

XHB765_DHCD_SUPPORT.pdf

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Position: FAV

DATE: March 26, 2024
BILL NO.: House Bill 765
TITLE: Property Tax – Credit for Hotel or Residential Development Projects
COMMITTEE: Senate Budget and Taxation Committee

Letter of Support

Description of Bill:

House Bill 765, as amended in the House, would authorize local jurisdictions to issue property tax credits for hotels and residential developments that meet minimum affordability requirements. Specifically, the bill would allow counties and municipalities to grant tax credits for construction or revitalization/rehabilitation of hotel development projects that substantially increase the assessed value of the property and, for residential projects with at least 20 units, comprise at least 15% units affordable to households earning less than 80% of the area median income. The governing bodies of local jurisdictions would be allowed to determine the amount, duration, eligibility requirements, and application procedures for the tax credits.

Background and Analysis:

Current law enables Wicomico County and the municipalities within it to issue a version of this type of property tax credit. Both Wicomico County and the City of Salisbury quickly enacted local property tax credit legislation in response to being granted this authority in 2021, and a number of developers of in-progress and planned projects have already applied for the credits. One of these is the 101-unit project The Ross in downtown Salisbury, which opened to residents in Fall 2023. Expanding this authority to local jurisdictions statewide will give county and municipal governments a valuable tool for incentivizing economic and residential development, including affordable housing. The state of Maryland has a housing shortage of 96,000 units. Local government property tax incentives are an important tool for housing development, as they can tip the balance sheet in favor of projects that are otherwise unviable. In turn, new housing development increases the jurisdiction's taxable base, land values, and property tax revenues. Granting local jurisdictions this tax credit authority would help address Maryland's housing shortage without placing a major burden on either local or state coffers.

DHCD Position:

The Department of Housing and Community Development respectfully requests a **favorable** report on HB 765, as amended in the House.

HB0765-BT_MACo_SUP.pdf

Uploaded by: Kevin Kinnally

Position: FAV



House Bill 765

Property Tax - Credit for Hotel or Residential Development Projects

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: March 26, 2024

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 765. This bill aims to incentivize economic development and increase affordable housing stock by enabling local governments to enact a property tax credit for specified hotel and residential development projects.

MACo generally supports legislation that provides broad authority to enact tax incentives for revitalization and tax relief purposes and welcomes the opportunity to work with state policymakers to develop flexible and optional tools to create broad or targeted tax incentives. Counties prefer the approach offered by HB 765, as it provides local autonomy to determine the best way to provide these incentives, rather than those that mandate reductions in local revenue sources.

The bill authorizes local governments to grant a property tax credit for a hotel and residential development project that is newly constructed or involves substantial rehabilitation or revitalization of existing structures, and the project substantially increases the assessed value of the property. In addition, if the development includes more than twenty residential units, at least fifteen percent of all residential units must be affordable for households earning less than eighty percent of the area's median income.

Furthermore, the bill authorizes local governments to provide, by law, for the duration of the credit, the maximum assessed value of a dwelling that is eligible for the credit and, if necessary, any additional eligibility criteria. This will allow each jurisdiction that enacts the credit to tailor it to their community needs. Additionally, it gives each county broad discretion to determine how much revenue it is willing to forego to provide the desirable benefits enabled by the bill.

HB 765 ensures local governments have flexibility in enacting policies designed to serve and react to community needs. Accordingly, MACo urges the Committee to issue a **FAVORABLE** report for HB 765.