

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 827

(Senator McFadden)

Budget and Taxation

Ways and Means

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**Baltimore City - Property Tax Exemption - Affordable and Inclusionary Housing**

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This bill authorizes Baltimore City government to grant a property tax exemption or partial exemption for qualified residential developments that provide affordable housing and to establish a Payment in Lieu of Taxes (PILOT) program for these developments. The bill limits the amount of foregone property tax revenues under the PILOT program to \$2.0 million per year.

The bill takes effect June 1, 2007 and applies to all taxable years beginning after June 30, 2007. The bill terminates June 30, 2010.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Baltimore City property tax revenues could decrease by up to \$2 million annually in FY 2008. City expenditures would not be affected.

**Small Business Effect:** Potential meaningful. Small businesses that own qualifying developments could realize a reduction in city property taxes.

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**Analysis**

**Bill Summary:** The bill applies to the redevelopment of 30 or more residential rental units or new construction or conversion of a nonresidential building into 30 or more residential rental units, with at least 10% of the units having affordable rent to a household earning 60% or less of the area median income. For new construction or

conversion of a nonresidential building, at least \$10 million in private capital investment must be made as either equity or debt; no site plan may be approved prior to June 30, 2007.

Affordable rent is defined as not more than 30% of the household's income. The area median income is the published and annually updated figure by the U.S. Department of Housing and Urban Development.

A redevelopment project or new residential rental development project qualifies for a property tax exemption, or partial exemption if • the property is determined to be a qualified development; • the owners satisfy a specified financial review; and • the owner and Baltimore City enter into agreement for a PILOT program which is not less than 75% of the taxes which would be due if the property was taxable.

The PILOT agreement may not initially exceed 10 years and cannot be renewed for subsequent terms of more than 10 years. The city may not grant in excess of \$2 million in property tax loss for exemptions for qualified projects per year.

Baltimore City government is authorized to provide for • the criteria to be met for a project to be considered a redevelopment project; • additional limitations, criteria, and regulations regarding qualifying developments authorized to enter into an agreement for payment in lieu of taxes; • additional procedures and requirements regarding the amount and duration of the payment in lieu of taxes agreement; • regulations and procedures for the application and uniform processing of the tax exemptions and PILOT agreements; and • any other provision necessary to carry out the provisions of the bill.

**Current Law:** Baltimore City is not authorized to establish a PILOT program for specified residential developments. The Baltimore City real property tax rate is \$2.288 per \$100 of assessment.

**Local Fiscal Effect:** Baltimore City property tax revenues could decrease by up to \$2.0 million beginning in fiscal 2008 depending on the number of qualifying redevelopment and new residential rental development projects that are exempt from the city property tax, the assessed value of the developments, and the amount of foregone property tax revenues resulting from the PILOT program.

The State Department of Assessments and Taxation indicates there are 1,818 improved properties classified as apartments in Baltimore City, with a fiscal 2007 total assessment of \$1.3 billion.

## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 813 (Delegate Rosenberg, *et al.*) – Ways and Means.

**Information Source(s):** State Department of Assessments and Taxation, Baltimore City,  
Department of Legislative Services

**Fiscal Note History:** First Reader - March 7, 2007  
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