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DATE: February 20, 2024
BILL NO.: House Bill 765
TITLE: Property Tax – Credit for Hotel or Residential Development Projects
COMMITTEE: House Ways and Means Committee

Letter of Support

Description of Bill:

House Bill 765 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 development projects that substantially increase the assessed value of the property and, for projects that include more than 20 residential 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.

