

# Mayor's Tax Credit Workgroup

High-Performance  
Newly Constructed  
Tax Credit

July 30, 2024

BM  RE BUDGET



Brandon M. Scott  
Mayor





## Today's Agenda

- **Recap of Last Meeting & Survey Results** (20 mins)
- **Intro to Development Tax Credits** (10 mins)
- **Residential Housing Market Overview** (30 mins)  
*Annie Milli - Live Baltimore*
- **Developer Perspective on Tax Credits** (30 mins)  
*Doug Schmidt - Workshop Development*  
*Chris Mfume - The Civic Group*
- **Newly Constructed Tax Credit** (30 mins)

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 Newly Constructed Tax Credit
- Aug 27 2 Historic (CHAP) Tax Credit
- Sept 26 3 High-Performance Market-Rate Rental Housing Tax Credit
- Oct 22 4 Enterprise Zone (EZ) Tax Credit
- Nov 26 5 Brownfields Tax Credit

# State Homeowners' Tax Credit Recap



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# State Homeowners' Tax Credit Recap

## What I Heard from the Workgroup....

- 1** **Consensus** that we need to reach and enroll eligible households that are likely eligible for the State Homeowners' Tax Credit, especially knowing that all of the cost is borne by the State.
- 2** **Acknowledgment** of the challenge of doing direct outreach to homeowners due to a variety of issues (cost, capacity, trust, etc...) and a need to work through trusted neighborhood leaders and organizations.
- 3** **Interest** in adding Baltimore City's voice to the advocacy effort to make the State Homeowners' Tax Credit more generous, simpler, and more accessible.



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# Workgroup Survey Results All Homeowner Tax Credits



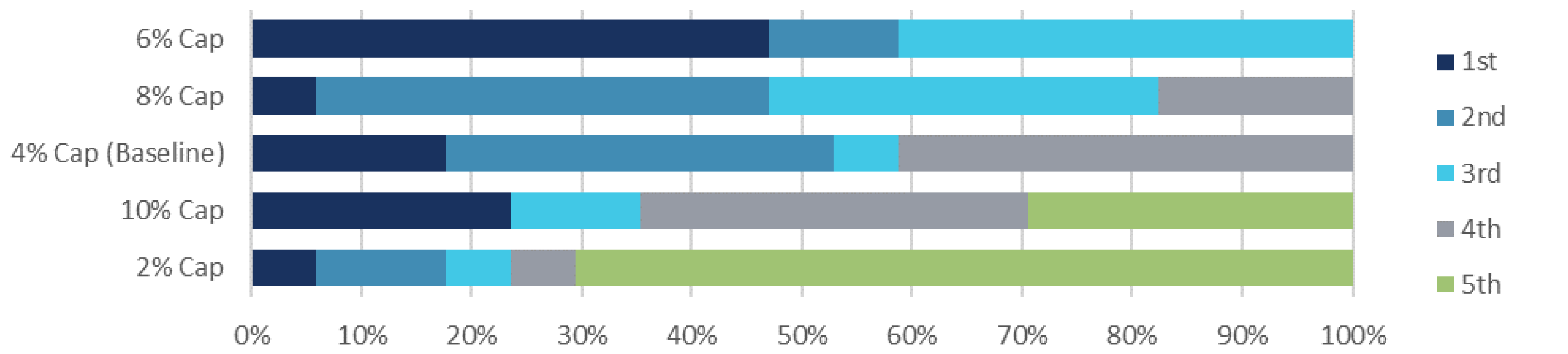
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# Homeowner Protection Credits

Results of Workgroup Survey: Homestead

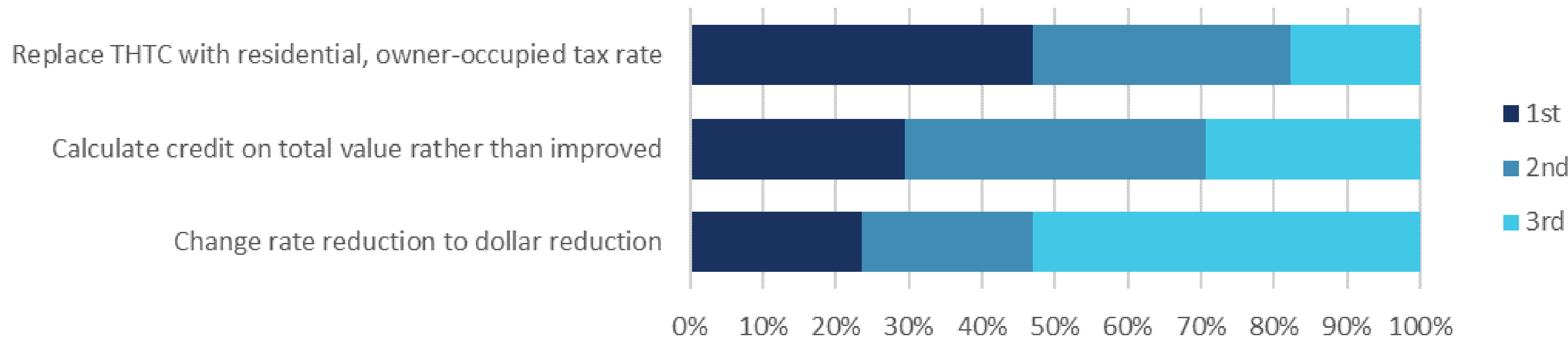
Homestead Cap Ranking Results



# Homeowner Protection Credits

## Results of Workgroup Survey: Targeted Homeowners

Targeted Homeowners Ranking Results

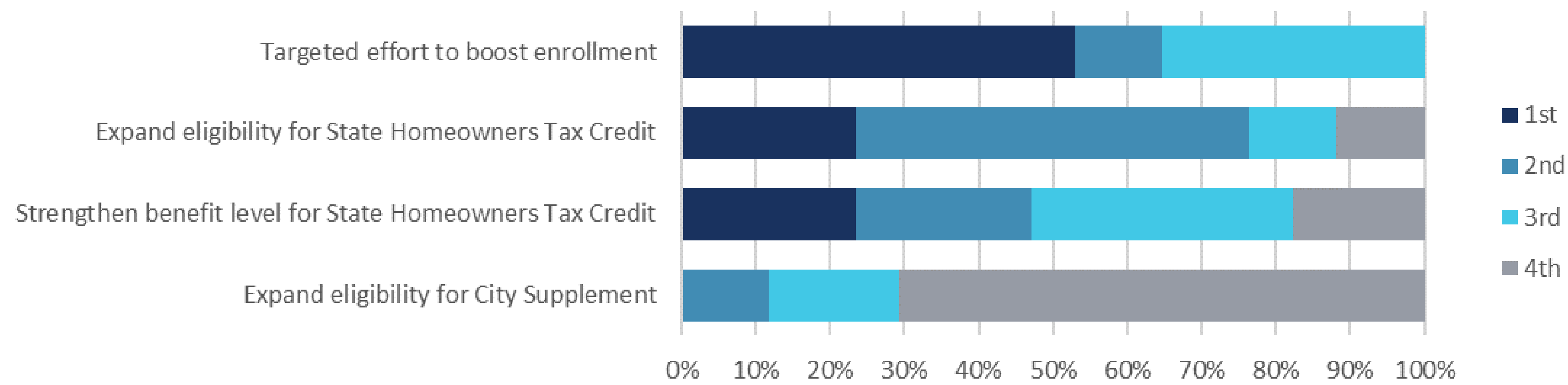




# Homeowner Protection Credits

Results of Workgroup Survey: State Homeowners / City Supplemental

State Homeowners Ranking Results



Development Tax Credits

# Introduction



# Development Tax Credits - Overall Goals



The Workgroup's mission is to recommend the right mix of tax credits that accomplishes the following three goals:

1

**Attracts additional investment to Baltimore City**

*Which in turn:*

2

**Creates sustainable growth in General Fund revenues**

*In a manner that:*

3

**Minimizes the City's cost by providing only the subsidy required to make projects feasible**



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# Development Tax Credits - Purpose

## 1 Newly Constructed

*To incentivize the construction of brand-new residential homes.*

**Residential**

## 2 CHAP (Historic)

*To incentivize the restoration of historic buildings.*

**Residential or  
Commercial**

## 3 High-Performance Market Rate Rental

*To incentivize the construction or conversion to new market-rate apartment buildings.*

**Residential**

## 4 Enterprise Zone (EZ)

*To encourage targeted commercial investment in economically distressed areas.*

**Commercial**

## 5 Brownfields

*To incentivize the re-development of contaminated, abandoned, or under-utilized sites.*

**Residential or  
Commercial**





# Residential Housing Market Overview



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# Developer Perspective on Tax Credits



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## Newly Constructed Tax Credit

1



### ***Background***

Originating Legislation, Qualifications, Maps

2



### ***History***

Historical Trends on Credits Granted and Cost / Revenue

3



### ***Impact on Homeowner Tax Burden***

Sample Properties at Low, Median, High Assessed Values

# Newly Constructed Tax Credit Background



# Newly Constructed Tax Credit

## Recent Development Examples



Locust Point

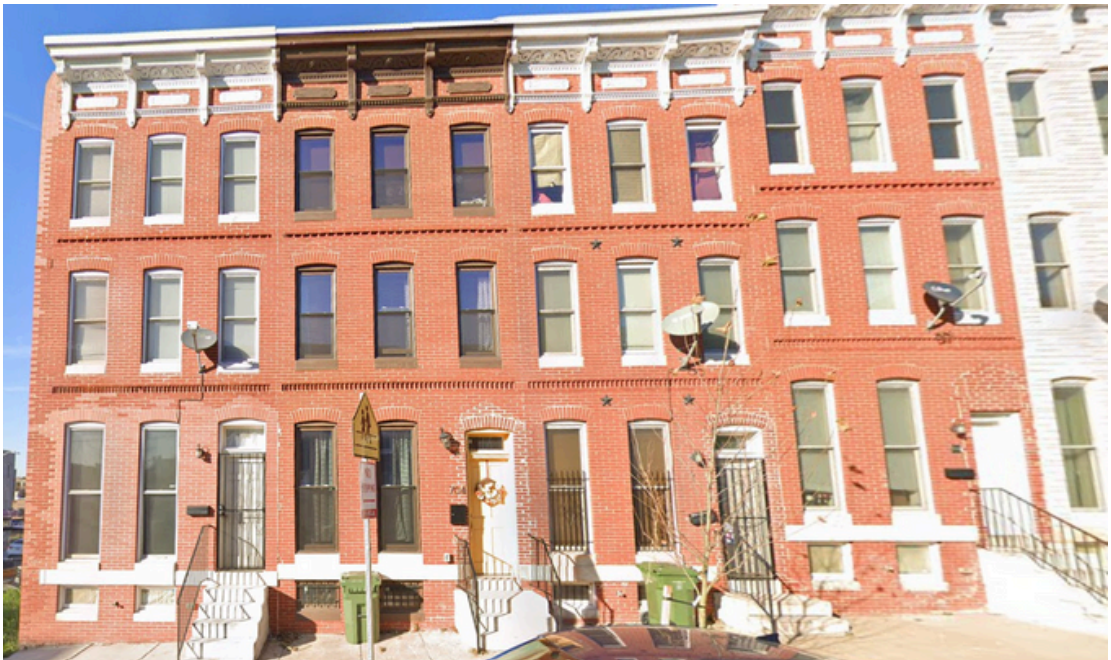


Beechfield

Medfield



Brewer's Hill



Johnston Square



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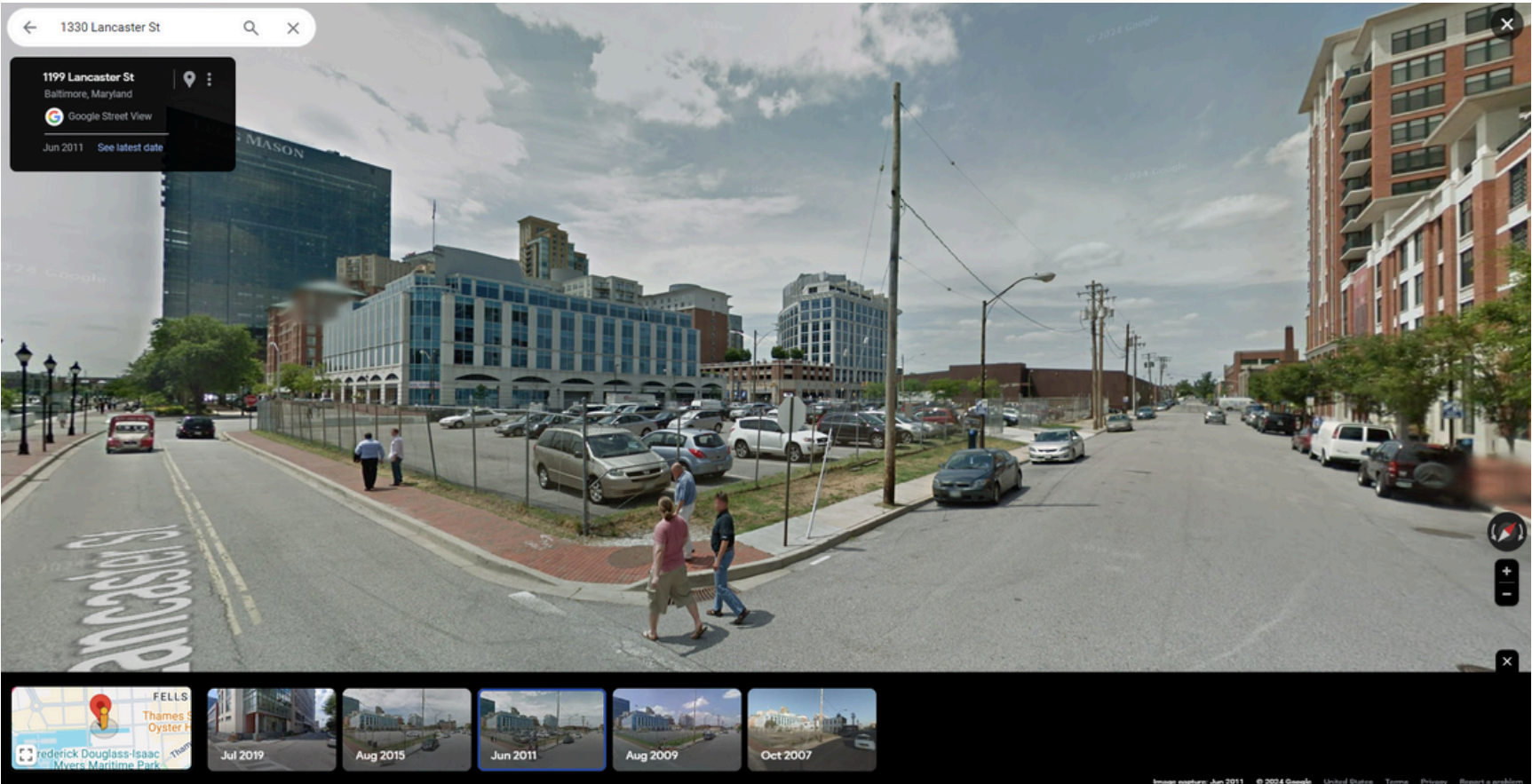


# Newly Constructed Tax Credit

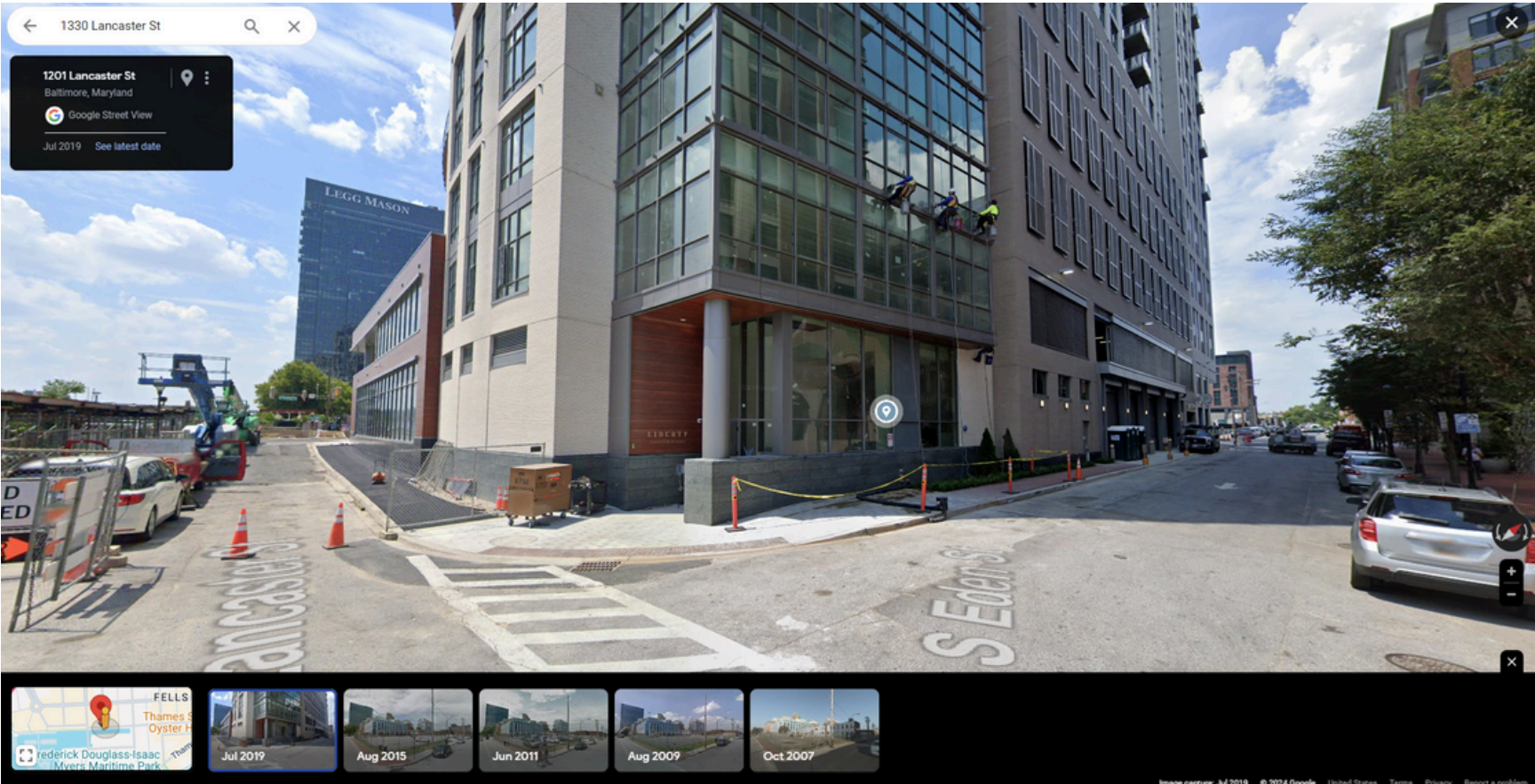
## Recent Development Examples

*Habor East, 1330 Lancaster St*

2011: Parking Lot



2019: Residential Units / Building



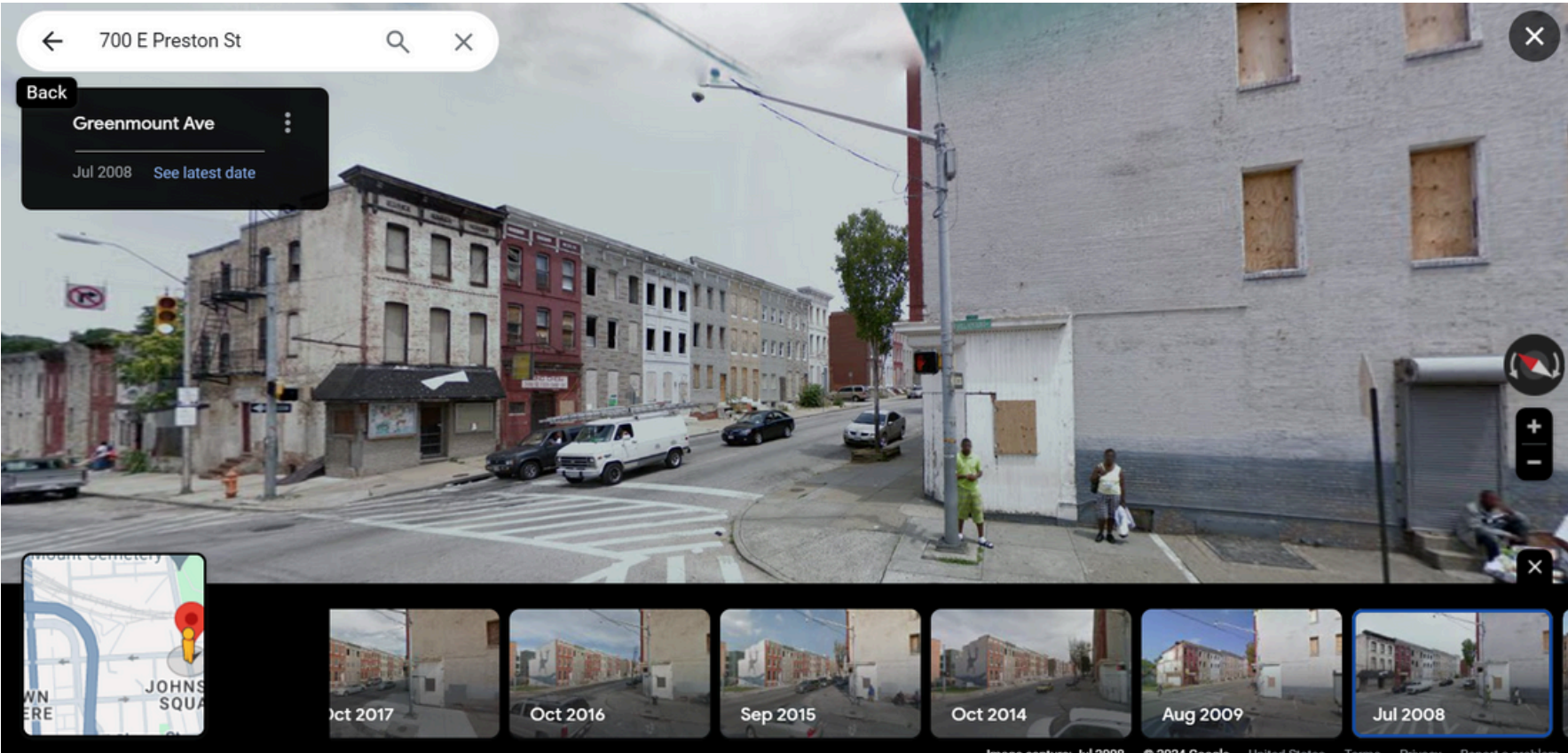


# Newly Constructed Tax Credit

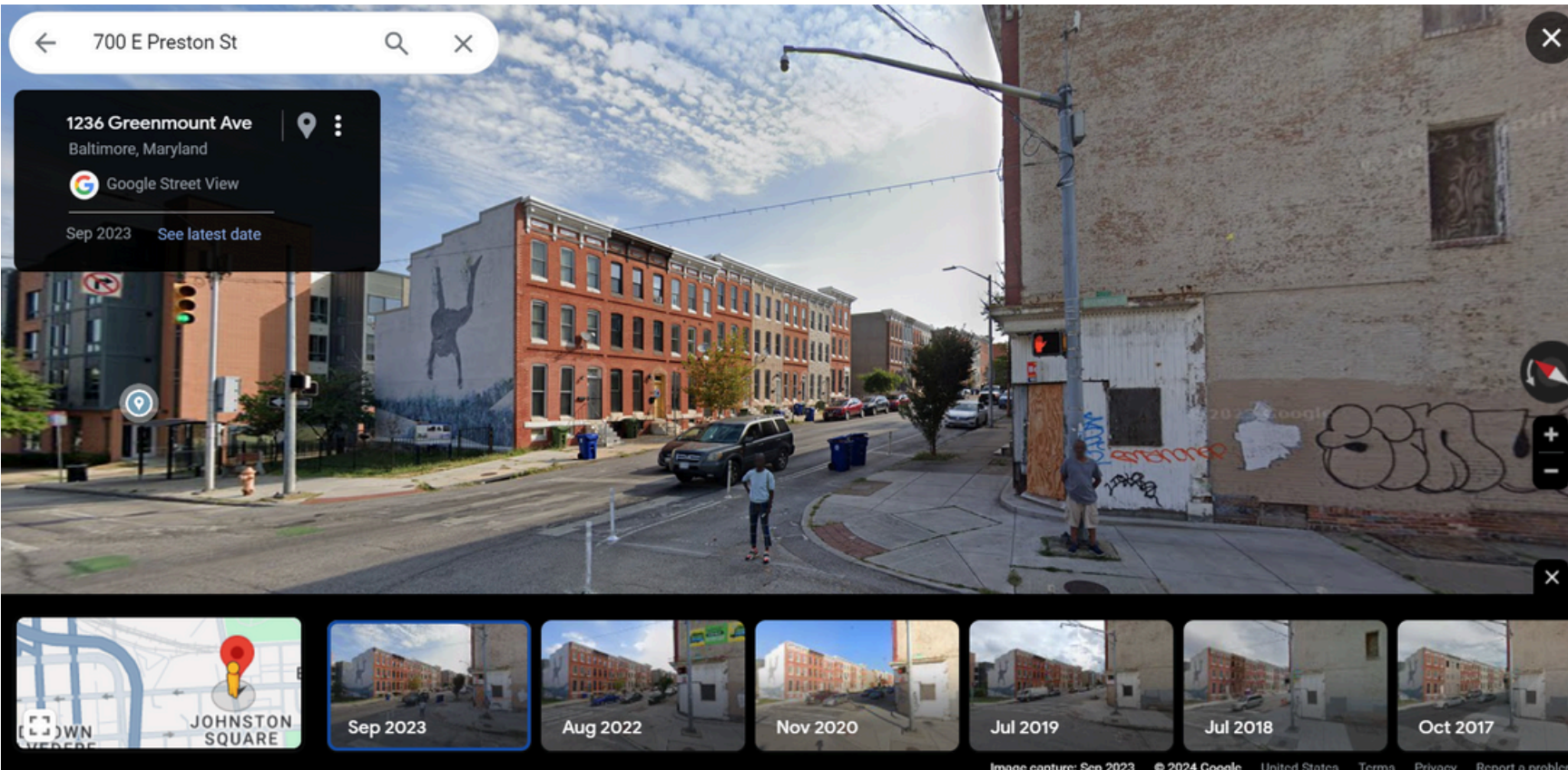
## Recent Development Examples

*Johnston Square, 700 Block of East Preston St*

2008: Vacant Buildings



2023: Rehabbed Buildings + One Demolished





# Legislative History

## **1996** - CITY COUNCIL ORDINANCE 95-464

Original legislation authorizing the Newly Constructed Tax Credit

## **2000, 2005, 2009, 2014** - VARIOUS CITY COUNCIL ORDINANCES

Newly Constructed Tax Credit was re-authorized and extended multiple times until it sunset on June 30, 2019.

## **2019** - CITY COUNCIL ORDINANCE 19-290

Tax credit was re-authorized under the auspices of the “High Performance” section of the State code, and re-named the “High Performance Newly Constructed Tax Credit.” New requirements for green building were added but most other provisions of the tax credit - including qualification, term, and credit amount - remained the same.



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# Newly Constructed Tax Credit - Basics

## 1 Purpose

- To incentivize the construction and purchase of new homes.

## 2 Class of Property

- Must be either a newly constructed dwelling OR a previously vacant dwelling that has been rehabilitated.
- Must meet the “high performance” building standards as set forth in State Tax Property Article 9-242(a) which means a building that:
  - (i) achieves at least a silver rating according to the U.S. Green Building Council’s LEED green building rating system as adopted by the Maryland Green Building Council;
  - (ii) is a residential building that achieves at least a silver rating according to the International Code Council’s 700 National Green Building Standards;
  - (iii) achieves at least a comparable rating according to any other appropriate rating system; or
  - (iv) meets comparable green building guidelines or standards approved by the State.

## 3 Application / Eligibility

- Application must be filed within 90 days of settlement.
- Property owner must occupy the dwelling as his or her principal residence.
- Property owner must file a State income tax return each year to remain eligible.





# Newly Constructed Tax Credit - Calculation

## 1 Term and Amount

- 5-Year Tax Credit
- Year 1 (50%), Year 2 (40%), Year 3 (30%), Year 4 (20%), Year 5 (10%)

## 2 Calculation

- Credit is calculated against the City taxes on the total current assessed value.

## 3 Effect on Other Credits

- Calculation of the NCTC must occur **after** the Homestead Tax Credit and State Homeowners' Tax Credit
- NCTC can be combined with the Brownfields Tax Credit
  - NCTC must occur **before** Brownfields calculation

## 4 Transferability

- The NCTC is not transferable to a new owner.

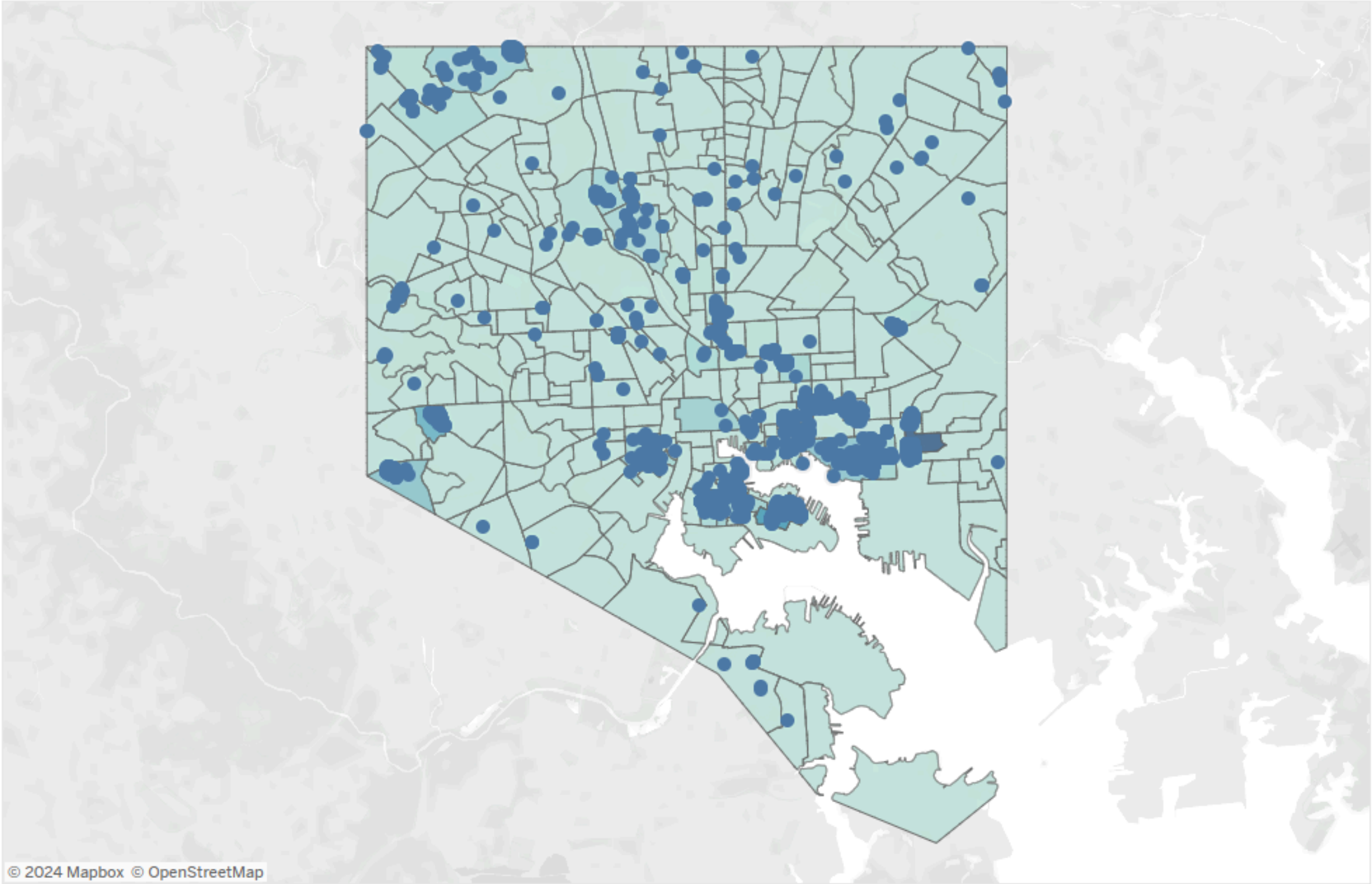




# Newly Constructed Tax Credit

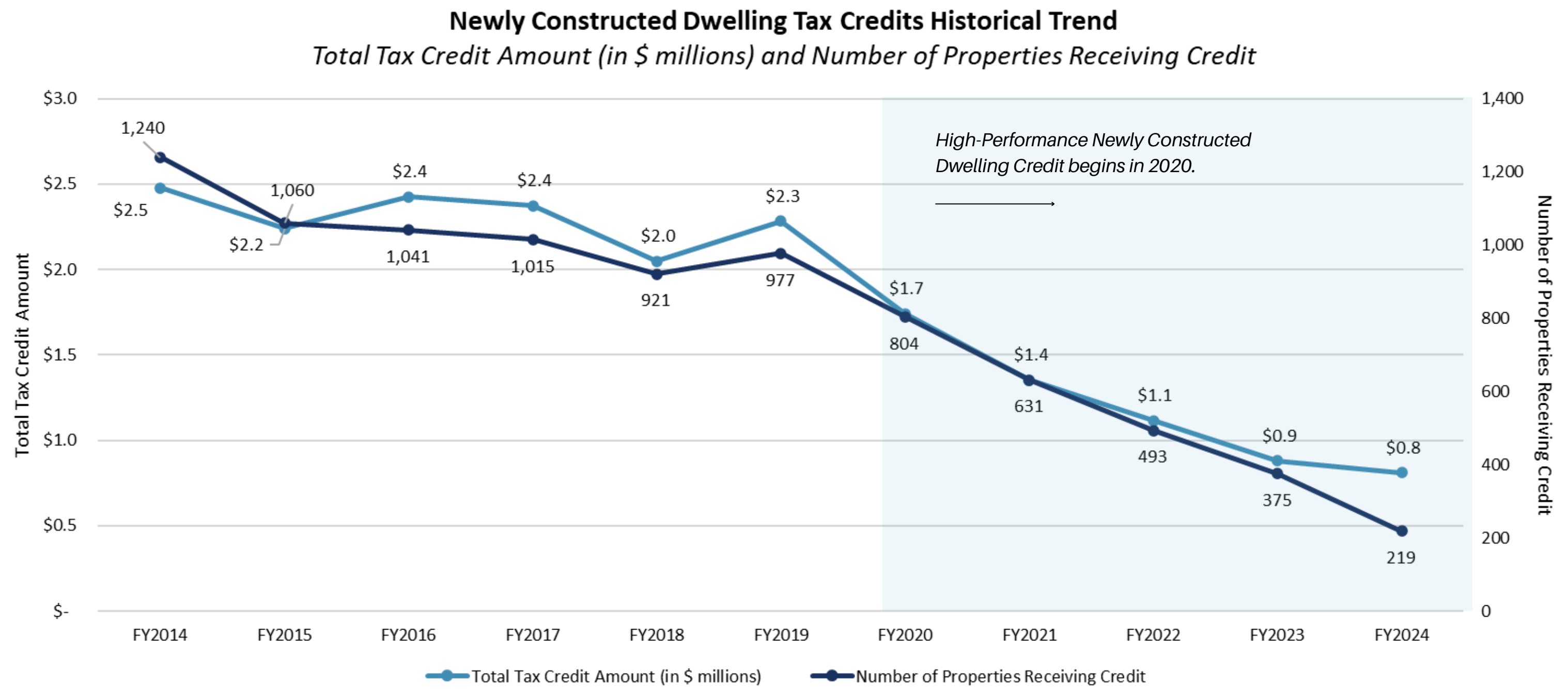
Total Newly Constructed Tax Credit by Neighborhood  
Fiscal 2014 - Fiscal 2025

Neighborhood	Households
Greektown	395
Locust Point	365
Beechfield	147
Uplands	146
Canton	128
Key Highway	125
Riverside	104
Washington Village/Pigtown	88
Downtown	87
Harbor East	71

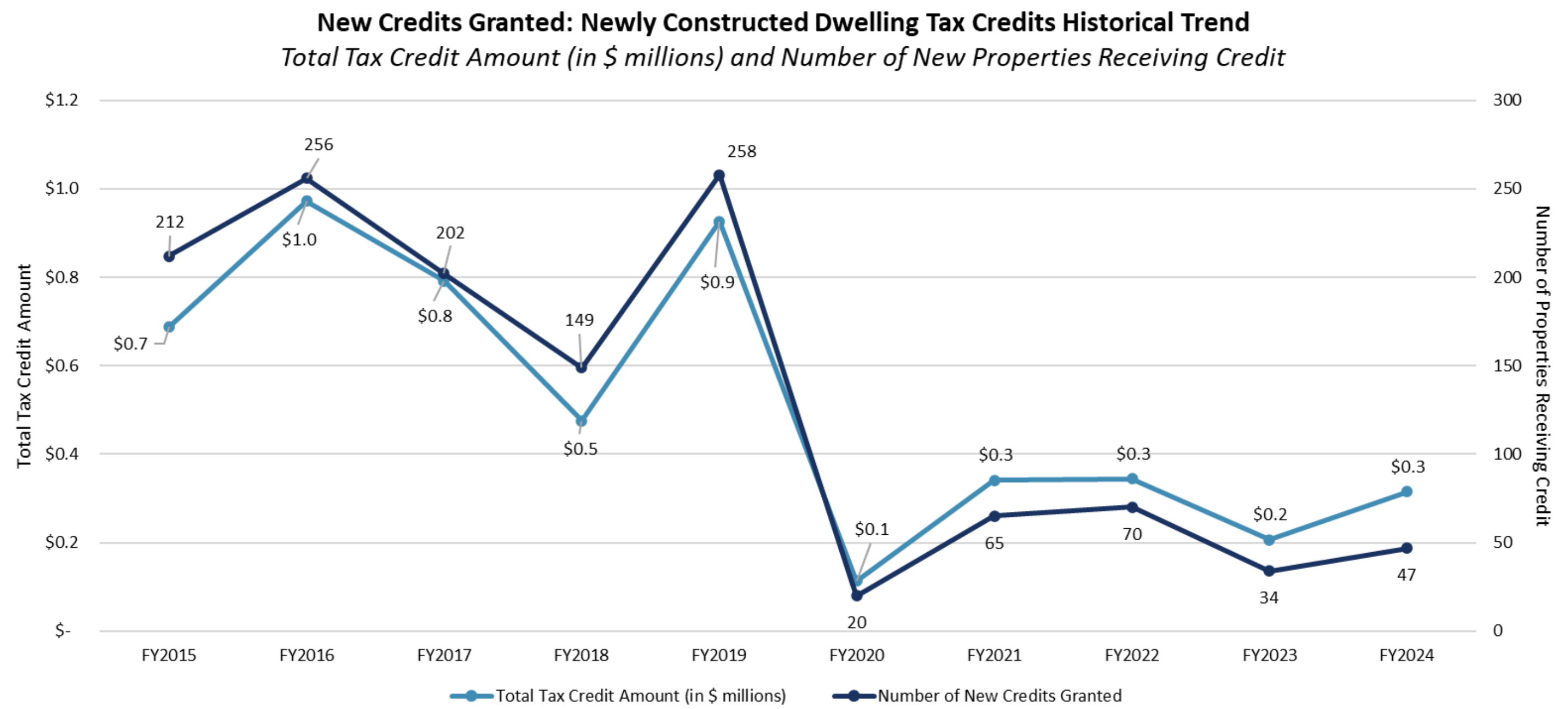


# Newly Constructed Tax Credit History

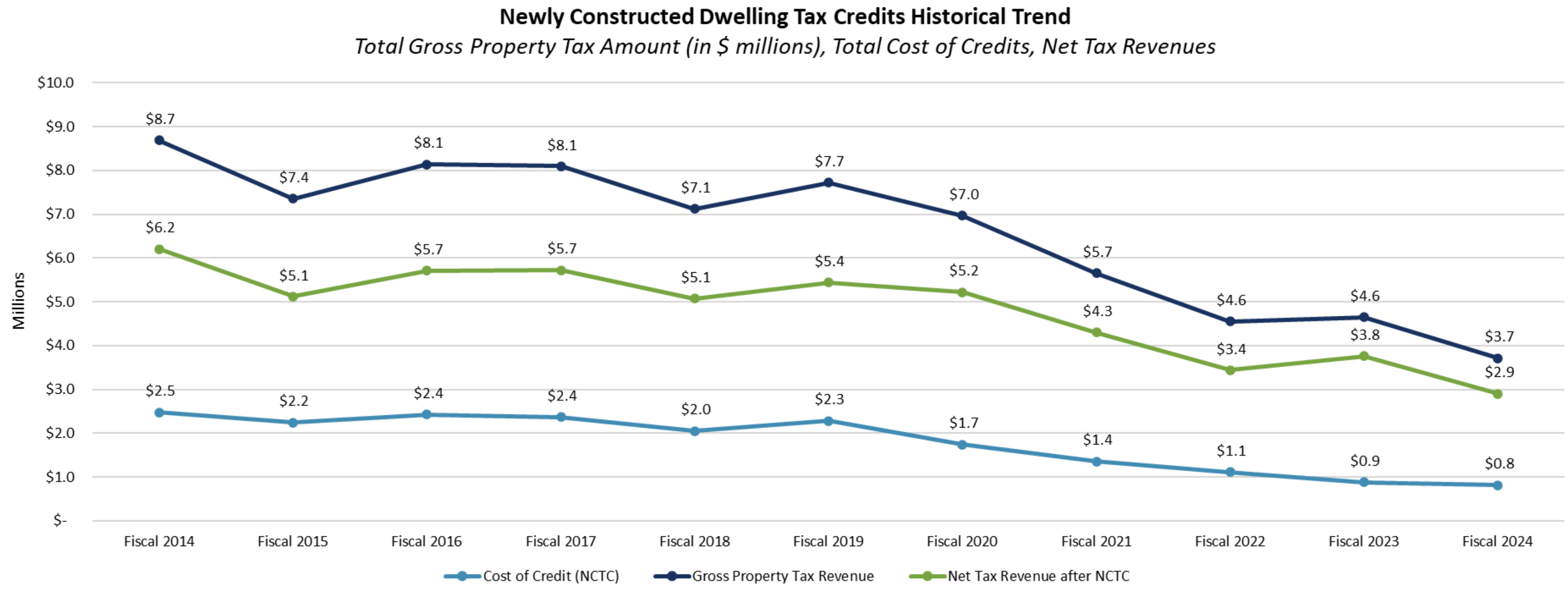
# Historical Trend: Newly Constructed Tax Credit



# Historical Trend: Newly Constructed Tax Credit



# Newly Constructed Tax Credit





Newly Constructed Tax Credit

# Impact on Homeowner

# Newly Constructed Tax Credit

## How does the NC tax credit affect a homeowner's tax burden?



We looked at three properties that currently receive the NCTC:

1

**Lowest Assessed Value (\$200,000)**

**Druid Heights**

*585 Baker Street*

2

**Median Assessed Value (\$373,433)**

**Medfield**

*4301 Medfield Avenue*

3

**Highest Assessed Value (\$3.9 million)**

**Harbor East**

*300 International Drive, Unit 2302*





# Newly Constructed Tax Credit: Examples

1

Lowest Assessed Value (\$200,000)

Druid Heights

585 Baker Street

	Year 1	Year 2	Year 3	Year 4	Year 5
Assessed Value	200,000	200,000	200,000	200,000	200,000
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Property Taxes	4,496	4,496	4,496	4,496	4,496
Credit Percentage	50%	40%	30%	20%	10%
Credit Amount	(2,248)	(1,798)	(1,349)	(899)	(450)
Net Taxes Owed	2,248	2,698	3,147	3,597	4,046





# Newly Constructed Tax Credit: Examples

2

Median Assessed Value (\$373,433)

Medfield

4301 Medfield Avenue

	Year 1	Year 2	Year 3	Year 4	Year 5
Assessed Value	373,433	373,433	373,433	373,433	373,433
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Property Taxes	8,395	8,395	8,395	8,395	8,395
Credit Percentage	50%	40%	30%	20%	10%
Credit Amount	(4,197)	(3,358)	(2,518)	(1,679)	(839)
Net Taxes Owed	4,197	5,037	5,876	6,716	7,555





# Newly Constructed Tax Credit: Examples

3

Highest Assessed Value (\$3.9 million)

Harbor East

300 International Drive, Unit 2302

	Year 1	Year 2	Year 3	Year 4	Year 5
Assessed Value	3,972,900	3,972,900	3,972,900	3,972,900	3,972,900
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Property Taxes	89,311	89,311	89,311	89,311	89,311
Credit Percentage	50%	40%	30%	20%	10%
Credit Amount	(44,655)	(35,724)	(26,793)	(17,862)	(8,931)
Net Taxes Owed	44,655	53,586	62,518	71,449	80,380



# Survey Results from Homeowners Receiving Tax Credit

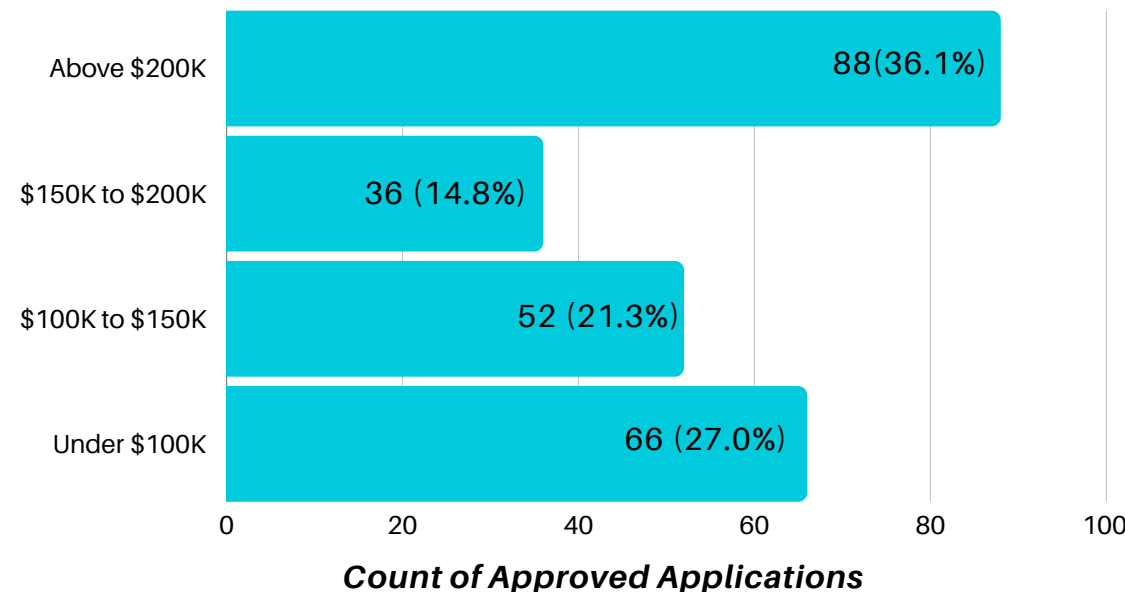
## A Look into Approved Applications (2020 to Present)

### Demographics?

#### Race & Ethnicity?

- White-Not Hispanic (48.0%)
- Black-Not Hispanic (22.5%)
- Asian (14.8%)
- Two or more races (7.4%)
- Hispanic (2.0%)
- Other/Refused (5.3%)

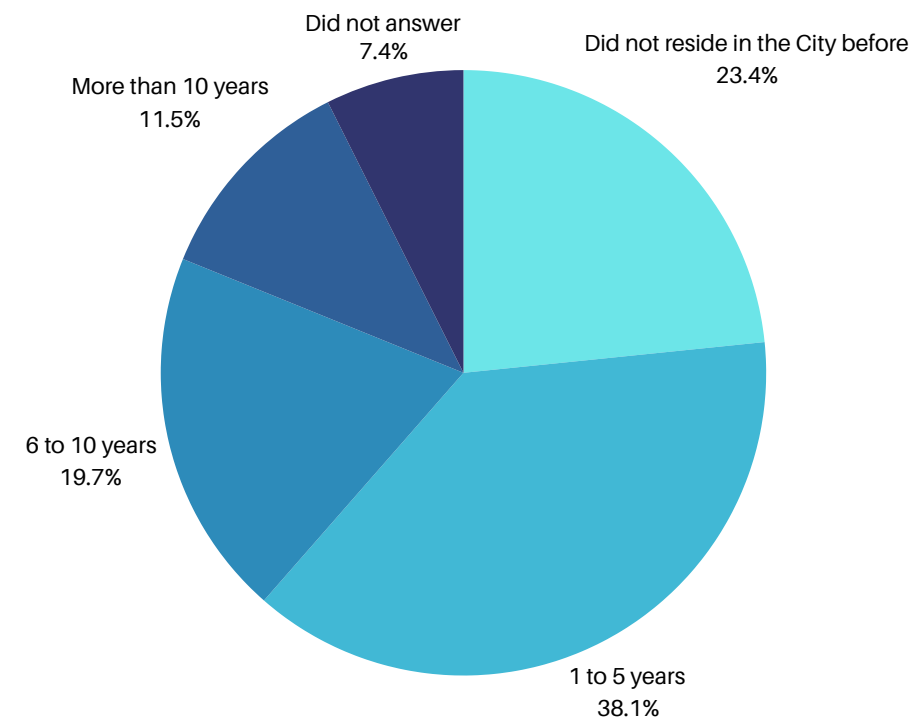
#### Household Income?



### Prior Location?

- Baltimore City (59.4%)
- Other Maryland Counties (22.1%)
- Out of State (18.4%)

#### Years Living in Baltimore City?



#### Living Situation Before?

- Renting (46.7%)
- Owned a property (29.1%)
- Other/No response (24.2%)

#### How did they learn of the Credit?

- Developers (48.8)
- Realtors (29.9%)
- City Agencies, Community Associations, Internet & Others (21.3%)

#### Top reasons for moving?

- Better lot / yard size (36.5%)
- Work (36.5%)
- Closer to family/friends (25.0%)
- Lower crime rate (20.5%)

*Since the inception of the HPNC Tax Credit, there have only been 5 rehabbed vacant buildings out of 244 properties receiving the credit (from 2020 to 2024). All other credits granted have been for new builds.*



# Newly Constructed Tax Credit

## Comparing a Sale Both With and Without the Tax Credit



	No Tax Credit	With Tax Credit
Purchase Price	400,000	454,000
Down Payment	80,000	80,000
Loan Amount	320,000	374,000
Mortgage Payment	1,919	2,242
City Tax	749	850
Tax Credit	0	(425)
Net Tax Liability	749	425
Monthly Payment	2,668	2,667



### From the buyer's perspective:

- Buyers are often focused on what size monthly payment they can afford.
- Tax credits reduce the tax portion of the monthly payment, making it more likely that a buyer will take on more mortgage costs (and thus a higher sales price).

### From the developer's perspective:

- Developers are often focused on the final sale price.
- Tax credits boost sales prices, making it less risky for the developer and more likely that they can turn a profit on a project.





# Wrap-Up

