (full; also in WNADA)
	Upton (full; also in WNADA)

City DHCD's community development strategy is community led, data-driven, and based on deep market knowledge.

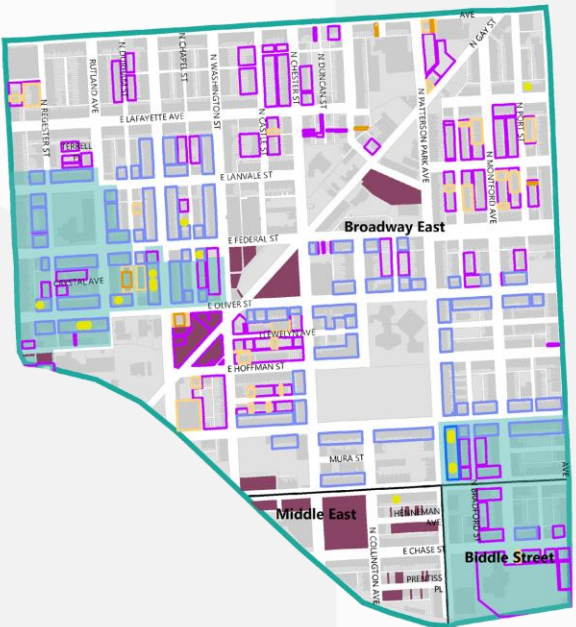
ASSET MAPPING



MARKET CONDITIONS



BLOCK-LEVEL PLANNING



City DHCD's community development strategy is community led, data-driven, and based on deep market knowledge.

FY 2025 PRIORITIES

28 Priority Blocks

113 VBNs

155 lots

Highlighted Investments

- Activation of former Rutland ES
- Rehab around Rutland ES
- Prioritizing acquisition > disposition via Developer Registry & community approved demolition

LEADING MARKET CONDITIONS

Median Sales	\$29,700
price 2024 (2016)	(\$10,000)

Homeownership rate (% change since 2011)	19.5% (-9.9%)
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Population	3,376
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Population Change Since 2010 -32% (4,931)

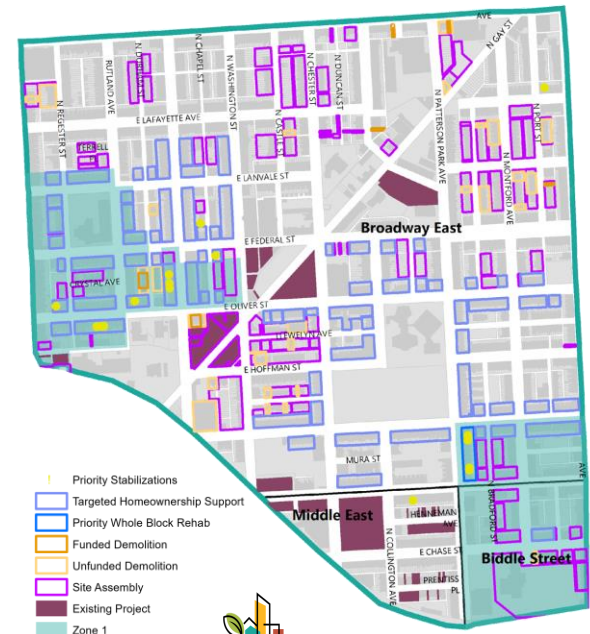
Implementation Strategy Document

Neighborhood Data Profiles

Project Tracker + Housing Marker Data

[2020 Census Demographics Data Explorer by Neighborhood](#)

BLOCK – LEVEL PLANNING



Vacant Property Financial Modeling

Investing in at least 37,500 properties

NEIGHBORHOOD	Demolition	Acquisition	Stabilization	Live/Work Incentive	Developer Incentives	Homebuyer Down Payment Incentives	Home Repair Incentives	Infrastructure	Total
BROADWAY EAST	\$18,964,500	\$12,332,000	\$10,521,000	\$322,000	\$19,365,000	\$18,254,000	\$8,300,000	\$102,500,000	\$190,558,500
CHM	\$7,587,000	\$3,613,500	\$1,638,000	\$546,000	\$8,970,000	\$6,812,000	\$17,670,000	\$102,500,000	\$149,336,500
EBM	\$1,905,000	\$6,113,000	\$3,276,000	\$1,246,000	\$17,049,000	\$13,030,000	\$8,108,000	\$102,500,000	\$153,227,000
JOHNSTON SQUARE	\$1,146,000	\$5,351,500	\$1,260,000	\$238,000	\$11,421,000	\$8,254,000	\$2,954,000	\$102,500,000	\$133,124,500
PARK HEIGHTS	\$10,314,000	\$7,715,000	\$4,032,000	\$105,000	\$19,311,000	\$14,922,000	\$43,656,000	\$102,500,000	\$202,555,000
SOUTHWEST	\$14,305,500	\$9,737,500	\$5,355,000	\$1,904,000	\$19,965,000	\$16,030,000	\$19,118,000	\$102,500,000	\$188,915,000
WEST	\$5,842,500	\$18,420,500	\$7,371,000	\$2,135,000	\$46,389,000	\$34,670,000	\$11,006,000	\$102,500,000	\$228,334,000
AREAS OF FOCUS	\$79,377,000	\$67,956,500	\$20,692,000	\$15,666,000	\$157,506,000	\$118,284,000	\$115,010,000	\$80,000,000	\$654,491,500
BROOKLYN	\$2,137,500	\$3,051,500	\$892,500	\$1,666,000	\$3,897,000	\$3,078,000	\$14,178,000	\$21,250,000	\$50,150,500
CURTIS BAY	\$1,408,500	\$2,252,500	\$595,000	\$595,000	\$2,448,000	\$1,952,000	\$8,228,000	\$21,250,000	\$38,729,000
WNADA	\$26,325,000	\$28,260,000	\$7,518,000	\$1,372,000	\$40,776,000	\$31,856,000	\$65,632,000	\$228,250,000	\$429,989,000
Fixed Costs									781,000,000
Total	\$169,312,500	\$164,803,500	\$63,150,500	\$25,795,000	\$347,097,000	\$267,142,000	\$313,860,000	\$1,068,250,000	\$3,133,060,500

Affordable Housing PILOT Process



MAYOR
BRANDON M. SCOTT

Affordable Housing PILOTs

What is an Affordable Housing PILOT?

A Payments in Lieu of Taxes (“PILOT”) Agreement is a legal agreement between a property taxpayer and the taxing authority which allows a company to make property tax payments on an agreed schedule instead of paying the standard tax amount.

The Department of Housing and Community Development (“DHCD”) coordinates the Affordable Housing PILOTs for **non-profit-owned** and **Housing Authority-sponsored** projects as further described below. The process for Affordable Housing PILOTs is separate and distinct from commercial PILOTs originated by the Baltimore Development Corporation for economic development purposes.

Threshold Requirements: §7-503

Non-profit-owned PILOTs

§7-503 of the Tax - Property Article of the Annotated Code of Maryland allows for PILOT Agreements for “qualified low income housing projects” as defined under Section 42 of the Internal Revenue Tax Code (which provides for the Low-Income Housing Tax Credit program) that meet certain ownership requirements.

Threshold Requirements: §7-503

§7-503 offers several routes to qualify for a PILOT Agreement, based either (1) the owner of the property being tax-exempt, (2) the property being subject to a government program that does not allow it to produce net income, or (3) the owner being a limited partnership whose managing general partner meets certain requirements. Most frequently, Affordable Housing PILOTs are pursued under this third alternative, which is subject to the following additional requirements:

1. The owner is a limited partnership, and
2. Its managing general partner fits one of 4 categories:
 - a) A housing authority,
 - b) A tax-exempt corporation,
 - c) A limited liability company owned wholly by a non-profit corporation, or**
 - d) A for-profit corporation that is 100% owned by a non-profit corporation.

The common theme in all of these is that the limited partners of the limited partnership owner can be for-profit, but the managing general partner must be either a non-profit itself or owned entirely by a non-profit. Most commonly, non-profit-involved PILOTs are pursued under an ownership structure where the managing general partnership is a limited liability company owned wholly by a non-profit corporation (2.c. above).

Review and Approval Process

Threshold Request

The request for an affordable housing PILOT is initiated by emailing Lori.Glass, Assistant Commission - DHCD Development Division, at lori.glass@baltimorecity.gov an initial submission including the following:

1. Existing and Proposed Organizational Chart, indicating entity types, percentage ownership, and current non-profit status if applicable;
2. A project narrative describing the proposed development, capital stack, and the terms of any income or use restrictions that impact the property; and
3. A draft opinion from the developer's attorney opining, subject to appropriate qualifications, that the proposed organizational structure satisfies the legal requirements of the applicable State statute, indicating the relevant section.

Review and Approval Process

Threshold Determination

The request is forwarded to the Law Department to determine if the project satisfies the statutory requirements, with additional information and/or changes to the organizational chart or draft opinion required as needed. Once complete, the Law Department will notify the Affordable Housing PILOT Coordinator or their findings and if a positive determination is made the PILOT will proceed to underwriting.

Review and Approval Process

Underwriting Submission

Once the Law Department determines that the project meets the statutory requirements for an Affordable Housing PILOT, DHCD will request additional due diligence, including:

1. CDA form 202 in Excel format with the sources and uses, detailed development budget, and proforma;
2. Letters of commitment for other financing sources, including debt, equity, project-based rental assistance, etc.;
3. An appraisal which includes an estimate of the property taxes absent a PILOT;
4. A sponsor profile;
5. A list of other property's owned;
6. Two years of property audited financial statements if applicable (or two years of tax returns if financial statements are unaudited); and
7. Any other documentation deemed necessary by the Department of Housing and Community Development.
8. HAP Contracts (preservation) or AHAP (new Construction), other Regulatory Agreements or AHAP or Subsidy Layering Letter
9. Two scenarios of Proformas – With or Without PILOT Subsidy
10. Commitment to Comply

Review and Approval Process

PILOT Payment Calculation

Affordable housing PILOTs are typically calculated as a percentage of the “shelter rent”, or the **gross residential rental income net any project-based governmental subsidy and owner-paid utility expenses**. A PILOT payment is always sized to the needs of the project after other sources have been sought and secured and developer fee has been deferred until year 15, but is most commonly calculated at ten percent (10%) of shelter rent per year. The term of a PILOT may be as long as the property remains income restricted.

Typical PILOT Payment = 10% * (Tenant Paid Rent – Owner Paid Utilities)

Review and Approval Process

Underwriting Report

Based on the due diligence reviewed, DHCD prepares an Underwriting Report with their analysis and recommendation to the Affordable Housing PILOT Committee. The DHCD's recommendation is based on the following criteria:

1. Is the project necessary to preserve or create affordable housing?
2. Does the project need the subsidy to proceed?
3. Has the developer actively sought out other sources of funding and subsidy before requesting the City PILOT?

Review and Approval Process

Affordable Housing PILOT Committee

The Department of Housing and Community Development coordinates the Affordable Housing PILOT Committee tasked with vetting requests for Payments in Lieu of Taxes (“PILOTs”) for affordable housing prior to the presentation of these requests to the Board of Estimates. The Affordable Housing PILOT Committee includes representatives from the following offices and departments within Baltimore City government:

1. Department of Housing and Community Development (Coordinator)
2. Department of Finance
3. Office of the Council President
4. Comptroller’s Office/Department of Real Estate
5. Law Department (Nonvoting)

Review and Approval Process

Board of Estimates

If the PILOT Committee is in favor, the request is forwarded to the Department of Finance to introduce to the Board of Estimates at the discretion of the Director of Finance. The following materials are required to proceed to the Board of Estimates:

1. The PILOT Agreement will be finalized and executed, incl Commitment to Comply
2. The legal opinion will be finalized and executed
3. DHCD staff prepares a draft Board of Estimates memo and summary

After the PILOT Committee reviews a project and provides their votes in favor, the BOE approval process can take 6-8 weeks. The PILOT Agreement goes into effect at the time of the Board of Estimates approval, or if being approved in anticipation of a transfer into the eligible ownership structure, goes into effect at the time of the transfer. The approved PILOT Agreement must be provided by the Department of Finance to the Maryland Department of Assessment and Taxation for their acceptance.

Discussion



MAYOR
BRANDON M. SCOTT